

Consensus Mining & Seigniorage Corporation

Financial Statements

**With Report of Independent Registered Public Accounting Firm
December 31, 2024 and 2023**

Consensus Mining & Seigniorage Corporation
Financial Statements
December 31, 2024 and 2023

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Consensus Mining & Seigniorage Corporation:

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Consensus Mining & Seigniorage Corporation (the "Company") as of December 31, 2024 and 2023, and the related statements of operations, changes in stockholders' equity and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Emphasis of Matter – Change in Accounting Principle

As described in Note 2 to the financial statements, the Company changed its method of accounting for digital assets as of January 1, 2024 by adopting ASU 2023-08, *Intangibles – Goodwill and Other – Crypto Assets* (Topic 350-60): Accounting for and Disclosure of Crypto Assets. Prior period amounts have not been adjusted for this change in accounting principle.

Emphasis of Matter – Uncertainties and Accounting Matters Related to Cryptocurrency Assets (also referred to as “Digital Assets”)

As disclosed in the financial statements, the Company held digital assets with a fair value of approximately \$30.9 million at December 31, 2024 and a carrying value of \$5.5 million at December 31, 2023, representing approximately 32% and 7% of total assets, respectively. Significant information and risks related to such digital assets include, but is not necessarily limited to the following:

Digital Assets are Unregulated and Have Risks of Ownership

As of the date of these financial statements, the regulatory landscape continues to evolve and while cryptocurrencies have public keys (e.g., account numbers) of virtual wallets the holding of cryptocurrencies reside on distributed networks and can be viewed publicly, the ownership of the wallets may not be registered and therefore may be anonymous. Ownership in the currencies residing in any wallet are evidenced only by demonstrating knowledge of both the public key of the virtual wallet holding the currencies and the underlying private key of the cryptocurrencies residing within the virtual wallet. Knowledge of both these keys is required in order to demonstrate possession of the cryptocurrencies and therefore, ownership. Accordingly, prior to investing, investors who are directly or indirectly invested in such currencies should carefully evaluate and understand all relevant internal controls put in place by companies holding such assets on their behalf to understand how their investments are being protected and how inappropriate transfers of such assets are prevented.

Risks Related to Maintaining Private Key Security

Digital assets require the execution of the aforementioned confidential encrypted private key in order to initiate a transfer of the asset to another party. If the private key were to become lost, the Company would not be able to access their digital assets, thereby deeming the asset worthless to the Company. In addition, if another party were to gain access to the private key, along with the public key of the wallet holding the digital assets, the other party could demonstrate ownership of the digital assets and could either execute a transfer of the cryptocurrency asset or inappropriately utilize the digital assets as collateral for unauthorized financing.

Risks Related to Current and Continued Market Acceptance

Digital assets are virtual currencies that have recently become significant in the marketplace and utilize blockchain technology in order to account for the transfer of such assets. These digital assets have significant market volatility, which can significantly vary in a short period of time and can potentially vary between various pricing sources. These digital assets are highly speculative in nature, and have potentially significant risks of ownership, which include, but are not necessarily limited to risks identified herein.

Regulatory Oversight and Considerations

As of the date of these financial statements, the U.S. Securities and Exchange Commission has expressed concerns regarding the adequacy and accuracy of marketplace information of cryptocurrency assets, which could impact individual state blue sky laws, potentially impacting the exchange of such assets for more widely accepted currencies, such as the U.S. Dollar. In the event that regulations were implemented to address these concerns, such regulations could potentially have a significant adverse effect on the realization of these digital assets.

Risks Associated With Majority Control

Since cryptocurrencies are virtual and transactions in such currencies reside on distributed networks, governance of the underlying distributed network could be adversely altered should any individual or group obtain 51% control of the distributed network. Such control could have a significant adverse effect on either the ownership or value of the digital asset.

As discussed herein, holdings in digital assets are subject to current, emerging and potentially significant risks, including, but not necessarily limited to legal, regulatory, market valuation and proof of ownership risks. Risks are also described in Note 2 to the financial statements. Users of financial statements for entities that are associated with or hold cryptocurrency assets should carefully understand, consider and evaluate these and other risks related to cryptocurrency assets, when making investing decisions in such entities.

Withum Smith & Brown, PC

We have served as the Company's auditor since 2023.

