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Earnings Call

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Presentation

Operator

Good afternoon. My name is Jeannie, and I will be your conference operator today. At this time, I would like to welcome everyone to the CleanSpark Fiscal Year Third Quarter 2025 Earnings Conference Call. [Operator Instructions] Thank you.

Harry, you may begin your conference.

Harry E. Sudock
Senior Vice President

Thanks, Jeannie, and thank you for joining us today for the Third Quarter Fiscal Year Financial Results for CleanSpark, America's Bitcoin Miner, covering the period April 1, 2025, through June 30, 2025. Our press release was issued about 30 minutes ago and is available on our website at www.CleanSpark.com. Additionally, the 10-Q will be filed shortly. Today's call is also being webcast, and a replay and transcript will be available on our website.

On the call with me are: Zach Bradford, our Chief Executive Officer; and Gary Vecchiarelli, our Chief Financial Officer. Keep in mind that some of the statements we make today are forward-looking and based on our best view of the world and our business as we see them today. The statements and information provided remains subject to the risk factors disclosed in our most recently filed annual report and 10-Q.

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

And with that, it's my pleasure to turn the call over to Zach.

Zachary Bradford

Thanks, Harry, and good afternoon. I'm pleased to welcome you to our call reviewing CleanSpark's fiscal third quarter 2025 performance. This quarter was our most successful to-date across a multitude of metrics and reaffirms the strength of our strategy. The stage is set for continued growth, supported by world-class operations, a strong balance sheet and supportive macro and policy tailwinds.

While sustained Bitcoin strength was a contributing factor, our performance is grounded in strategic discipline and the tireless efforts of our entire team. Behind our record-setting revenue and earnings per share of \$0.90 is billions of dollars of investments across 4 states, over 1 gigawatt of contracted power and at today's price, approximately \$1.5 billion worth of Bitcoin.

As America's Bitcoin miner, we operate with high standards and set aggressive yet achievable targets. Our achievement of 50 exahash of operational hash rate was a key contributor to our outstanding results and a milestone made possible only through disciplined execution.

Our third quarter revenue was nearly \$200 million, up 94% compared to the same period last year and more than 9% over our prior quarter. We achieved earnings per basic share of \$0.90, thanks to healthy gross margins of 54.6%. Importantly, we produced 2,012 Bitcoin and our treasury grew in value to approximately \$1.08 billion by the end of the quarter, an increase of more than \$100 million since last quarter. This was driven by both production and Bitcoin price appreciation, all while self-funding operations, further validating our prudent accumulation strategy.

Our total Bitcoin in treasury stood at 12,608 at the close of the quarter, demonstrating our escape velocity, allowing us to scale without relying on a single share of equity funding since early November 2024. June 30 marked the highest quarterly close for Bitcoin in its history, driven by global adoption, rising institutional investment and the maturation of the asset class.

Additionally, we remain the only large-scale holder to have mined every Bitcoin we hold in treasury. We do this because we can generate Bitcoin below spot market rates. Our cost per Bitcoin in the third quarter was \$44,806, which was far below the average spot price of approximately \$98,500 during the same period.

Turning to our fully self-operated infrastructure. Our team met our 50 exahash target on June 24. We were the first publicly-traded company to reach that milestone exclusively with American infrastructure. Our fleet's average power efficiency was just over 16 joules per terahash at quarter's end, and we have continued to improve that figure. This further cements our fleet as one of the most efficient in the world. When our scale and fleet efficiency are paired with our flexible operating model, this enables us to manage towards profitability, not arbitrary power costs.

Our fully contracted power portfolio comprises over 1 gigawatt. Importantly, we are currently utilizing about 80% of that total, leaving over 200 megawatts available for immediate expansion. In fiscal third quarter, our all-in cost per kilowatt hour was \$0.056, nearly \$0.005 lower than in the second quarter. This decrease reflects an easing of seasonal power prices as we transition from winter to spring. We also energized additional sites in our power portfolio, further improving our average power cost and demonstrating the benefits of our diversified and flexible energy strategy.

Just as our fleet efficiencies improved over time, our goal remains to reduce power costs across the portfolio and growth pipeline, always with an eye towards profitability. As I mentioned, we reached 50 exahash in June, a major milestone in the history of our company. It reflects years of focused strategy, disciplined execution and a relentless commitment to doing things the CleanSpark way.

This growth wasn't accidental. It's the result of building and operating our own infrastructure from the ground up, giving us the control, resilience and scalability to lead the industry. But we have never pursued growth for its own sake. Every new megawatt and every additional exahash has been developed with the intention of delivering long-term shareholder value and advancing our vision of becoming the global leader in Bitcoin mining, built, owned and operated in rural America.

Consider the speed at which we achieve this goal. At the end of fiscal 2024, our operational hash rate stood at 27.6 exahash. In just 9 months, we nearly doubled that figure to 50, while improving fleet efficiency and the overall operational performance.

Here's how we did it. Tennessee became our second largest source of hash rates, thanks to 2 acquisitions and a 60-megawatt greenfield development. It was the fastest state-level ramp-up in our history. Our growth in the state demonstrates our land and expand strategy in action. We also launched 2 sites in Wyoming, a state with low-cost, reliable energy and supportive leadership at the local, state and federal levels. Leaders who understand the value of our business can deliver to their communities.

While our operations in Wyoming are currently smaller than Georgia and Tennessee, we have the opportunity to evaluate hundreds of additional megawatts in the region. We also continue to optimize and expand our operations in Mississippi and Georgia, with Georgia contributing significantly to reaching our 50 exahash milestone.

I want to take the time to spotlight an example of rapid execution. We closed on a new plot of land in rural Georgia in mid-May. And just 5 weeks later, we had immersion-cooled mining live and hashing at the site. That kind of speed to revenue is made possible by tight collaboration across our construction, deployment, operations and growth teams. This project exemplifies our relentless focus on speed to revenue. This is just one example of how we set the industry standard every day and embody the values and mission of CleanSpark. This is CleanSpark at its best, disciplined, fast and unified.

Our team is our greatest asset. And when they execute our battle-tested playbook, we're nearly unstoppable. Looking forward, we will apply our years of experience to drive our next phase of mining and power expansion. As we shared on our last call, we moved away from time-based exahash guidance. Instead, we're focused on capturing a greater share of global hash rate as a key metric, which we believe is a more meaningful measure of our market competitiveness.

At the end of fiscal 2024, we held 4.3% of global hash rate with 27.6 exahash. When we hit 50 in June, our share rose to 5.6%, reflecting our ability to outpace the broader mining landscape and earn more Bitcoin over time. And we are not slowing down. We are taking steps to rapidly deliver an additional 10 exahash of operational hash rate on a cost-effective time line. All miners required for this growth have already been secured, nearly half of the necessary infrastructure is in place, and we are finalizing plans for the remainder. At today's difficulty, this expansion would represent approximately a 1% increase in global hash rate, further expanding our competitive position and demonstrating continued execution at scale.

