



Consensus Mining & Seigniorage Corporation
Quarterly Report
Q1 2024

Financial Results Summary (unaudited)

Consensus Mining & Seigniorage Corporation (“CMSC” or the “Company”) is pleased to announce that, during its first quarter ending March 31, 2024 (the “Period”), the Company generated \$1.5 million in mining revenue, up from \$1.1 million the prior quarter – a 36% increase.

The Company mined 22.9 Bitcoin (BTC), 1,649 Litecoin (LTC) and 20 Bitcoin Cash (BCH), all of which were retained. In addition, as a result of merge-mining, the company mined approximately 1.5mm Dogecoin (DOGE), most of which was sold.¹

Quarter-end cryptocurrency holdings totaled 285 bitcoin (BTC), 7,979 Litecoin (LTC), 56.6 Bitcoin Cash (BCH), 120,000 Dogecoin (DOGE) and de-minimis amounts of Zcash (ZEC), Ethereum (ETH), and Ethereum Classic (ETC). The Period-end value of all the cryptocurrency holdings was \$21.2 million.

The cost of revenue, a figure that largely consists of hosting costs, was \$0.7 million for the Period, compared to \$0.5 million for Q4 2023. The increase came largely from increases in hosting expenses as a result of the deployment of newly acquired equipment.

Operating costs—which include depreciation expenses for mining equipment and general administrative expenses—were \$0.8 million for the Period, compared to \$0.9 million for Q4 2023.

Operating income for the Period was \$44,982, compared to an operating loss of \$295,481 for Q4 2023.

Non-operating income for the Period, consisting primarily of the mark to market of the digital assets and interest income, was \$9.1 million, compared to \$0.8 million for Q4 2023.²

The Company’s net income for the Period was \$9.1 million, compared to \$0.5 million for Q4 2023.²

¹ Please refer to the Merge-Mining Update Section for more information on the merge-mining of Dogecoin.

² Please refer to the Accounting Methodology Changes section for more information



Accounting Methodology Changes

In December 2023, the Financial Accounting Standards Board issued Accounting Standards Update No. 2023-08, Intangibles - Goodwill and Other - Crypto Assets (Topic 350-60). ASU No. 2023-08 requires that an entity present crypto assets measured at fair value separately from other intangible assets in the balance sheet. The Accounting Standard is effective for annual periods beginning after December 15, 2024, with early adoption permissible. The Company has adopted ASU 2023-08 as of January 1, 2024.

The prior treatment of digital assets required the Company to impair its digital assets to the lowest observable price since the asset was acquired, with no reversal of the impairment.

This change in accounting rules for digital assets has resulted in two major impacts to the financial statements.

- Digital assets are now held at their fair value as of each period end. The cumulative effect of updating the Company's fair value as of January 1, 2024, was an increase to the value of our digital assets and our shareholder's equity of \$6.0 million.
- During the Period there was an additional increase in the fair value of our digital assets held, and mined, that resulted in another \$8.3 million unrealized appreciation in the fair value of our digital assets.

Merge Mining Update

Script algorithm miners, such as the Antminer L7, can mine multiple digital networks at the same time, resulting in rewards from each network.

Our Litecoin mining pool mines Litecoin and Dogecoin at the same time. The mining pool has historically converted the Dogecoin rewards to Litecoin and paid its pool participants in Litecoin for the full reward of its mining efforts across both networks.

In early 2024, the mining pool changed its policy on reward payouts, and distributes directly both the Litecoin rewards and the Dogecoin rewards that the pool receives.

Given Dogecoin's unlimited supply policy, the Company determined that it does not want to retain Dogecoin for the long term. As such, the Company has and will continue to periodically sell the Dogecoin rewards it receives for its Script mining efforts as soon as is practical.



Operations Update

During the fourth quarter of 2023, the Company acquired 200 Antminer S21 machines for a total cost of \$646,000 for future delivery in stages over the first six months of 2024. The Company was able to deploy 42 of these units during the quarter. Since the end of the Period, an additional 72 have been deployed. The remaining machines are expected to be delivered and deployed over the next several months.