Whippany, New Jersey
March 31, 2025
PCAOB Number 100

Consensus Mining & Seigniorage Corporation
Balance Sheets

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 61,251,236	\$ 63,779,788
Federal tax receivable	223,100	238,269
Prepaid expenses	567,851	719,684
Other receivables	163,736	4,200
Total current assets	<u>62,205,923</u>	<u>64,741,941</u>
Non-current assets		
Property and equipment, net	4,201,154	4,778,035
Digital assets, net	30,942,301	5,548,988
Loans receivable - related party	335,045	303,206
Total non-current assets	<u>35,478,500</u>	<u>10,630,229</u>
Total Assets	<u>\$ 97,684,423</u>	<u>\$ 75,372,170</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accrued taxes	\$ 35,314	\$ 144,971
Accrued accounting fees	115,012	118,495
Accrued hosting fees	—	99,208
Other accrued expenses	11,439	4,542
Total current liabilities	<u>161,765</u>	<u>367,216</u>
Non-current liabilities		
Deferred tax liabilities, net	3,488,926	—
Total Liabilities	<u>3,650,691</u>	<u>367,216</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	22,500
Additional paid-in capital	86,286,813	86,286,813
Accumulated deficit	7,724,419	(11,304,359)
Total Stockholders' Equity	<u>94,033,732</u>	<u>75,004,954</u>
Total Liabilities and Stockholders' Equity	<u>\$ 97,684,423</u>	<u>\$ 75,372,170</u>

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

Consensus Mining & Seigniorage Corporation
Statements of Operations

	For the Year Ended	
	December 31, 2024	December 31, 2023
Digital asset mining revenues	\$ 5,528,219	\$ 3,708,172
Cost of revenues - hosting fees	2,796,363	2,324,152
Operating expenses:		
Depreciation expense	3,689,862	4,491,770
(Gains) losses on disposals, net	336,478	(5,484)
General and administrative expenses	559,076	499,822
Total operating expenses	4,585,416	4,986,108
Operating loss	(1,853,560)	(3,602,088)
Non-operating income (expense):		
Net change in unrealized appreciation on digital assets	15,450,503	-
Interest income	3,033,390	3,055,731
Impairment of digital assets	-	(236,429)
Realized gain on sale of digital assets	24,989	-
Other income	1,824	11,751
Total non-operating income	18,510,706	2,831,053
Income (loss) before income taxes	16,657,146	(771,035)
Provision for income taxes	3,639,705	15,853
Net income (loss)	\$ 13,017,441	\$ (786,888)
Basic and diluted net income (loss) per share	\$ 5.79	\$ (0.35)
Weighted average shares (basic and diluted)	2,250,009	2,250,009

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

Consensus Mining & Seigniorage Corporation
Statements of Changes in Stockholders' Equity

	Common Stock			Retained	Total
	Shares	Par Value	Additional Paid in Capital	Earnings (Accumulated Deficit)	Stockholders' Equity
Balance at December 31, 2022	2,250,009	\$ 22,500	\$ 86,286,813	\$ (10,517,471)	\$ 75,791,842
Net loss	—	—	—	(786,888)	(786,888)
Balance at December 31, 2023	<u>2,250,009</u>	<u>22,500</u>	<u>86,286,813</u>	<u>(11,304,359)</u>	<u>75,004,954</u>
Cumulative effect of the adoption of an accounting standard <small>(see Footnote 2)</small>	—	—	—	6,011,337	6,011,337
Net income	—	—	—	13,017,441	13,017,441
Balance at December 31, 2024	<u>2,250,009</u>	<u>\$ 22,500</u>	<u>\$ 86,286,813</u>	<u>\$ 7,724,419</u>	<u>\$ 94,033,732</u>

