



**Consensus Mining & Seigniorage Corporation**  
**Ticker: CMSG (OTCQX®)**  
**Quarterly Report**  
**Q1 2025**

**Financial Results Summary (unaudited)**

Consensus Mining & Seigniorage Corporation (“CMSG” or “the Company”) announced a net loss for the quarter ended March 31, 2025 (the “Period”) of \$2.7 million, down from net income of \$7.1 million for the prior comparable quarter of 2024. This was also down from net income of \$8.1 million for the sequential quarter, the three months ended December 31, 2024. These decreases were primarily a result of a lower fair value of our cryptocurrency holdings, primarily Bitcoin.

Book value per share decreased from \$ 41.79 at the end of 2024 to \$ 40.60 at the end of the Period.

The Company generated \$1.4 million in mining revenue for the Period, compared to \$1.6 million for the fourth quarter of 2024. The decrease was primarily the result of increased hashrate and difficulty of all the cryptocurrency networks that the Company mines.

During Q1 2025, the Company mined 6.69 Bitcoin (BTC) and 641 Litecoin (LTC), all of which were retained. In addition, as a result of the merge-mining process described in our prior letter, the Company mined approximately 2.4 million Dogecoin (DOGE), which were sold for \$647,814. A portion of the DOGE mining rewards was used to acquire 1.39 BTC, bringing the total amount of Bitcoin added for the quarter to 8.08 Bitcoin.

The Company’s quarter-end cryptocurrency holdings were primarily 328 BTC and 10,809 LTC, which were valued at \$27.1 million \$0.9 million respectively. The Period-end value of all cryptocurrency holdings was \$28.0 million.

The cost of revenue, a figure that largely consists of hosting costs, was \$0.7 million for the first quarter 2025, consistent with \$0.7 million for the prior quarter.

Operating expenses—which include depreciation of mining equipment as well as general administrative expenses—declined from \$1.3 million in Q4 2024 to \$0.8 million in Q1 2025. This was primarily due to lower depreciation expenses for certain older equipment being fully depreciated, offset somewhat by disposals of certain inoperable equipment.

For the Period, the Company reported an operating loss of \$0.1 million, compared to an operating loss of \$0.4 million for Q4 2024.



Non-operating income for the Period, including changes in the fair value of our cryptocurrency holdings—coupled with interest income—was a loss of \$3.2 million, down from income of \$10.5 million in the fourth quarter 2024. The decrease was primarily a result of a lower fair value of our cryptocurrency holdings.

### **Update on OTCQX Trading**

The OTC Markets application is now finished, as FINRA has finally completed its review of the Form 211 and assigned the Company the ticker symbol CMSG

We now need to complete the administrative steps of finalizing the ability to trade on OTCQX by setting up CMSG's shares for settlement via DTC, allowing the shares to be moved from the transfer agent to shareholders' brokerage accounts.

Once these steps are completed, we will communicate to all shareholders what steps are needed to transfer their shares to their brokerage accounts.

Additionally, our financial statements are now published on the OTC Markets website and can be accessed using the following link:

<https://www.otcmarkets.com/stock/CMSG/disclosure>

We are excited for the next stage of Consensus Mining and Seigniorage Corporation's transition to a publicly traded company.



## **Operations Update**

During the first quarter of 2025, we maintained our strategy of acquiring the more profitable Antminer L9 mining rigs, which earn rewards in both Litecoin and Dogecoin. We continue to like Litecoin as a long-term asset, so we retained these mining rewards on our balance sheet. However, we prefer not to keep Dogecoin and promptly sold those rewards as they were received.

As noted earlier, the Company continued to use a portion of our Dogecoin rewards from the Litecoin/Dogecoin rigs to purchase Bitcoin—thereby replacing the Bitcoin revenue we would have received had we purchased Bitcoin mining equipment. This approach started late in the fourth quarter, so the Period is the first full quarter of doing so, with 1.39 Bitcoin purchased using our Dogecoin sales during the quarter.

The Company increased its Litecoin/Dogecoin hashrate capacity from 4,902 GH to 5,398 GH, with an additional 320 GH delivered after the end of the quarter.

