



Consensus Mining & Seigniorage Corporation

Quarterly Report

Q4 2022

Financial Results Summary

Consensus Mining & Seigniorage Corporation (“CMSC” or the “Company”) is pleased to announce that, during its fourth quarter ending December 31, 2022 (the “Period”), the Company earned \$1,262,690 in revenue, and full year revenue of \$4,873,288.

During the Period, the Company mined 38 BTC and 788 LTC, of which 32.58 BTC and 282 LTC were sold to pay for operating expenses, with the remainder being retained on the balance sheet.

Year-end cryptocurrency holdings were 164.92 BTC, 3,637 LTC and de-minimis amounts of ZEC, BCH, ETH and ETC.

Operating expenses of \$730,266, primarily hosting costs, were incurred during the Period, resulting in a net operating income (excluding depreciation and any cryptocurrency valuation impairment) of \$532,424. Full year 2022, net operating income (likewise excluding depreciation and cryptocurrency valuation impairment) was \$2,400,190.

Non-operating expenses for the quarter were \$1,901,585, primarily consisting of depreciation expenses for the mining equipment.

The Company’s GAAP net operating expenses deduct both the depreciation of the mining equipment and impairment charges on the value of the cryptocurrency held on its balance sheet.

Net of the depreciation of the mining equipment and impairment of its cryptocurrency holdings, as well as other non-operating expenses, the Company’s GAAP net loss for Q4 2022 and FY 2022 were (\$1,369,161) and (\$8,559,457) respectively.



Operations Update

During the Period, the Company purchased 100 Antminer S19XP's at a cost of \$535,800, which were deployed in October 2022, and 75 Antminer S19XP's at a cost of \$326,625, which were deployed at the beginning of January 2023.

Factoring in equipment that has been taken offline due to reduced profitability, along with the deployment of new equipment, the company increased its hashrate during the Period by about 8%, to 130PH.

Due to concerns over the future viability of one of our hosting providers, along with their additional power cost pass-through expenses, we have now fully terminated that relationship. A portion of the mining equipment at the provider was moved to an existing hosting provider in December of 2022, and the remaining equipment is currently in the process of being moved to a new provider in North Carolina.

We continue to engage with existing and new hosting providers to secure space as we procure new mining equipment.

Further, the Company is actively looking at opportunities to purchase or partner with other mining hosting facilities that will allow the Company to have more control of the fundamental costs of hosting.

Update on Upcoming Listing

To be considered for admission to listing with the OTC Markets, a company must have a set of audited financials, in addition to several other requirements.

Unfortunately, we regret to share that the audit firm that we have been working with now for several months, recently informed us that they must excuse themselves from the official audit of the company, citing significant and onerous responsibilities imposed by the PCAOB for the audit of companies that hold cryptocurrencies, along with other cryptocurrency related reputational risks. This was a sectoral policy decision on their part, not CMSC-specific.

As a result, the Company is now forced to find a new audit firm and start the process anew. The Company has already had discussions with several that have embraced this space and we hope to have a new auditor secured in the coming weeks. Even so, we note that this is a busy time of year for audit firms, so our expectation is that, even once a new audit firm is engaged, the audit will likely not start for a number of months, which will delay the listing of the Company's shares until Q4 2023 or later. We will keep shareholders apprised as we continue to work toward a public listing.



Management Commentary

During Q4 2022, the cryptocurrency mining industry continued to come under considerable pressure. Further declines in the price of cryptocurrencies, increases in network hashrate and mining difficulty, as well as higher global power costs all have contributed to a difficult environment, with the price of BTC averaging around \$16,500 during the Period.

Despite the compressed margins, CMSC's continued focus on maintaining a low operating cost structure has allowed the Company to continue mining profitably (excluding the depreciation of the equipment and the mark to market of the Company's cryptocurrency assets), which has enabled us to continue adding to our cryptocurrency balances, albeit at a slower pace than in prior quarters.

For reference, the Company's administrative operating expenses for 2022 were approximately 3% of revenues. This compares to an average 43% of revenues for other bitcoin publicly traded mining companies, mostly due to executive compensation, as reported by [hashrateindex.com](https://hashrateindex.com/blog/do-the-public-bitcoin-miners-spend-too-much-on-administration/). <https://hashrateindex.com/blog/do-the-public-bitcoin-miners-spend-too-much-on-administration/>

The first few weeks of January have seen an increase in the price of Bitcoin, which makes the current operating environment less challenging.

The cost of procuring new mining equipment continued to fall during the Period, but, since the end of the year, has levelled off at approximately \$15/TH, according to Luxor's ASIC Price Index. We have observed that the price of Bitmain's most efficient machine, the S19XP, has not seen the drop in price as much as other current, but less efficient equipment.

These differences in efficiencies are material considerations for equipment procurement given our proximity to the next halving for Bitcoin. Assuming the current mining economics remain the same, much of the equipment that is considered current generation, like the S19JPro's, will become unprofitable in about 450 days. In contrast, the S19XP should continue to be profitable past the halving, again, assuming no changes to today's economics.

Given these factors, and with the advantage of a liquid balance sheet, we continue to look for opportunities to acquire distressed assets at distressed pricing, that are available in an investment size that is consistent with our pace of capital deployment.

Across the industry, many cryptocurrency mining operators, whether service providers or mining companies, public or private, have continued to experience significant financial stress, with one of the major players, Core Scientific, announcing in December that it filed for Chapter 11 bankruptcy protection.