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

Consensus Mining & Seigniorage Corporation
Statements of Cash Flows

	For the Year Ended	
	December 31, 2024	December 31, 2023
Operating activities:		
Net income (loss)	\$ 13,017,441	\$ (786,888)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Net change in unrealized appreciation on digital assets	(15,450,503)	-
Depreciation expense	3,689,862	4,491,770
(Gains) losses on disposals, net	336,478	(5,484)
Digital asset mining	(5,528,219)	(3,708,172)
Impairment of digital assets	-	236,429
Realized (gain) loss on sale of digital assets	(24,989)	-
Deferred income tax provision	3,488,926	-
Changes in operating assets and liabilities:		
Federal tax receivable	15,169	-
Prepaid expenses	(171,167)	(333,300)
Other receivables	(191,375)	12,817
Accrued taxes	(109,657)	96,462
Accrued accounting fees	(3,483)	82,538
Accrued hosting fees	(99,208)	88,317
Other accrued expenses	6,897	1,705
Net cash (used in) provided by operating activities	<u>(1,023,828)</u>	<u>176,194</u>
Investing activities:		
Purchases of property and equipment	(3,210,423)	(2,325,725)
Proceeds from sales of digital assets	1,671,258	645,009
Purchases of digital assets	(49,524)	-
Proceeds from loans receivable to related party	-	57,841
Proceeds from sale of property and equipment	83,965	75,375
Net cash used in investing activities	<u>(1,504,724)</u>	<u>(1,547,500)</u>
Net decrease in cash and cash equivalents	(2,528,552)	(1,371,306)
Cash and cash equivalents, beginning of year	<u>63,779,788</u>	<u>65,151,094</u>
Cash and cash equivalents, end of year	<u>\$ 61,251,236</u>	<u>\$ 63,779,788</u>
Supplemental disclosures of cash flow information		
Income taxes paid	<u>\$ 213,305</u>	<u>\$ 12,725</u>
Reclassifications of prepaids to property and equipment	<u>\$ 323,000</u>	<u>\$ -</u>

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

Note 1 – Organization and nature of business

The Company was formed through the merging of HK Cryptocurrency Mining, LLC and HK Cryptocurrency Mining II, LLC on November 30, 2021. The Company was originally incorporated in Delaware on October 21, 2021. It is principally engaged in the mining of digital assets. The Company is managed by Horizon Kinetics Holding Corporation (“HK”) through a service agreement.

Revenues result principally from the mining of digital assets; see Note 2 – Revenue Recognition. Digital assets are currencies in which encryption techniques are used to regulate the generation of units of currency and verify the transfer of funds, operating independently of a central bank. Mining is the process of utilizing computer hardware to perform mathematical calculations for a digital asset network in order to confirm transactions on the network. As compensation for their services, digital asset miners receive newly created coins/tokens, known as block rewards, along with small transaction fees for the transactions they confirm.

Hosting Facilities / Material Contracts

As of December 31, 2024, the Company engages the services of two different digital asset miner hosting companies. The Company has contracted with HM Tech LLC and Tidal Data Systems, LLC to host the Company’s mining equipment. The Company was also in discussions with a new hosting provider, Radiant Tech LLC to provide additional hosting services, which became effective in January 2025. As of December 31, 2023, the Company had engaged the services of the HM Tech LLC, Blockstream ULC and Tidal Data Systems, LLC miner hosting companies.

Related Party Transactions

HM Tech LLC is a related party of HK. Several of the Company’s mining rigs are hosted by HM Tech LLC. During the years ended December 31, 2024 and 2023, the Company incurred hosting fees from HM Tech LLC of \$1,013,149 and \$1,109,782, respectively. The Company has loans receivable with accrued interest from HM Tech LLC. The total value of the loans receivable, including accrued interest, is \$335,045 and \$303,206 as of December 31, 2024 and December 31, 2023, respectively. The interest accrued is \$42,887 and \$11,047 as of December 31, 2024 and December 31, 2023, respectively. Additionally, the Company records a monthly management fee in the amount of \$1,000, payable to HK, for the resources utilized in running its day-to-day operations. This is a contractual agreement with a related party and not necessarily indicative of the fair value being received. If the Company were to receive these services from non-related third parties, the financial position of the Company could be changed as a result.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“US GAAP”). The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Use of Estimates

The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The Company estimates the useful life of new and used mining rigs at 36 months and 18 months, respectively. The Company prices its digital assets using prices from Coinbase.

Recent Accounting Pronouncements

In December 2023, the FASB issued ASU 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 on the balance sheet and changes from the remeasurement of crypto assets separately from changes in the carrying amounts of other intangible assets in the income statement. ASU No. 2023-08 is effective for annual periods beginning after December

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15, 2024 and interim periods within annual periods beginning after December 15, 2024, with early adoption permitted. The Company adopted ASU 2023-08 as of January 1, 2024. As a result of adoption, the Company recorded a cumulative effect adjustment of \$6.0 million to the 2024 opening retained earnings balance.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short-term, highly liquid Investments, those purchased with an original maturity of three months or less, held at banks or other financial institutions. The Company holds its cash at one financial institution through a money market fund, which is insured by the Securities Investor Protection Corporation (“SIPC”) up to \$500,000. In addition to the SIPC protection, the financial institution provides its brokerage customers with additional coverage in excess of SIPC. The total aggregate excess of SIPC coverage available through the financial institution’s policy is up to \$1 billion. The Company has \$61,251,236 in cash equivalents as of December 31, 2024 and \$63,779,788 in cash equivalents as of December 31, 2023.

Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents. Exposure to credit risk is reduced by placing such deposits or other temporary investments in high credit quality financial institutions. There is no history of losses with respect to these balances. The Company provides all of its computing power to a single digital asset mining pool.

Below are the hosting expenses by provider for the years ended December 31, 2024 and 2023.

	<u>2024</u>	<u>2023</u>
HM Tech LLC (related party)	\$ 1,013,149	\$ 1,109,782
Blockstream ULC	576,869	633,568
Tidal Data Systems, LLC	1,206,345	535,308
Other providers	—	45,494
Total	<u>\$ 2,796,363</u>	<u>\$ 2,324,152</u>

Loans Receivable – Related Party

The Company has loaned \$350,000 to HM Tech LLC, a related party, at an interest rate of 10% over an original term of 30 months with all payments due and paid on or before July 15, 2024. The loan has since been extended to July 15, 2026. Interest is accrued monthly. The borrower is to use the proceeds to finance the construction of one or more structures for the purpose of providing space for hosting digital asset mining equipment and related activities. As of December 31, 2024, there was a loans receivable balance of \$335,045 which includes accrued interest of \$42,887. As of December 31, 2023, there was a loans receivable balance of \$303,206 which includes accrued interest of \$11,047. HM Tech LLC did not make any repayments in 2024 and repaid \$105,000 during 2023.

Prepaid Expenses

Prepaid expenses consist of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Prepaid property and equipment	\$ 420,300	\$ 323,000
Hosting - Blockstream ULC	-	278,783
Hosting - Tidal Data Systems, LLC	101,625	58,459
Prepaid insurance	45,926	59,442
Total	<u>\$ 567,851</u>	<u>\$ 719,684</u>

Risks and Uncertainties

The below are some risks and uncertainties that may cause future results to differ from historical results.

- The success of the Company is directly correlated with the success of digital assets, primarily Bitcoin.
- Our digital asset mining operations require significant and cost effective electricity, the pricing and availability of which may be subject to local laws.
- Our mining operations require a reliable high speed and secure internet connection which can be at risk to cybersecurity breach.
- Our mining operations are also focused in discrete locations that may be subject to severe weather and natural disasters.
- Public perception of energy consumption for purposes of mining digital assets may result in new laws or regulation resulting in a negative impact to the Company's operations.

Bitcoin Halving Risk to Revenues

New bitcoin are paid to bitcoin miners once they have completed a block on the blockchain, plus transaction fees. The new bitcoin rewards are fixed bitcoin payments. At the inception of bitcoin, the block reward was 50 bitcoin. However, built into the blockchain protocol is an event called a halving. After 210,000 blocks have been verified, the block rewards are cut in half. As of December 31, 2024, the block reward was 3.125 bitcoin.

Property and equipment

Property and equipment are recorded at cost less depreciation. Depreciation is computed using a straight-line method based on the estimated useful lives of the assets. The useful life of new digital asset miners is estimated to be 3 years. The useful life of used digital asset miners is estimated to be 1.5 years. For the years ended December 31, 2024 and 2023, depreciation related to property and equipment amounted to \$3,689,862 and \$4,491,770, respectively.

	2024	2023
Computer equipment (digital asset miners)	\$ 7,490,894	\$ 13,156,287
Less accumulated depreciation	(3,289,740)	(8,378,252)
Total	\$ 4,201,154	\$ 4,778,035

As needed, mining rigs which are no longer functional, are written off of the Company's books. The mining rigs written off are determined by an analysis of their functionality by the Company. During the year ended December 31, 2024, equipment was written off resulting in a loss of \$497,665. Machines sold during 2024 resulted in a loss of \$336,477.

Digital Assets

Digital assets represent the only intangible assets held by the Company. In December 2023, the FASB issued ASU 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 on the balance sheet and changes from the remeasurement of crypto assets separately from changes in the carrying amounts of other intangible assets in the income statement. During 2023, the Company evaluated digital assets for impairment on a daily basis or when events or changes indicate the carrying value may not be recoverable by using the daily low price. The Company has evaluated its digital assets for impairment and has recorded impairment for the year ended 2023 of \$236,429.