During the Period, an additional 100 Antminer L7 Litecoin mining rigs were acquired at a cost of \$542,824, along with 52 Antminer S21 machines for \$254,636, all of which were deployed at the beginning of February 2024.

Since the end of the Period, the Company paid \$229,600 for 35 Antminer L7 Litecoin machines, which were deployed the end of April 2024. An additional 80 Antminer S21 miners were acquired for a cost of \$302,000 (pending delivery) and 50 Antminer S21Pro 234T machines were acquired for \$243,250 (expected to be delivered in July/August 2024).

During the Period, CMSC increased its Bitcoin/Bitcoin hashrate capacity from 160 PH to 180 PH and increased its Litecoin hashrate capacity from 1,513 GH to 2,443 GH.

In addition to adding more efficient machines and increasing our hashrate, we've been monitoring profitability closely as hashprice has been impacted by the recent Bitcoin halving. As some of our older, less efficient machines become unprofitable, the Company intends to take those units offline until such time when market conditions improve.

As we have been upgrading to newer, more efficient generation equipment, the blended electricity consumption required per terahash of output continues to decrease.

With respect to the Company's hosting providers, we continue to have a positive experience with our provider in Texas and their cost-plus pricing structure. This contract has a different cost structure from the previous fixed rate agreement. The new structure is a pass-through of the actual electricity costs, plus a mark-up by the hosting provider to cover their costs and operating margins. In Texas, the wholesale spot price of power can fluctuate drastically on an intra-day basis. This new arrangement allows us to take advantage of both lower power costs and to put our equipment in standby mode when power costs are high, with the goal of reducing our overall hosting expense. For March 2023, the all-in hosting cost for this hosting provider was around 5.5c per kWh.

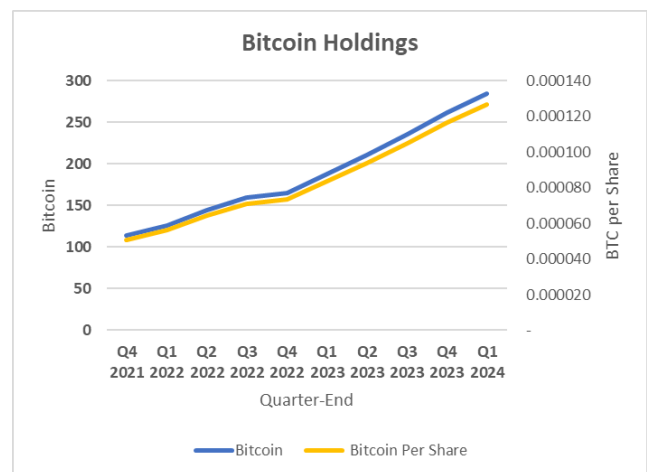
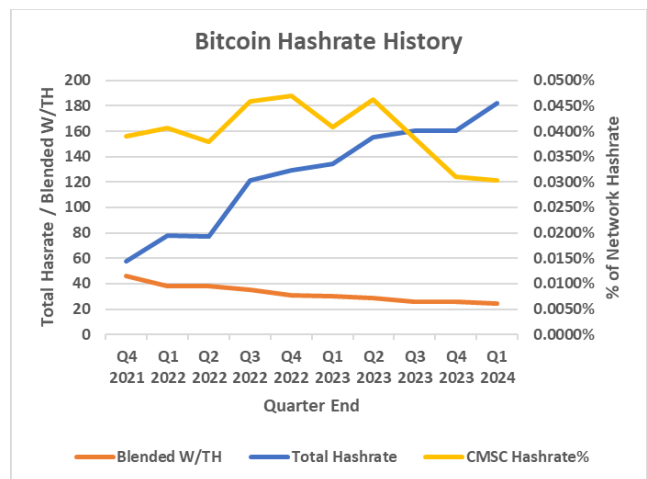
We will continue to engage with existing and new hosting providers to secure space as we procure new mining equipment.