Now a core tenet of Bitcoin is its decentralized nature. Mining is broadly distributed by design, ensuring no single participant dominates the network's hash rate. With 5.8% global hash rate of 50 exahash, CleanSpark is amongst the largest miners in the world, an excellent position for us and a healthy signal for the Bitcoin ecosystem overall. We have ample room to grow while remaining responsibly sized within the decentralized landscape.

The scarcity of Bitcoin is also by design, and there are a limited amount of Bitcoin available to miners each day. This is why we are laser-focused on responsibly delivering the proof of work required to grow our share of the network, supporting the world's hardest money on behalf of our shareholders.

We have multiple proven pathways to capture additional market share, develop new power pipeline capacity to expand our infrastructure portfolio, optimize our mining fleet to extract more hash rate from existing resources, build new sites through greenfield development and acquire capacity through opportunistic M&A. These strategies are not theoretical. We have executed each of them at scale. Together, they form the foundation of our growth playbook as we continue driving long-term value.

We have consistently focused on being the best pure-play vertically-integrated Bitcoin mining company in the industry by design. While alternative compute models like AI and HPC have drawn attention, repurposing a mining infrastructure for these applications is far more complex than it may appear. Operators must navigate higher capital intensity, customer uncertainty and a rapidly evolving hardware environment that can threaten project ROI.

By contrast, Bitcoin mining remains a proven and scalable business model, especially in today's constructive market environment that we have optimized unlike any other company. Thanks to this focus, CleanSpark stands apart as the only large-scale pure-play Bitcoin miner with wholly self-operated infrastructure, a position earned through deliberate strategy, not rigid ideology.

We have followed this course because up to this point, we have determined that our power contracts and land assets are being put to their optimal use in our mining operations. That said, we have always understood that power has value, no matter how it's used. We have always viewed our real estate portfolio, power contracts and geographic positioning as assets that hold significant value independent of their utilization for Bitcoin mining.

Some sites both in our current operational footprint and in our pipeline have potential alternative value through other use cases. To that extent -- to the extent that certain sites due to location, infrastructure or proximity to metro centers can return superior value, we remain flexible and open to evaluating monetization options that enhance shareholder value.

Today, CleanSpark has a significant power pipeline that can fuel continued growth. We are currently evaluating approximately 1.2 gigawatts of potential near-term power opportunities, primarily in areas where we have already operate or with proven partners we have successfully scaled with in the past. The value proposition for utilities in these areas is clear. In tight power markets, flexible customers like us help balance demand and improve grid resiliency.

In addition to our near-term pipeline, we are also exploring an additional 1.7 gigawatts of long-term power opportunities. These longer horizon projects would require utility-level infrastructure investments. This layered pipeline ensures we have a long-term access to scalable, low-cost power and gives us the opportunity to execute with precision, speed and capital efficiency when the time is right.

As our pipeline moves from evaluation to project implementation, we will execute our growth plans to best utilize these opportunities to continue delivering operational excellence at every point of the growth cycle.

Our track record speaks for itself. We know how and when to pull the trigger on high-return opportunities. This discipline allows us to grow with speed and efficiency while keeping capital stewardship at the heart of every decision.

The good news for us and for the broader Bitcoin ecosystem is that we are now enjoying significant regulatory tailwinds, both in Washington, D.C. and in state capitals across the country. On July 18, I was honored to attend a White House ceremony where President Trump signed the GENIUS Act into law. This legislation championed in the U.S. Senate by Senator Bill Hagerty of Tennessee, establishes a clear regulatory framework for U.S. dollar-backed stablecoins. That clarity is expected to drive increased demand for both U.S. treasuries and Bitcoin.

Earlier that same week, the U.S. House of Representatives passed another milestone bill, the Clarity Act. This bipartisan legislation would establish a comprehensive federal framework for non-stablecoin digital assets like Bitcoin. It further solidifies Bitcoin's treatment as a commodity, potentially unlocking trillions in capital flows and paving the way for deeper integration with mainstream financial markets.

Beyond Washington, momentum is building at the state level as well. Senator Cynthia Lummis of Wyoming continues to be one of our industry's strongest champions, advocating for the creation of a federal strategic Bitcoin reserve. Both Texas and New Hampshire have already taken steps to establish similar reserves at the state level. And just today, we saw a new executive order on the President's desk making Bitcoin a qualified asset in 401(k) accounts. Together, these developments reflect the growing recognition of Bitcoin's role in U.S. innovation, energy policy and monetary resilience, and they represent real tailwinds for CleanSpark's continued growth.

Progress in this sector isn't limited to Washington. Wall Street and capital markets are increasingly providing tailwinds for Bitcoin adoption. One emerging trend we're watching closely is the rise of Bitcoin treasury companies, public companies that accumulate Bitcoin on the balance sheet for direct purchases rather than production. These entities represent a growing cohort of capital activity competing for a scarce resource and their participation is helping drive spot prices higher. As this dynamic unfolds, CleanSpark's business model becomes even more valuable.

We generate Bitcoin below market rates through our mining operations. And unlike treasury companies, we don't have to compete for coins in the open market. We produce them ourselves efficiently at lower cost than spot prices and at scale. In a market where the race to accumulate Bitcoin is accelerating, we believe that mining remains the most strategic and scalable path to long-term value.

And Bitcoin is not a passive asset on our balance sheet. We have a dedicated digital asset management team operating an institutional-grade trading desk to support our operations and generate responsible risk-adjusted yield. Since inception, our approach has been measured and disciplined. In late May, the team executed our first derivatives trade.

June marked the first full month of trading activity, and we treated it as a proof of concept focused on execution quality, counterparty betting and operational security. This crawl, walk, run approach is designed to build a sustainable strategy that responsibly harnesses Bitcoin's natural volatility while preserving our capital and protecting shareholder value. While the program is still in its early stages, I'm pleased to report that our initial results were strong and aligned with our expectations. We will measure success over quarters and cycles, not single month, while maintaining tight feedback loops to ensure continuous learning and improvement.

Before I hand the call over to Gary, I want to highlight a few foundational concepts that continue to drive our performance and define who we are. Our 4 strategic pillars, energy, Bitcoin, operational excellence and capital stewardship anchor everything we do. We focus on the KPIs that matter most, percentage of global hash rate, operational hash rate, fleet efficiency, marginal cost to mine, uptime and Bitcoin and treasury. These are the real drivers of scale, performance and long-term business health.

We call this disciplined approach the CleanSpark Way, which is executed through the everyday grit of our team. It's more than a philosophy. It's embedded in how we work and how we win. This quarter,

that combination of strategy, execution and culture came together to deliver record-setting results, our strongest quarter in company history.

