



## **Consensus Mining and Seigniorage Corporation**

### **Quarterly Report**

### **Dec 2021 - Q1 2022**

#### **Financial Results Summary**

CMSC is pleased to announce that, during its first four operating months ending March 31, 2022 (the "Period"), the Company earned \$2,053,407 in crypto currency mining revenue.

During the Period, the Company mined 44.6 BTC, 657 LTC and 9 ZEC, of which 32.73 BTC, 42.5 LTC and 1 ZEC were sold to pay for operating expenses, with the remainder being retained on the balance sheet.

As of the end of the quarter, CMSC held 126.22 BTC, 2045.58 LTC and de minimis amounts of ZEC, BCH, ETH and ETC.

The Company incurred \$840,634 in operating expenses during the Period, primarily consisting of hosting costs, resulting in a net operating profit of \$1,215,478.

Non-operating expenses for the Period were \$1,893,135, primarily consisting of depreciation expenses for the mining equipment.

The Company's GAAP net loss for the Period was (\$677,657), primarily due to the depreciation expense.

#### **Operations Update**

##### **Rig Acquisitions**

During the Period the Company invested \$3.157 million in additional mining equipment, consisting of 327 Antminer S19's of various hashrate models, 16 Antminer L7's and 9 Whatsminer M30S's. The L7 purchases were made as part of a program to upgrade some of the older L3's currently running. These represent an additional 31 PH in bitcoin hashrate and 145 GH in Litecoin hashrate.

##### **Hosting Providers**

Sourcing reasonably priced hosting space is one of the challenges crypto currency miners currently face. Building a facility often has a long lead time and can be delayed for a number of reasons, including increased costs and supply chain issues with the equipment and materials needed in their construction.



Also, various sanctions on Russia, have created challenges for US based miner hosting service providers that use Russia-based facilities for their clients. Please note that currently all the Company's hosting facilities are located within North America.

During the first four months of operations, CMSC has been working hard to identify and secure additional hosting.

The Company engaged with a new service provider on a small-scale test, with a view to potentially expanding with the provider. The initial period has had some teething problems, primarily related to networking issues. We have been in ongoing communication with the senior management of the provider and have been assured those issues will be addressed in the near term. We continue to monitor the situation and hope to expand the relationship should the resolution steps materialize such that we see networking, and thus hashrate productivity, stabilize.

The Company extended a small line of credit to one of its hosting providers to build an additional 2.1MW of capacity, in return for first rights to the hosting space and discounted hosting fees. At the time of this writing, that facility is expected to come online in the next 4-6 weeks.

We also expanded our relationship with an existing provider, securing 1MW of hosting which is anticipated to come online at the beginning of June. Equipment for this space has already been secured, with most purchased since the end of Q1, so are not included in the Q1 rig acquisition details above.

The Company terminated (mutually) its relationship with one hosting service provider. This particular provider worked on a cost-plus profit share pricing structure and was exposed to fluctuations in the cost of wholesale electricity, which in early 2022 temporarily skyrocketed. The decision to terminate was driven by the fact that the Company does not want to be in a position where short term fluctuations in the cost of electricity can have such a significant impact on our profitability. The equipment that was hosted there has been shipped to the hosting provider detailed above that is building the 2.1MW extension and will be deployed there once up and running.

We continue to engage with existing and new hosting providers to secure space in line with our procurement of new mining equipment.

### **Other Updates**

In late 2021 and early 2022, CMSC engaged with an institutional crypto custodian to securely hold the Company's crypto assets. All crypto assets that are supported by the custodian (over 95% of the Company's crypto assets) have since been transferred there. These assets are now secured through the custodian's strong security measures.



We continue to focus on our goal of a public listing of the Company's shares in December 2022. It is early in that process, and more updates will be provided as we work through the steps to becoming a publicly traded company.

### **Commentary**

Our longer-term outlook for cryptocurrency mining remains positive, despite the recent volatility in the price of various crypto assets.

Our rate of capital deployment over the quarter, being approximately 5% of the Company's investible cash, was consistent with the approach of a deliberate, measured deployment of capital.

One of the drivers of investing the capital over time is the understanding – and anticipation - that to the cost of mining equipment changes significantly over time, relative to, amongst other factors, the current profitability of the equipment as well as the number of days to the next halving (which is less than two years away).

Technology improvements and increased efficiency in each round of equipment innovation will continue to make older generation equipment less profitable and ultimately obsolete.

For context, the cost of mining equipment has varied considerable in recent months, with prices hitting as high as around \$106 per TH for current generation equipment in early December, coming down to around \$75 in recent weeks, a decrease of approximately 30%.

Additionally, we believe the current scarcity in hosting facilities is temporary in nature and may drive up the cost of hosting on a short-term basis as the existing facilities attempt to maximize their profits. However, there is a lot of activity in this space and with significantly more hosting facilities in the pipeline and coming online in the coming 12-24 months, which will force more competition in this space, reduce cost and make hosting supply more readily available.

We remain excited about the continued evolution in the crypto currency mining space and expect to further grow the Company's hashrate and mining presence.



**Consensus Mining and Seigniorage Corporation**

**Statement of Financial Condition**

	<b><u>March 31, 2022</u></b>
<b>Assets</b>	
Cash	68,277,654
Cryptocurrency miners <sup>(1)</sup>	9,283,912
Mined & held cryptocurrency <sup>(2)</sup>	7,508,178
Prepaid miner hosting	409,501
Loans receivable	150,000
Other receivable	1,101
Interest receivable	356
<b>Total assets</b>	<b><u>85,630,702</u></b>
<b>Liabilities</b>	
Accrued expenses	60,166
<b>Total liabilities</b>	<b><u>60,166</u></b>
<b>Equity</b>	
Contributions	86,248,193
Net income	(648,496)
Retained earnings	(29,161)
<b>Total equity</b>	<b><u>85,570,536</u></b>
<b>Total liabilities and equity</b>	<b><u>85,630,702</u></b>

**Notes**

- (1) Net of \$1,815,737 accumulated depreciation.
- (2) Valued as of each day mined for all cryptocurrency mined after 11/30/2021. Cryptocurrency on hand at 11/30/2021 valued at 11/30/2021 pricing.



**Consensus Mining and Seigniorage Corporation**

**Statement of Income**

	December 1, 2021 through March 31, 2022
<b>Revenues</b>	
Cryptocurrency mining <sup>(1)</sup>	2,053,407
Dividend revenue	2,349
Interest revenue	356
<b>Total revenues</b>	<b>2,056,112</b>
<b>Operating expenses</b>	
Hosting fees	520,167
Coinmint fees	236,095
Professional fees	61,028
Advertising fees	11,200
Management fees	4,000
Transfer agent fees	4,748
Custody fees	3,094
Other operating expenses	302
<b>Total operating expenses</b>	<b>840,634</b>
<b>Net operating income</b>	<b>1,215,478</b>
<b>Other expenses</b>	
Depreciation expense	1,827,965
Tax expense	42,014
Loss on sale of fixed assets	23,156
<b>Total other expenses</b>	<b>1,893,135</b>
<b>Net income</b>	<b>(677,657)</b>

Notes

<sup>(1)</sup> *Gross of Coinmint fees*



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Cryptocurrencies in general, including the mining of cryptocurrencies, represents a relatively new industry and therefore carries special and substantial risks. Investors should appreciate the risks associated with holding and mining cryptocurrencies before investing in such companies.

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