Historical Hashrate and Crypto Balance Review

One of CMSC’s primary goals is expanding its hashrate in line with the network growth, while at the same time improving its blended efficiency.

The charts below show how these three elements of our Bitcoin mining efforts have changed since inception, along with the growth of the Company’s cryptocurrency holdings:

- CMSC’s total Bitcoin mining hashrate increased to 180 PH at the end of the Period, with an additional 50 PH to be added after the end of the Period from a combination of new orders and equipment coming offline.
- Power consumption, measured by the blended W/TH across our server “fleet,” has fallen from 46 W/TH at the inception of the Company to 24.5 W/TH, and is expected to fall further when already-purchased equipment is deployed in 2024.
- CMSC’s percentage of the total network hashrate remained flat over the quarter at 0.030%. This is due to the network hashrate increasing at the same time as the Company was deploying additional equipment.
- While prudently growing our hashrate, we have steadily added crypto to our balance sheet, with Bitcoin holdings growing from 114 BTC at the inception of CMSC to 285 at the end of the Period.





Update on Upcoming Listing and Appointment of Mark Herndon as Chief Financial Officer

The 2022 and 2023 audits are now complete, and the Company has started the listing application process with OTC Markets, hopefully leading to a direct listing during 2024. The 2022 and 2023 audited financials have been posted to the Company’s website at www.consensusmining.com.

In preparation for being publicly listed, at the Q1 2024 CMSC Board meeting, the Board approved the appointment of Mark Herndon as the new CFO for Consensus Mining and Seigniorage Corporation. Mark is the CFO of Horizon Kinetics and his services to CMSC are included in the service agreement with Horizon Kinetics.

Management Commentary

Cryptocurrency Prices and Mining Profitability

During the first quarter of 2024, Bitcoin prices rose from around \$42,000 to just over \$71,000—an increase of 69%—with an average price of \$53,600 during the quarter.

Observers attributed much of the price appreciation to the launch of several spot Bitcoin ETFs, along with anticipation associated with the 2024 Bitcoin halving, which occurred in mid-April.

While recent price appreciation and stability have improved profitability, increased network difficulty—resulting from the growth in the network hashrate—has tempered the positive impact of the price changes. The network hashrate grew approximately 17% during the quarter, resulting in a 15% increase in the network difficulty. Network hashrate and difficulty both initially rose since the end of the Period but have since fallen back to levels seen at the end of the quarter.

With the welcome profit margin improvement, CMSC’s continued focus on low operating cost structure has allowed it to continue mining with positive operating cash flow while incrementally adding to its cryptocurrency balances.

The 2024 Bitcoin Halving

In the middle of April 2024, the fourth Bitcoin halving event took place. As part of the system’s algorithm, after every 210,000 blocks confirmed (or mined) on the network, the block rewards paid to the mining community are halved. In this latest halving, the block reward was reduced from 6.25 BTC to 3.125.



While the block rewards were reduced at the halving, a spike in transaction fees softened the impact of the halving on the mining rewards for a few days afterwards. However, since then, transaction fees have come back in line. The halving has now had its expected impact on mining rewards: Hashprice, expressed in terms of dollars earned per PH of processing power, fell from \$104 to \$50 as at the time of this writing.

We expect the coming months to be one of transition in the mining industry as a result of the halving and reduced rewards. Unless the price of Bitcoin rises, we would expect to see some miners turn off equipment that is no longer profitable due to either being less efficient equipment or high hosting costs. What impact that will have of the network hashrate and difficulty is yet to be seen, since, at the same time, there are considerable quantities of more efficient equipment being delivered and going online.

We will continue to monitor the profitability of our older equipment and take the necessary steps of taking older unprofitable equipment offline and while at the same time deploying additional current generation and highly efficient equipment to replace the older equipment.

Equipment Developments

With the rise in the price of Bitcoin, the cost of new mining equipment was mostly flat over the Period, with the 25-28 W/TH Luxor ASIC Price Index closing the quarter at about \$12/TH.