I want to thank every member of our team for embracing this vision and driving CleanSpark to its position as the leading publicly traded Bitcoin miner in the world.

With that, I'll now turn the call over to our CFO, Gary Vecchiarelli, for a closer look at the financials. Gary, over to you.

Gary A. Vecchiarelli
Chief Financial Officer

Thank you, Zach. As we've mentioned, our fiscal third quarter was record-setting in so many ways. But as we dive into the numbers, please keep in mind that our success this quarter has been the logical result of our focus on bringing traditional bottom line business discipline to one of the newest and most innovative industries in the world.

Our revenues for the third quarter were approximately \$199 million, an increase of \$95 million or 91% over the same quarter last year. We produced 2,012 Bitcoin for the quarter, 436 more than the same quarter last year or an increase of 28%. Notably, this was also a few Bitcoins shy of our all-time high production of 2,031 Bitcoin in fiscal Q2 '24, which immediately preceded the halving event. This is representative of the significant growth we've achieved in a short 15-month time frame and especially impressive given the impact of the mid-April 2024 halving.

Our average revenue recognized per Bitcoin produced in Q3 was approximately \$99,000 each, which is an increase of approximately \$33,000 or 50% over the same quarter last year. Looking at our margins, our gross profit increased by approximately \$50 million year-over-year with a profit margin of 55% for this quarter. When compared to the immediately preceding second quarter, our gross profit increased \$12 million or 13% during the period. This quarter's increase in gross profit was primarily due to the combination of greater Bitcoin production at higher Bitcoin prices and lower energy costs, significantly outpacing difficulty.

This quarter, we recognized net income of approximately \$257 million. Our adjusted EBITDA was \$378 million for the quarter. On a normalized basis, when taking out noncash items, it was \$78 million, which represents the cash generated from our mining operations net all cash expenses.

Notably, our marginal cost per coin was \$44,806, which represents an increase of only 5% over the immediately preceding second quarter. The slight increase in our marginal cost per coin is primarily attributed to an increase in mining difficulty. However, it is important to note that we have made investments in acquiring and maintaining one of the world's most efficient mining fleets, for which we have seen an increase in efficiency and corresponding decrease in energy usage per terahash.

Prioritizing fleet efficiency has always been a core strategic theme for CleanSpark, and it is one of the reasons why we have been so successful at driving shareholder value through countercyclical investment. Our all-in cost per kilowatt hour decreased during the quarter to \$0.056. As we have mentioned on prior calls, we intentionally manage to profitability rather than to a specific cost per kilowatt hour. This maximizes our Bitcoin production numbers and may result in us occasionally mining Bitcoin at higher prices per kilowatt hour.

Looking at our overhead and expenses, our total cash overhead, which we consider to be professional fees, salaries and wages and G&A expenses less stock-based compensation, increased approximately \$4.6 million or 17% over Q2. This was primarily driven by an accrual due to a true-up on our local property taxes and property and casualty insurance policy. I've spoken on prior calls about our risk-adverse approach to safeguarding our assets.

As a result, ensuring our top-of-the-line fleet comes at a cost. And since we have significantly grown the value of our miners, mining equipment and infrastructure by approximately \$420 million since last fiscal year-end, we have chosen to also rightsize the insurance policy to protect our investment in miners and infrastructure, which now stands at well over \$1.3 billion in fair value. We are taking steps to minimize

costs related to our insurance program, which I expect to be realized in the coming quarters. The other increases were largely seasonal or related to growth.

We ended the quarter with \$35 million in cash and over 12,600 Bitcoin representing a fair value of approximately \$1 billion. In total, the company had more than \$1 billion of liquidity at the end of Q3. I'll have more to share about our Bitcoin treasury activities in a few moments.

Total debt as of the end of the quarter stands at approximately \$820 million. Note that this amount is net debt issuance costs of approximately \$16 million, which were incurred as part of the company's \$650 million convertible transaction in December. As a reminder, this issuance has a 0% coupon and an effective conversion price of \$24.66 per share.

When it comes to our Bitcoin treasury, you've heard us talk about our efforts, which internally we refer to as the digital asset management team. I am pleased to report that in the third quarter, we onboarded several high-quality counterparties and completed our first derivative transaction at the end of May.

We have previously discussed our conservative approach and strategy to monetizing our HODL balance, which we describe as a crawl, walk, run strategy. We're currently in the crawl phase. And while the volume of the derivative transactions is still ramping up, we are happy to see the proof of concept come to life. These results are just as good, if not better, than what we had initially projected.

We completed a number of derivative transactions through our selected partners, solely comprising the writing of covered calls. While the total dollar value of these premiums aren't large enough to separately present on the income statement, I will tell you, on a risk-adjusted basis, the cash-on-cash returns look quite promising. For example, we have written and we will continue to write short-term calls slightly out of the money. If these get called away, great. We use the proceeds to fund our operating expenses, and we likely sold at amounts greater than what we would have sold at spot at the time we wrote the calls. They expire out of the money, we keep the premium and roll the strategy forward.

Additionally, we are writing low delta calls also on a short or midterm basis, which have a low likelihood of expiring in the money. These premiums are used to generate the yield we set out to achieve. We expect to use approximately 40% of our HODL balance to generate a target yield of 4% on the entire Bitcoin treasury. We also expect the volume and complexity of our strategies to increase as time goes on.

I also want to point out that we feel very comfortable with the risk-reward relationship of our derivative strategies. However, we are not comfortable with lending out our Bitcoin, a practice some of our peers engage in. We find that lending out Bitcoin is typically on an unsecured basis and often only borrowed for speculative purposes. We have internalized the lessons learned from stories such as FTX, Three Arrows and Celsius and have incorporated risk management best practices as part of our institutional-grade efforts.

More importantly, the yield generated from derivative strategies appears to be greater than lending activities and on a risk-adjusted basis, performs far better. We will continue to have a conservative yet opportunistic approach for our Bitcoin treasury and believe our strategy will generate appropriate returns for the risk we take.

Bringing my comments regarding our treasury function to a close, I want to drive home an important point. We have a structural advantage due to 2 factors: One, we have a reliable Bitcoin production operations; and 2, our capital strategy, which includes funding operational expenditures with production. This gives us a unique strategic advantage amongst our peers, where we can achieve -- where we can achieve a better risk-adjusted portfolio yield while transferring fewer Bitcoin to counterparties using derivative products versus lending.

Looking deeper into our balance sheet, there are some other deals I would like to highlight. We have the ability to self-fund operations and grow our Bitcoin balance while enhancing shareholder value. In April, we were proud to expand our relationship with Coinbase through their Bitcoin collateralized lending program as part of our broader strategic approach to capital management and increasing our line of credit with Coinbase Prime to \$200 million.