Outside of mining operators, there have also been some notable corporate troubles, most notably the collapse of FTX and the announcement that Genesis Capital, a division of the Digital Currency Group filed for Chapter 11 bankruptcy protection.

We believe that these more recent failings were not the result of a failure in confidence of the authenticity or future of cryptocurrencies themselves, but rather the lack of proper risk management, an overextension of debt and other factors, in a quest for rapid growth.

The FTX episode has, of course, raised questions about whether regulators will impose restrictive regulations on cryptocurrencies. It bears emphasizing that FTX, narrowly, is simply a case (or yet another case) of a broker's fraudulent activity with respect to client assets, not of cryptocurrency. We would be remiss to not balance the FTX-related news with just a couple of many recent events that reveal more about the breadth of regulators' attitudes. The first is that as of the December quarter, the CBOE (Chicago Board Options Exchange) now operates a spot digital asset exchange and clearinghouse. The CBOE is regulated by the SEC and the CFTC so, obviously, this could not have taken place without their detailed review and permission.

A second recent regulatory change, which occurred only this past December, is that the Bank for International Settlements (BIS) gave its consent for just about any bank within its purview to have cryptocurrency assets exposure of up 2% of Tier 1 capital. BIS is known as the central bank of the central banks, and it oversees close to \$100 trillion of total assets across all of their reporting banks worldwide. That represents a great deal of now practically available demand. That is surely not the only factor in the increase in cryptocurrency prices since then, but it is worth noting.

The crypto-mining industry is very dynamic, and the company continues to remain firm to its prudent approach to capital deployment and focus on maintaining a low-cost structure which we believe will serve shareholders well for many years to come.

A handwritten signature in black ink, appearing to read "Alun Williams".

Alun Williams
President and Treasurer
Consensus Mining & Seigniorage Corporation



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Statement of Financial Condition

As of December 31, 2022

Assets	
Current assets	
Cash and cash equivalents	\$ 65,151,094
Cryptocurrencies	2,930,601
Prepaid expenses and other current assets	386,384
Loans	350,000
Other receivables	25,024
Total current assets	<u>\$ 68,843,103</u>
Non-current assets	
Property and equipment, net	7,013,971
Total non-current assets	<u>\$ 7,013,971</u>
Total assets	<u>\$ 75,857,074</u>
Liabilities	
Current liabilities	
Accrued expenses	\$ 51,673
Total current liabilities	<u>\$ 51,673</u>
Total liabilities	<u>\$ 51,673</u>
Stockholders' Equity	
Common Stock (\$0.01 par value, 5,000,000 shares authorized, 2,250,009 shares issued and outstanding)	22,500
Additional paid-in capital	86,286,813
Accumulated deficit	(10,503,912)
Total stockholders' equity	<u>75,805,401</u>
Total liabilities and stockholders' equity	<u>\$ 75,857,074</u>



Consensus Mining & Seigniorage Corporation

Statement of Income

For the Three Months Ended December 31, 2022

Revenues		
Cryptocurrency mining	\$	732,228
Interest revenue		530,462
Total revenues	\$	1,262,690
Cost of revenues		
Hosting fees		692,528
Total cost of revenues		692,528
Operating expenses		
Depreciation expense		1,767,821
Impairment of cryptocurrencies		419,198
Tax expense		(285,434)
Audit & Tax expenses		16,457
Management fees		3,000
Transfer agent fees		4,394
Other operating expenses		13,887
Total operating expenses		1,939,323
Total costs and expenses	\$	2,631,851
Net loss before provision for income taxes		(1,369,161)
Provision for income taxes		-
Net loss	\$	(1,369,161)



Consensus Mining & Seigniorage Corporation

Statement of Income

For the Full Year Ended December 31, 2022

Revenues		
Cryptocurrency mining	\$	3,978,473
Interest revenue		894,815
Total revenues	\$	4,873,288
Cost of revenues		
Hosting fees		2,252,774
Total cost of revenues		2,252,774
Operating expenses		
Depreciation expense		6,540,695
Impairment of cryptocurrencies		4,232,779
Repairs and maintenance		90,630
Audit & Tax expenses		46,457
Insurance expense		14,726
Transfer agent fees		16,976
Management fees		12,000
Other operating expenses		39,535
Total operating expenses		10,993,798
Non-operating expenses		
Loss on disposal of fixed assets		186,173
Total non-operating expenses		186,173
Total costs and expenses	\$	13,432,745
Net loss before provision for income taxes		(8,559,457)
Provision for income taxes		-
Net loss	\$	(8,559,457)



Important Disclosures:

Consensus Mining & Seigniorage Corporation (“CMSC”) is an operating business and is not a registered investment adviser or broker-dealer. CMSC does not provide investment, legal or tax advice. Certain information set forth in this letter may contain “forward-looking information”. Forward-looking statements are provided to allow potential investors the opportunity to understand management’s beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment.

These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance of result expressed or implied by such forward-looking statements. CMSC undertakes no obligation to update forward-looking statements if circumstances or management’s estimates or opinions should change.

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.

All material presented is compiled from sources believed to be reliable, but accuracy cannot be guaranteed. Opinions stated herein may change at any time without notice, and past results are not a guarantee of future results. Under no circumstances does the information contained herein represent a recommendation to buy, hold or sell any security.

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