The most efficient under-25 W/TH ASIC Price Index, which includes equipment such as the S19XP, was also relatively stable, closing the quarter at around \$14/TH.

This index includes the Bitmain Antminer S21, which, with its industry-leading efficiency of 17.5 W/TH, is selling for around \$20/TH. Bitmain recently announced the release of the S21 Pro, which has a stated efficiency of 15 W/TH and is scheduled to start shipping in Q3 2024.

In light of these factors and our liquid balance sheet, we continue to look to acquire equipment available in a size consistent with our measured pace of capital deployment.



In Conclusion

The crypto-mining industry is dynamic, and the Company continues to remain firm in its prudent approach to capital deployment and its 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", is positioned above the printed name.

Alun Williams
President and Treasurer
Consensus Mining & Seigniorage Corporation



Consensus Mining & Seigniorage Corporation

Statement of Financial Condition

As of March 31, 2024 (unaudited)

Assets	
Current assets	
Cash and cash equivalents	\$ 63,175,132
Federal tax receivable	238,269
Prepaid expenses	703,306
Other receivables	4,200
Total current assets	<u>64,120,907</u>
Non-current assets	
Property and equipment, net	4,954,848
Digital assets, net	21,226,330
Loans receivable - related party	310,828
Total non-current assets	<u>26,492,006</u>
Total assets	<u>\$ 90,612,913</u>
Liabilities	
Current liabilities	
Accrued state taxes	\$ 139,258
Accrued accounting fees	71,260
Accrued hosting fees	99,497
Other accrued expenses	134,174
Total current liabilities	<u>444,189</u>
Total liabilities	<u>444,189</u>
 Commitments and contingencies (Note 5)	
 Stockholders' equity	
Common stock (\$0.01 par value, 5,000,000 shares authorized, 2,250,009 issued and outstanding)	22,500
Additional paid-in capital	86,286,813
Retained earnings	3,859,411
Total stockholders' equity	<u>90,168,724</u>
Total liabilities and stockholders' equity	<u>\$ 90,612,913</u>



Consensus Mining & Seigniorage Corporation
Statement of Income
For the Three Months Ended March 31, 2023 (unaudited)

Revenues	
Digital asset mining	\$ 1,547,745
Total revenues	1,547,745
Cost of revenues	
Hosting fees	664,939
Total cost of revenues	664,939
Operating expenses	
Depreciation expense	747,340
General and administrative	90,484
Total operating expenses	837,824
Operating income	44,982
Non-operating income (expense)	
Net change in unrealized appreciation on digital assets	8,292,639
Interest income	790,781
Realized gain on sale of digital assets	29,456
Loss on disposal of property and equipment	(2,555)
Total non-operating income	9,110,321
Income before provision for income taxes	9,155,303
Provision for income taxes	35,541
Net income	\$ 9,119,762



Consensus Mining & Seigniorage Corporation
Statement of Income
For the Three Months Ended March 31, 2024 (unaudited)

Operating activities:	
Net income	\$ 9,119,762
Adjustments to reconcile net income to net cash used in operating activities:	
Net change in unrealized appreciation on digital assets	(8,292,639)
Depreciation expense	747,340
Digital asset mining	(1,547,745)
Loss on disposal of property and equipment	2,555
Changes in operating assets and liabilities:	
Prepaid expenses	16,378
Accrued state taxes	26,958
Accrued accounting fees	(47,235)
Accrued hosting fees	(281)
Other accrued expenses	954
Net cash used in operating activities	<u>26,047</u>
Investing activities:	
Purchases of property and equipment	(797,460)
Proceeds from sales of digital assets	174,379
Loans receivable - related party	
- Amounts paid to	-
- Amounts received	(7,622)
Net cash used in investing activities	<u>(630,703)</u>
Net decrease in cash and cash equivalents	<u>(604,656)</u>
Cash and cash equivalents, beginning of year	<u>63,779,788</u>
Cash and cash equivalents, end of year	<u>\$ 63,175,132</u>



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 to 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.

2024 Consensus Mining & Seigniorage Corporation[©]