Given our clean balance sheet and conservative approach to debt, we have significant additional capacity to raise cost-effective and nondilutive capital. Our current Bitcoin holdings of over 12,700 are valued at approximately \$1.5 billion at today's spot price, representing a source of liquidity and opportunity. And we believe this quarter was the right time to evolve from a nearly 100% HODL strategy. We have been long on the record that the 100% HODL strategy was not sustainable for the long term, and our current capital strategy is rooted in business fundamentals and with the intention of limiting dilution as much as possible. We view our approach as deliberately strategic rather than ideological, particularly now that we've reached our current scale and escape velocity.

While we remain committed to Bitcoin as a long-term hardened asset, we believe a more effective way to increase shareholder value is through a balanced approach between monetizing new production and growing and monetizing our treasury. As a part of this strategy, we intend to further diversify our capital stack. As we have consistently emphasized, our focus is on ROI and our ability to make real-time decisions in the market.

Given today's market environment, we view the revolving line of credit as the most efficient and responsible path to supporting accretive growth. Our strong balance sheet positions us to take full advantage of that opportunity and others. It's our intention to continue to use proceeds from the revolver for accretive CapEx purposes and intend to manage the business on a net debt basis to ensure proper liquidity to cover all debt obligations.

I want to take a moment to discuss our investment in growth past 50 exahash. We have approximately 20,000 of the latest generation immersion units paid for and in hand, which represents 6 exahash of compute. We have over 1 gigawatt under contract and a little over 800 megawatts currently operational, which equates to over 200 megawatts contracted and not yet energized or operating. For these 200 megawatts, as of today, we have approximately \$75 million of CapEx cash needs left to build out all 200 megawatts, which we expect could come over the next 6 months.

Additionally, as we have discussed on prior calls, we have historically been successful in rolling our contracted options for machines with Bitmain into the latest generation machines. We have approximately \$17 million on deposit with Bitmain as of today and have received an extension on the option as we negotiate what the size and terms of the next order are.

Looking ahead, we remain confident in CleanSpark's ability to lead through innovation, discipline and scale. As we chart our path forward, we are energized by the opportunities in front of us and remain committed to creating lasting value for our shareholders, our partners and the communities we serve.

With that, I'll turn the call back over to Harry to open the floor for questions. Harry?

Harry E. Sudock

Senior Vice President

Thank you, Gary, for that detailed financial overview. We will now open the floor to questions from the analyst community. Operator, please provide instructions and manage the queue for the Q&A session.

Question and Answer

Operator

[Operator Instructions] And your first question comes from the line of Mike Colonnese with H.C. Wainwright.

Michael Anthony Colonnese

H.C. Wainwright & Co, LLC, Research Division

Congrats on a really strong quarter here. First one for me, Zach, you mentioned that you have over 200 megawatts of additional contracted power available in the existing pipeline. Could you just unpack that a bit and speak to how you envision bringing those megawatts online over the coming quarters?

Zachary Bradford

Yes, absolutely. Mike, thanks again for joining the call. Appreciate your support. Yes, that 200 megawatts is in areas that we operate in. Some of these contracts come as a result of expanding on existing operations or getting something nearby.

How we're looking at that from a rollout is, our first focus is going to be on that 10 exahash. We have some optionality beyond that. So we really only require a portion of the 200 megawatts to roll out this next piece of infrastructure, leaving 100 megawatts of optionality in addition to the pipeline.

We are still really building on what that's going to look like after that. Again, the focus is on maintaining and outpacing difficulty while acquiring additional market share from a percentage of global hash rate. So I do expect the next 10 exahash to come up quickly, and we will have more news on the balance of that in the near term.

Michael Anthony Colonnese

H.C. Wainwright & Co, LLC, Research Division

Great. Appreciate the color there, Zach. And obviously, some really good organic growth opportunities over the near term here. But just curious to get your views on the current M&A landscape and your appetite for potential deals here.

Zachary Bradford

Yes. We're still seeing a very robust pipeline in the private space in particular. And frankly, we think that there's opportunity elsewhere, too, as miners rotate out of mining into HPC and they evaluate the assets they have on hand. Many miners are going to be faced with the decision of going all in one direction or the other. And we are ready and willing to be the first call that comes in. So I'd say it's very robust. There's great opportunity in the M&A landscape, and we look forward to hopefully taking advantage of some of that in the future.

Operator

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

Nicholas Giles

B. Riley Securities, Inc., Research Division

Nice job here. My first question was just on the Digital Asset Management side. I mean, when would you expect to reach targeted run rates? Or maybe in your words, Gary, when would you expect to be kind of fully running here? I just want to kind of make sure I understand the cadence of this new strategy.

Gary A. Vecchiarelli

Chief Financial Officer

Nick, thanks for the question. So we expect it's going to ramp in the coming quarters. As you can probably respect, there's a lot to consider when you're establishing an institutional grade desks such as what we're doing, right? And we want to make sure that the trades that we're doing, not only the strategies are coming out the way we expect, but there's a lot of financial reporting, internal control, tax considerations as well. And so far, everything is going just as good, if not better, than what we expected.

So for us, we, again, are taking a very measured approach to this. And as we start to onboard additional counterparties and look at more complex strategies, I'd expect that we'll probably ramp to that really over the next year.

Nicholas Giles

B. Riley Securities, Inc., Research Division

Got it. That's helpful. My next question was just on the growth pipeline. And you guys have relied on building strong relationships with your utility partners. And so I was wondering if you could speak to -- what are those conversations looking like today? Have you seen lead times for interconnect shift at all? Or are you competing with HPC sites to any extent? Just any color there would be great.

Zachary Bradford

Yes, great question. I think it's important in the context to look at it. When we approach a utility, we approach them with a flexible load in mind. And the flexibility is an asset in that portfolio. There's a very small number of hours every year that utilities reach peak capacity and risks needing to require curtailments. And for us to be early in line to be that curtailable party puts us in a different class when it comes to data centers who want mega sites that are very large and that require firm load.

Data centers, the way they're structured and the way the business really runs is it's not advantageous to raise your hand and say that you're willing to be the flexible load. You want to run flat out all the time as much as you can. And so as much as there are absolutely conversations where between capacity and availability, there is competition in the space. We are a friendly face in that scene of players. And so we see abundant opportunity.

I mentioned the pipeline, which is multiple gigawatts. That pipeline is with utilities that we feel comfortable that there's an opportunity to meaningfully and actively move forward rather quickly. And for -- I would -- a large portion of that, our flexible nature creates that opportunity.

Operator

Your next question comes from the line of Brian Dobson with Clear Street.