The following tables present additional information about the Company's digital assets as of December 31, 2024 and December 31, 2023, respectively:

	December 31, 2024			December 31, 2023		
	Units Held	Cost Basis	Fair Value	Units Held	Cost Basis	Carrying Value
Bitcoin	320	\$ 14,571,281	\$ 29,842,075	262	\$ 10,962,994	\$ 5,199,040
Litecoin	10,168	980,778	1,048,055	6,330	688,109	335,465
Dogecoin	15,000	4,730	4,730	-	-	-
Other coins		57,889	47,441		32,100	14,483
Total		<u>\$ 15,614,677</u>	<u>\$ 30,942,301</u>		<u>\$ 11,683,203</u>	<u>\$ 5,548,988</u>

	Bitcoin	
	Units	Amount
Balance at December 31, 2023	262	\$ 5,199,040
Cumulative effect of the adoption of ASC 350-60		5,883,655
Revenue recognized	57	3,558,762
Proceeds from sale	-	-
Purchases	1	49,524
Change in fair value	-	15,151,094
Balance at December 31, 2024	<u>320</u>	<u>\$ 29,842,075</u>

	Litecoin		Dogecoin		Other Coins
	Units	Amount	Units	Amount	Amount
Balance at December 31, 2023	6,330	\$ 335,465	-	\$ -	\$ 14,483
Cumulative effect of the adoption of ASC 350-60		125,447		-	2,235
Revenue recognized	3,838	292,669	9,494,795	1,650,999	25,789
Proceeds from sale	-	-	(9,479,795)	(1,671,258)	-
Realized gain	-	-	-	24,989	-
Change in fair value	-	294,474	-	-	4,934
Balance at December 31, 2024	<u>10,168</u>	<u>\$ 1,048,055</u>	<u>15,000</u>	<u>\$ 4,730</u>	<u>\$ 47,441</u>

The Company measures mining rewards based on the quoted price of the Company's principal market.

Revenue Recognition

In accordance with Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606), we determine revenue recognition through the following steps:

- Identification of the contract with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the performance obligations are satisfied

We account for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

To identify the performance obligations in the contract, the Company must assess the goods or services to be rendered as distinct. Per ASC 606, a good or service is distinct if the following criteria are satisfied: 1) the customer can benefit from the good or service on its own or in conjunction with other readily available resources and 2) the provider's promise to transfer the good or service is separately identifiable in the contract.

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The transaction price is the consideration the provider is expecting to receive in exchange for the good or services rendered to the customer. The transaction price can include non-cash compensation and should factor in any discounts or other pricing customizations. The Company recognizes revenue when the single performance obligation is satisfied at a point in time.

Our contracts generally contain a single performance obligation in the form of services where the Company provides computing power to a single digital asset mining pool. In exchange for providing computing power, the Company is allocated a fractional share of the digital asset reward the mining pool operator receives for validating a new block on the blockchain. The Company and pool operator can terminate the contracts at any time and at no cost to either party. There are no significant financing components in these transactions as the performance obligations and settlement of the transactions occurs daily.

The Company earns its revenue from the mining of digital assets. The Company's aggregated revenue earned from the mining of digital assets by coin for the years ended December 31, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Bitcoin	\$ 3,558,762	\$ 3,453,255
Dogecoin	1,651,000	-
Litecoin	292,669	246,961
Other	25,788	7,956
Digital asset mining revenues	<u>\$ 5,528,219</u>	<u>\$ 3,708,172</u>

The Company's aggregated revenue earned from the mining of digital assets by location for the years ended December 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
North Carolina	\$ 4,306,652	\$ 2,483,189
Kentucky	-	11,451
North Dakota	-	9,532
Quebec, Canada	16,020	262,389
Texas	1,205,547	941,611
Digital asset mining revenues	<u>\$ 5,528,219</u>	<u>\$ 3,708,172</u>

Hosting Fees

Cost of revenue are comprised of hosting fees. Hosting fees are paid to the miner hosting companies on a monthly basis. These fees are incurred to cover a number of fixed and variable costs associated with mining including electricity consumed by rigs, housing/shelf space rent, monitoring and maintenance of the rigs and overhead for the mining facility. The Company incurred \$2,796,363 and \$2,324,152 in hosting fees for the years ended December 31, 2024 and 2023, respectively. The hosting fees are driven by the electricity consumed at each provider's location and the rates established with each provider.