Brian H. Dobson

Clear Street LLC

So you spoke in pretty great detail about yield generation. Just a follow-up question there. So 4% on your HODL would do a lot to cover operating expense. Would you give us just a little bit of color on what percentage of your HODL you're thinking about putting to work? And the time frame that, that percentage of the HODL might be out so we can kind of back into what types of returns you're looking at on a short-term basis?

Gary A. Vecchiarelli

Chief Financial Officer

Brian, thanks for the question. So in my comments, I specifically called out actually that we plan on using 40% of the HODL balance for yield generation, okay? And so if you extrapolate that based on a 4% return on the entire HODL balance, it's probably closer to 10%, which we believe is very reasonable and achievable, if not a number that we can exceed, at least based on the small sample size that we have in June.

So in terms of the ramp, again, we're going to grow the team. We're going to grow the complexity and volume of those transactions, and we think we'll grow it within the next year, grow it [2% to] 4% target within the next year.

Brian H. Dobson
Clear Street LLC

Yes. Excellent. So at the beginning of your prepared remarks, you also kind of opened the door for selling power assets. Are you encouraged by recent M&A that we've seen? And I know it's early days, but how do you view demand for those assets?

Zachary Bradford

Yes. So maybe I'll step back and also add some clarity there. So the underlying assets that we own and the ability to have land with the power contract gives us control that has value regardless of whether you're using it for Bitcoin or not. We are always open to evaluating the use cases. It wouldn't mean that we would sell it or not sell it. It means that we are always evaluating optionality.

Now we firmly and strongly believe, and the numbers continue to prove themselves, that the returns we're generating taking that infrastructure paired with power and generating returns in Bitcoin mining is outpacing and outperforming any of the available alternative uses. When and if there's a point in time that, that flips, we are open to that.

Now I will say that the geographic location of many of our sites adds quite an advantageous position for us in that situation, but we would still hold firm to -- it's really about the cash-on-cash returns that those assets can generate in whatever form. So we're not really looking to downsize, exit, trade or transition. We are just looking to always maximize the use cases of our assets.

Gary A. Vecchiarelli
Chief Financial Officer

If I could add one more thing. I think the point to drive home here is that the value of our assets on our balance sheet is not reflective of fair value. The fair value of those assets and access to energy is far greater than that. And I think that's something that may not be accounted for in the current valuation.

Brian H. Dobson
Clear Street LLC

Yes. That's very helpful. And then just one last comment on the treasury models. You called them out as a macro positive. I agree. Do you see these companies as an accelerant in bringing more Bitcoin-related ownership into portfolio management and also, call it, wealthy individual portfolios?

Gary A. Vecchiarelli
Chief Financial Officer

Yes, I'll take that one first. Look, the more people buying Bitcoin, the merrier. I think that anything that leads to greater adoption of Bitcoin is good for the Bitcoin ecosystem and really the whole TradFi system.

What we're seeing now is that there's a number of these treasury companies that are coming to market or looking to come to market, and there's billions of dollars locked up waiting for their SEC statements to go effective. And we think that, that type of buying power is only going to push Bitcoin prices higher.

But ultimately, I mean, just as we saw today with executive order crossing President's desk, Bitcoin is going to start to infiltrate other areas of the traditional financial networks such as 401(k)s, pensions and all of that. And we've been waiting really for this moment, and we're here to really capture those tailwinds and upside.

Zachary Bradford

Yes. And in addition to that, the upside kind of trends further. Not only are these treasury companies existing, but with how SAB121 and the changes that were around the repeal of it are taking place, it creates massive additional opportunities.

Everything from not only just banks holding it, but you now see institutions allowing leverage against Bitcoin-based assets, such as treasury companies, such as ETFs and things like that. And so all of these changes coming together creates more capital in the space, which we see as nothing but positive tailwinds.

Operator

Your next question comes from the line of Greg Lewis with BTIG.

Gregory Robert Lewis

BTIG, LLC, Research Division

Gary, realizing there's probably only so much you want to say, you kind of laid out clearly how you're thinking about the ability to be opportunistic with the HODL strategy. And then, of course, you overlaid it with the derivative strategy. But I guess more -- not as much about Q2, but in July, it looked like there were a decent amount of the production was sold.

And I guess you could say, well, we were selling the Bitcoin that we produced. Or really, what I'm wondering is, there was a sharp run-up in Bitcoin price in July. What I'm wondering is, did that maybe trigger some of those covered calls to be exercised? And is that maybe why we saw more Bitcoin sold in July than, say, what it looked like was averaging in Q2?

Gary A. Vecchiarelli

Chief Financial Officer

Yes. Thanks for the question. I'll tell you foremost that with this new capital strategy, our focus is on no dilution, right? And so we're willing to sell the entire month's production if need be. But I think we've hit a sort of a Goldilocks zone where not only do we get to sell to cover operational expenditures, cover some CapEx and/or service the line of credit, but we also added to the HODL, right? So we didn't sell everything. If you see we've increased it by, I don't know, 90 to 100. I'd like to continue to stair step that. But at the end of the day, we really see this as an area of nondilutive capital, and we would rather sell the production than issue equity or take on additional debt or whatnot. But for right now, I think that we could hit the trifecta in terms of all 3 areas.

Gregory Robert Lewis

BTIG, LLC, Research Division

Okay. That's great to hear. And then just on the pipeline, the 1.7 gigawatts of potential out there. I guess a couple of questions around that. Just given the lead times that we're hearing multiyear, some states 3, some places we're hearing 4 or even longer. Realizing you might not want to get too specific, but as we think about that 1.7 gigawatts, any kind of structure in terms of how we should be thinking about maybe in baskets, when some of that could potentially come online maybe in '26, '27 or '28?

Zachary Bradford

The way I would think about that is it's all optionality. I want to stress that first and foremost. The second, I think I want to point to our strategy versus some of the other strategies that exist, not only in the data center space -- or not only in the Bitcoin mining space, but also the data center space.

A lot of the parties that are searching for power are looking for in very large chunks in single locations for their purposes. We have a lot of flexibility in coming in, let's say, between 20 megawatts and 50 megawatts, plus some of these are even bigger than that. But a large portion, I'd even say 30% to 40% of that in our pipeline is power that if we were to choose to take it, we could take very quickly without the need for long-term infrastructure investment.

Now the balance of it absolutely needs infrastructure investment. But we're also choosing where we're investing. Rural areas, we're seeing -- some of these areas have lower lead times and what -- and the time it's going to take them to get things because they've already been planning for years to ramp up their distribution because there's lots of these net export states that are trying to find ways to keep it inside.

So are there lead times? Yes. Most of our lead times are measured in months. I would say, for when it's a big investment, it's going to be between 12 and 24 months. We don't really look at anything beyond that. And that's just the pockets of the areas that we're looking at. So I think we have a strategic advantage. If we wanted to go build a very large amount of megawatts just outside of Chicago, let's say, we would be having a completely different conversation with that utility around lead times.

Operator

Your next question comes from the line of Paul Golding with Macquarie Group.

Paul Alexander Golding

Macquarie Research

I wanted to ask, given the recent deal with Canaan for more Avalon immersion miners that was announced. I wanted to ask how you're thinking about price of hash rate. You have this 10 exahash prepurchase. And just trying to think through how you're approaching the hash rate price dynamics in the context of so many institutional miners pausing and pivoting to HPC/AI and just thinking about opportunistic deals going forward or backwards looking given this 10 exahash to come.

Zachary Bradford

Appreciate the question. Thanks for joining the call. We said over a year ago, we welcome when we see miners exit the space to pursue other avenues because it creates countercyclical opportunities.

So the benefit we're seeing as we get into the tail end of this year and we optimally see the trend continue into 2026 is a softening of demand for those miners. And that softening creates opportunities for us as one of the largest buyer for the majority of the manufacturers to strike a deal, to push power prices in our favor because there's just not as many customers as maybe they expected there would be this time of the year or there was the year before.

So we're seeing really great movement in the pricing that we think will benefit us over the next 12 months, in particular, due to that softening. So we're pretty enthusiastic about what we see.

Gary A. Vecchiarelli

Chief Financial Officer

I'd also add that with the increase in competition because you now have more miners, more manufacturers in the space that also helps contribute to the softening. So you have an increase in supply and reduction in demand, and we know what that does with prices.

Paul Alexander Golding

Macquarie Research

I guess, is there a scenario where you could foresee maybe proactively placing deposits or engaging capacity even if that optionality isn't something where the power -- you have line of sight to the power, but simply to take advantage of what might be this countercyclical pricing dynamic, and then find the power later or potentially maybe resell or just run ahead of what the capacity pipeline looks like?

Zachary Bradford

Yes. We've done that in the past. I think any mining company or -- and if you look at how we've done it over the cycles, you're either long infrastructure and power or you're long miners. And it's kind of this ebb and flow that goes through. So when it's advantageous, just like we did last year, we executed a very large option order that put us in a position to lock in pricing when we thought it was the right time to lock in pricing.

So we would potentially look to do that again, when we find timing where we think pricing is at the right place, we would look to lock in long-term optionality to acquire large amounts of miners and work on the infrastructure on the back end, depending on if we were long or short at that point in time. So absolutely, when the timing is right, that's always been part of our strategy.

Operator

Your next question comes from the line of Bill Papanastasiou with Keefe, Bruyette, & Woods.

Bill Papanastasiou

Keefe, Bruyette, & Woods, Inc., Research Division

Maybe for the first one, perhaps you can give us an update on how you're weighing the existing tariff environment today when it comes to future fleet expansion? And hoping you could walk us through some of your options to prevent or mitigate these impacts? And how might that change your strategy going forward? I think we heard from a peer of yours today that secondary market purchases of hardware are being more heavily considered this day. So just curious to hear your thoughts as well.

Zachary Bradford

Yes. The secondary market purchases are always an option because ultimately, you're looking at net-net pricing by the time you get it in your hands. The tariff environments are unfortunately clear as mud as it seems on a day-to-day basis. We've seen them improve. We've seen them ebb and flow. But it is absolutely part of our calculus. Our goal and intention is always to acquire miners at a best-in-class pricing at the lowest cost possible.

The other good thing we're seeing is almost every manufacturer has now announced that they will -- they either do or will have North American production capabilities. So for better or worse, if you're a manufacturer, it is pushing things onshore. We do expect that to ultimately benefit us as large-scale buyers, because as they make these large investments in factories and production here, they need anchor clients to be purchasers of U.S.-made equipment, and we are ready to buy U.S. made. That is the easiest way to navigate tariffs in this environment is just to go direct where it can be done.

Bill Papanastasiou

Keefe, Bruyette, & Woods, Inc., Research Division

Appreciate that color, Zach. And then maybe just speaking to the Bitcoin treasury strategy. It appears that CleanSpark was selling at peak, I think, this last quarter, 85% of monthly production, while still funding obviously all of the OpEx. Maybe you can give us like a little bit of a scenario analysis on how that could change depending on upward or downward price movements to Bitcoin and whether the thought that we might be in the tail end of a crypto cycle may adjust any of your strategy?

Gary A. Vecchiarelli

Chief Financial Officer

Yes, Bill. So look, we -- in the case where Bitcoin price increases, we just sell less Bitcoin, right? Because our costs aren't directly attributable to Bitcoin price going up and down, right? They're relatively fixed. Power prices don't change necessarily because Bitcoin price goes up 10% overnight. So I think that we definitely welcome additional increased Bitcoin prices because it means that we could sell less.

And then we have a choice to either have the HODL balance or wrap [the line of] credit, which is a priority of ours. In the event that Bitcoin price decreases, we'd obviously have to sell more than we would in the other scenario. But at the end of the day, we feel very comfortable, obviously selling up to the production. And that's where digital asset management comes in because if we can monetize this volatility up and down, we could use those premiums to offset the OpEx and ultimately have some amount of Bitcoin that we're able to add to the HODL balance.

And I believe that over time, as we get a little bit longer in the tooth in the cycle, which I don't necessarily believe that we're late in the cycle by any means right now. But when we do get maybe a little frothy later on down the road, the digital asset management efforts will not only generate premiums and cash-on-cash

returns, but we'll be able to use a portion of that premium to add some downside protection on the entire HODL balance.

Operator

Your next question comes from the line of Brent Knoblauch (sic) [Brett Knoblauch] with Cantor Fitzgerald.

Brett Anthony Knoblauch

Cantor Fitzgerald & Co., Research Division

Kind of on a similar topic here with selling some of the Bitcoin production. At what point -- I guess, is it a function of scale that allows you to sell Bitcoin to cover cash costs? And with greater scale, would you be able to sell less Bitcoin to cover the same cash cost? And how are you thinking about that dynamic? Because I think if investors we speak to get more comfortable with the ability for you guys to sell Bitcoin and accrue Bitcoin to the balance sheet at the same time, it kind of becomes a whole different story.

Gary A. Vecchiarelli

Chief Financial Officer

Great question. I'll tell you that, that's one of our distinct competitive advantages is the operating leverage we have, right? So every new exahash that we bring online, the majority of that is dropping to the bottom line, which means that we have to sell less Bitcoin to cover that monthly nut. I think that's the best way I could put it.

Brett Anthony Knoblauch

Cantor Fitzgerald & Co., Research Division

Yes. No, that helps. And then on maybe the pace of growth, I know you guys talked about wanting to outperform or outgrow network hash, which as I'm sure you guys know, is quite volatile from day-to-day and month-to-month. So how are you -- I guess, what are your expectations for network hash growth maybe over the rest of the year or maybe over the next year? Maybe that will help us frame how we should be modeling your mining hash growth?