Net Income (Loss) Per Share

The Company computes net income (loss) per share using the weighted average number of common shares outstanding during each year. There were no potentially dilutive securities outstanding during the years ended December 31, 2024 and 2023, respectively.

Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation.

Note 3 - Income Taxes

Consensus Mining & Seigniorage Corporation
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The Company accounts for income taxes under the asset and liability method, through which deferred tax assets and liabilities are recognized for future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income for the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date. A valuation allowance is required to the extent any deferred tax assets may not be realizable.

ASC Topic 740, Income Taxes (ASC 740), clarifies the accounting for uncertainty in income taxes recognized in a business' financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Based on the Company's evaluation, it has been concluded that there are no significant uncertain tax positions requiring recognition in the Company's financial statements. The Company believes that its income tax positions and deductions would be sustained on audit and does not anticipate any adjustments that would result in material changes to its financial position.

The provisions for income taxes for 2024 and 2023 are comprised of:

	2024	2023
Current income taxes:		
Federal	\$ 126,369	\$ —
State	24,410	15,853
Deferred income tax expense	3,488,926	—
Total provision for income taxes	\$ 3,639,705	\$ 15,853

The reconciliations between the effective tax rate on income/(loss) before income taxes and the U.S. federal statutory rate, as of December 31, 2024 and 2023 are comprised of:

	2024	2023
Statutory U.S. income tax rate	21.0%	21.0%
Increase (decrease) in taxes resulting from:		
State taxes, net of federal benefit	1.5%	0.5%
Change in valuation allowance	-0.6%	-19.4%
Total provision for income taxes	21.9%	2.1%

The Company accounts for income taxes using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized at the enacted rates for the future tax consequences attributable to differences between the carrying amounts of existing tax assets and liabilities and their respective tax bases. The effect on deferred tax assets and liabilities due to a change in the tax rate is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities, as of December 31, 2024 and 2023.

Consensus Mining & Seigniorage Corporation
Notes to Financial Statements
December 31, 2024

	<u>2024</u>	<u>2023</u>
Deferred tax assets:		
Digital assets	\$ -	\$ 1,433,566
Net operating loss carryforwards	-	126,306
Property and equipment, net	42,595	93,470
Other	-	437
Gross deferred tax assets	42,595	1,653,779
Less valuation allowance	-	(1,653,779)
Deferred tax assets - net of allowance	42,595	-
Deferred tax liabilities		
Digital assets	3,531,521	-
Total deferred tax liabilities	3,531,521	-
Deferred income tax liability, net	<u>\$ (3,488,926)</u>	<u>\$ -</u>

There are no unrecognized benefits for uncertain tax matters.

The Company remains subject to examination by the IRS and various state taxing authorities for all tax years subsequent to the Company's inception in 2021. The Company is not currently under examination by any jurisdiction. The Company recorded a change in the valuation allowance of \$3.5 million during the year ended December 31, 2024.

Note 4 - Stockholders' Equity

In accordance with the Stock Purchase Agreement dated November 14, 2021, initial investors received ownership shared in the Company equal to each investor's pro rata interest in the Company as of November 30, 2021. Investors of HK Cryptocurrency Mining, LLC and HK Cryptocurrency Mining II, LLC received common stock in the Company based on value of the investors' interests of HK Cryptocurrency Mining, LLC and HK Cryptocurrency Mining II, LLC relative to the net assets of the Company as of November 30, 2021. The Company shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote. Except as provided in the Certificate of Incorporation, every stockholder having the right to vote shall have one vote for each share of stock having voting power registered in such stockholder's name on the books of the Company. Such votes may be cast in person or by proxy.

Note 5 – Commitments and Contingencies

The Company has agreed to indemnify, hold harmless and defend certain service providers from and against any loss, liability or expense, including reasonable attorneys' fees, except to the extent that the loss, liability or expense arose from the service provider's intentional misconduct or gross negligence. The Company has not had any prior claims or losses pursuant to such indemnification obligations to date and cannot predict the extent of a potential claim.

Note 6 - Subsequent Events

Management has evaluated subsequent events through March 31, 2025, the date the financial statements were issued, for inclusion or disclosure in the financial statements.

During 2025, the Company purchased a total of 36 mining rigs for approximately \$0.4 million.