Zachary Bradford

It's always a guess with network hash rate. The good thing is I think we're seeing a general slowing as -- the public miners were a very large driver of hash rate growth historically over the last 3 to 5 years. As capital -- miners like us continue to deploy capital in this space, but there's a subset of our peers that are deploying either less or not at all. And so I think that's a contributing factor to hash rate growth slowing.

What we're also seeing is the upgrade cycle as miners get more efficient as they get replaced, the same amount of power produces the same -- or sorry, significantly larger amounts of hash rate. We think that's actually going to be a larger driver over the next year of global hash rate growth than potentially new build-outs of Bitcoin mining data centers.

Interestingly, we saw at the end of last quarter where the -- if you looked at the entire quarter, it kind of canceled itself out. It grew 8%. It went down 8%. It was flat, right? We're expecting a little bit more of that, a flattening of what it's going to be, but it's still going to stair step up. We're going to be making improvements to our facilities. We're going to continue to grow. But we feel -- long story short, without making any direct predictions, we feel very comfortable on our ability to outpace the global hash rate growth.

And we also see, something we didn't get into, but one benefit of M&A in this space is instead of building and adding to the global hash rate in total when you acquire a piece of existing global hash rate, it's a direct add without diluting yourself. So all of these things are options. But again, we're -- I think it's positive that we're seeing investment occur in other forms of compute, because it is slowing down global hash rate growth.

Operator

Your next question comes from the line of John Todaro with Needham & Company.

John Todaro

Needham & Company, LLC, Research Division

[Gary, the first.] Can you just help me understand the risks in the yield-generating strategy? Just kind of where could the model break down just given it is a large portion of the stack, right, it's 40%. So just help me frame that up a little bit better.

Gary A. Vecchiarelli

Chief Financial Officer

Right, right. So like with any other option, like let's just take covered calls, right? You have several variables you look at, right? You have duration, you have strike price, right? Those will translate to some volatility and/or delta. And I'll tell you that we take greater risks on the short end, such as writing a 1- or 2- or 5-day call that might have a higher delta and you can look at delta is probably the percentage that it's going to get called away. The higher the delta, the higher the premium.

And so since -- and we call that internally our Spot Plus program, right? So technically, instead of just selling at spot, we should be selling at a strike price the same as spot for tomorrow, for example, and that will effectively mean that we'll always be able to stay ahead of the spot market because of the premiums. So the risk is, in the short term, I don't think it's very, very high because we know what our cash needs are on a week-by-week basis and that we write calls -- high delta calls not in excess of that.

On the longer term, low delta calls, 10, 15 deltas, we're not really writing calls too far out, but maybe 4 to 6 weeks currently. Those deltas will generate a small amount of premium, and we'll just increase the kind of volume and close those calls out if we need to, if they're at -- if there's an opportunity to close them out, in terms of -- they're profitable.

I will tell you, going back to my comments about versus lending; in lending, you're lending out, let's say, 100 Bitcoin out to someone, right, on an unsecured basis. What's great about the derivative strategy is that we have negotiated these [instant] agreements where we only have to post a percentage of the collateral, right? So the collateral is only a percentage of what the total contracts are. So if we write 100 contracts for Bitcoin or 100 Bitcoin contracts, we only need to post 30% to 45% collateral and then have margin calls as you get closer to the strike date.

And so that means that it reduces our counterparty risk. And our counterparty risk is further reduced by the fact that we do robust due diligence on our counterparties to make sure that they have the financial wherewithal to really responsibly maintain that collateral. And oftentimes, it means that they have licensing or registration with government regulators.

John Todaro

Needham & Company, LLC, Research Division

Got it. Okay. That's very helpful. I appreciate that. And then just one quick one, on M&A. I think from where we're all sitting on the sell side, it seems like these opportunities would be coming up here in the next couple of quarters. But just kind of any sense on time line of these opportunities? Like are you already looking at some pretty closely? And are the assets looking fairly attractive out there now versus some of these opportunities that presented themselves a couple of years ago?

Zachary Bradford

Yes. I can't really comment on time lines, of course, by any means. I can just say that there's a robust pipeline of opportunities. And just like all things, some are looking better than others. We say no to 9 deals out of 10. That's what we've always done from a historical basis because capital is always finite. And our goal to have the best capital stewardship to generate the best ROI means that we only want to take the best deals that are out there. So again, as much as there's a very robust pipeline, it's about finding the best ones, and that's going to happen in the right time, right place concept.

Gary A. Vecchiarelli

Chief Financial Officer

If I could really add one other thing based on -- I mean, Zach is exactly right. ROI is the top of our list on any acquisition we look at. But I will say that we're not interested in paying the premium that's required to take out another public company because that's premium that we can put into other infrastructure machines, upgrading our fleet and get a better ROI. So I think you're going to see less public to public. And if there's acquisitions like -- it's probably going to be in the private space or greenfield.

Operator

Your next question comes from the line of Stephen Glagola with JonesTrading.

Stephen William Glagola

JonesTrading Institutional Services, LLC, Research Division

Zach, I wanted to dig into more on your prepared and Q&A remarks around the potential flexibility of certain sites for alternative uses. I mean, I think it's clear that CleanSpark has consistently shown its prowess in mining as an operator and strong long-term commitment to Bitcoin mining.

At the same time, your hybrid peers are seeing higher valuation multiples by pivoting toward AI/HPC. So are there specific sites you view as particularly well suited for non-mining applications such as AI/HPC? And additionally, have you engaged any preliminary discussions with potential partners in these areas so far? I'm just trying to gauge what would have to change in your calculus or the company's calculus for any strategic shifts here. Appreciate it.

Zachary Bradford

Yes. It would have to be -- quite simply, we have 55% returns that are consistent based on the types of investments we have to make, which the capital outlay is very predictable, significantly less than a lot of these alternative compute spaces. What I will say from a geographic point of view, the closer we are to a major area, whether that's Atlanta, Georgia or Cheyenne, Wyoming or places like that, it's always more valuable. And so again, I don't think that's any secret that data centers want to be in areas with low latency opportunities. So I'd call it 100 miles from a major metro area creates significant value for our power assets.

But it's not just alternative forms of compute. Anything that where power is the ultimate source of the value is how we're looking at this. Areas with lower cost power than others obviously creates its own calculus in the portfolio. So I think you asked a little bit more specific. I obviously can't comment on more specific about any ongoing discussions, whether they're happening or not. But that's how we look at it.

Geography plays a very important role, but it has to be able to produce great -- even better returns than we're already producing. We also have our view on where Bitcoin is going. And so if you look at the direction and -- our directional view of Bitcoin and the returns we think it's not only generating now, but can generate in the near term, that's something else that also has to be contended with before we would consider a change.

Stephen William Glagola

JonesTrading Institutional Services, LLC, Research Division

And would you...

Zachary Bradford

I'm going to add one more thing. I don't think it can ever be underestimated. The fact that if you -- if we were to take down any one of our sites, major metro or not for 2 or 3 years to do a full rebuild, how much revenue we're going to miss out on? That is also something I just want to call out is very important to us is what is that revenue cost going to be to us. It's an opportunity cost that goes away. And so there's always an uphill battle for any other opportunity.

Stephen William Glagola

JonesTrading Institutional Services, LLC, Research Division

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And Zach, I appreciate all that. That was really helpful. And just like to clarify, too, on -- it sounds like you might be maybe looking into this to some extent. If something were to materialize or you were to go more in this direction with maybe something closer in Georgia sites or so forth, would that be telegraphed on an earnings call or something beforehand? Or would this just be something like might get announced one day and you did a deal for some alternative purpose? I'm just curious if you can add any color there.

Zachary Bradford

Yes. I'm going to say what I've always said, we -- we're not in the business of saying we're going to do something that we're still trying to figure out. We're in the business of doing what we say we're going to do. And so, we would announce it when and if there is a real deal and opportunity because we don't need our shareholders to wonder if there is or isn't a customer that exists.

Operator

Your next question comes from the line of Jon Hickman with Ladenburg.

Jon Robert Hickman

Ladenburg Thalmann & Co. Inc., Research Division

As you might imagine, most of my questions have been answered. I was just wondering what you're seeing as far as transaction costs -- or not transaction costs, but transaction fees for each award. What's happening there?

Gary A. Vecchiarelli

Chief Financial Officer

Jon, I'll take that. So those have been relatively low. So I think they've been between 1% to 3% of the block size. I'd point you to a website that we use, it's mempool.space/mining. It's a great reliable place. You could see even what the last block was and what the reward was, knowing that every block right now is 3.125 Bitcoin. If you see something that's greater than that, the delta obviously is going to be transaction fees.

With transaction fees, there's going to be an ebb and a flow. It's really hard to predict those. I think that when you look at the theory of hyper Bitcoinization and really the life cycle of Bitcoin, the miners in coming decades, right, I think it's going to be a while until we get there. But in coming years, the miners are going to flip from actually being paid by the subsidy to the transaction fee. And I think we got ways to go there. But with Bitcoin adoption increasing in greater volumes, we'll see that tick up.

But it is hard to really forecast that because when you look at the halving, I mean, there were some transaction fees that were in excess of what was it like 4x, 5x or 10x, whatever the subsidy was. But the great thing about mining is that if and when that uptick in transaction fees does come, there is no incremental cost to us. So that's just additional gravy.

Jon Robert Hickman

Ladenburg Thalmann & Co. Inc., Research Division

Okay. Then one last question. As you kind of upgrade your fleet to the latest miners, what do you -- is there a market for the older stuff still like do you have to just write that off? Or can you sell it? What's the strategy there?

Zachary Bradford

No, there's a very robust market, in fact, that's always existed. And actually, these tariffs as was mentioned earlier, potentially make it more robust. So we are seeing some of the older generation miners continuing to have a more long-term, I'll call it, terminal value as they're sold to third parties because there's a lot of groups that don't want to deal with either whether it's shipping timing or the tariffs or the unknowns around that, you can get certainty by buying it, [pay] essentially from your neighbor. And so it's a very, very robust. And so we absolutely expect to extract value and have each and every quarter over the past couple of years as we rotate out of miners, we definitely pull dollars out of the market.

Gary A. Vecchiarelli*Chief Financial Officer*

Which I'll add really helps us with the ROI calculation for future investments, too. So that's why keeping our finger on the pulse of the secondary market is very important because that's part of our calculus.

Operator

Your next question comes from the line of Jim McIlree with Chardan Capital .

James Patrick McIlree*Chardan Capital Markets, LLC, Research Division*

Yes. Gary, you talked about 40% of your HODL balance used for asset management. And I'm wondering if that is limited by the 40%, if that's limited by your risk tolerance or the market depth or liquidity or your internal expertise? If you can just comment on that, please?

Gary A. Vecchiarelli*Chief Financial Officer*

Yes. Great question. I think through all of our comments, regardless whether it's digital asset management or how we run the business, there's a certain prudence and conservatism that we take in all regards. So the 40% is just what we would allocate the greatest amount of the HODL balance that we would put at some risk.

And remember, I had answered this actually in a prior question. Only a percentage of that gets posted as collateral. So the amount that, that's actually at risk is less than that. But again, with low delta options and derivatives, we're able to get some additional juice and continue that low risk. We're always able to take out derivatives with cash if we need to close out this position, because we don't want them to get called because maybe it has a low tax basis, things like that.

But at the end of the day, that's really meant more for risk management, and that's going to increase and decrease as we see opportunities and as our experience in this area kind of tracks on.

James Patrick McIlree*Chardan Capital Markets, LLC, Research Division*

Great. That's very helpful. And Zach, you've talked a lot about energy this afternoon. But the current administration has made significant changes in the nation's energy strategy. I'm wondering if you have any comments on how that might impact your short-term or long-term expansion activities?

Zachary Bradford

Yes. I think it's more -- the way that the policies are changing, I think it's going to be more of a medium- and long-term thought process because what the administration is really focusing on is largely with generation. There's a little bit, yes, on a natural gas basis, there's a production mindset, which should hopefully drive down natural gas prices. But really, it's about building production because with additional generation being produced, obviously, there's more power to be had by the markets in general.

We are not going to see the impact of that for the most part for 3 to 10 years. And different fuel sources, whether it's nuclear, that's probably the furthest out; and then, of course, you see things such as natural gas that I think will be sooner on the list. So again, on a medium- to long-term basis, what it does is it makes us more confident in where the U.S. is going to be from a strategic positioning for keeping cost in control for power, just further solidifying that the U.S. is a great place to grow.

Now do I think that the administration is going to solve all the problems inside the next short term? No. But we are incredibly well positioned and really strategically positioned as miners with our flexible load where we can handle any of the short-term volatility in pricing that comes. But again, by the time you get to the back end of that short-term, I'll call it, pressure at this point in time, we think that the policies are setting the U.S. up to be very solid on an energy basis long term.

Operator

There are no further questions at this time. Harry, I turn the call back over to you.

Harry E. Sudock

Senior Vice President

Thank you again for joining today's earnings call. We look forward to staying in touch and sharing future results with you in the coming quarters. Stay tuned for more groundbreaking achievements from CleanSpark, America's Bitcoin miner.

Operator

This concludes today's conference call. You may now disconnect.

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