During the quarter, we acquired 36 Antminer L9 Litecoin/Dogecoin mining rigs, and an additional 20 machines after the quarter closed - at a cost of approximately \$0.63 million, which have all since been deployed.

During the Period, CMSG's Bitcoin hashrate capacity fell from 172 PH to 165 PH. This decrease is the result of writing off certain inoperable equipment, along with a shift in our capital deployment toward the more profitable Antminer L9 Litecoin/Dogecoin machines.

As we continue to only acquire the latest and most efficient equipment, the blended electricity consumption required per terahash of output continues to decrease, both for our Bitcoin and Litecoin/Dogecoin mining equipment.

In addition to adding more efficient machines and increasing our Litecoin hashrate, the Company is closely monitoring profitability, changes in the network hashrates/difficulties, the prices of the cryptocurrencies we mine, and the availability and pricing of new equipment. As some of our older, less efficient machines become unprofitable, the Company has taken those units offline and will continue to do so until market conditions improve.

As expected, with the increased efficiency of the Antminer L9 and the attractiveness of Litecoin/Dogecoin mining, we have seen an increase in network hashrate over recent months. As we do with Bitcoin, we will keep monitoring the machines' profitability and adjust accordingly.

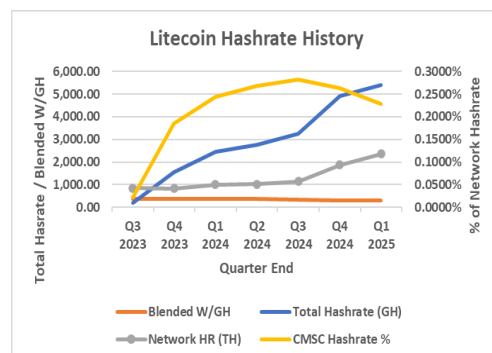
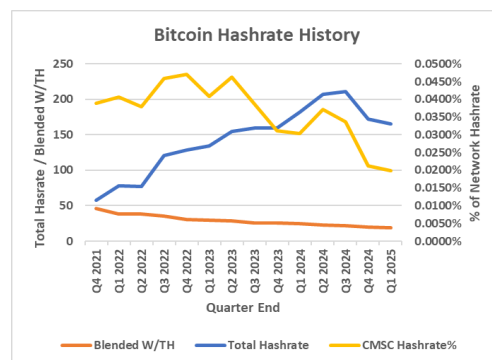
## Historical Hashrate and Crypto Balance Review

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

One effect of the recent focus on the more profitable Litecoin/Dogecoin mining equipment, along with writing off inoperable equipment, was a decline in our Bitcoin hashrate during the quarter.

The charts below show how these elements of our Bitcoin and Litecoin/Dogecoin mining efforts have changed over time:

- CMSG's Bitcoin network hashrate fell to 165 PH.
- Power consumption of our Bitcoin miners fell slightly to an average of 19.4 W/TH.
- CMSG's percentage of the total Bitcoin network hashrate fell slightly to 0.02%.
- CMSG's Litecoin/Dogecoin mining hashrate increased from 4,902 GH to 5,398 GH.
- Power consumption of our Litecoin/Dogecoin miners fell 2% to an average of 296.8 W/GH.
- CMSG's percentage of the total Litecoin/Dogecoin network hashrate fell slightly to 0.23%.



While prudently managing our hashrate across both the Litecoin/Dogecoin and Bitcoin networks, we have continued to accumulate digital assets on our balance sheet. Bitcoin holdings have grown from 114 BTC at CMSG's inception to 328 at the end of the Period. Litecoin holdings have increased from 1,428 LTC to 10,809 LTC over the same timeframe.



## **Management Commentary**

### *Cryptocurrency Prices and Mining Profitability*

During the first quarter of 2025, Bitcoin prices fell from around \$93,300 to approximately \$82,500—a drop of 12%—with an average price of \$93,400 during the quarter.

Over the quarter, the Bitcoin network hashrate rose about 4%, and correspondingly the network difficulty rose the same amount.

In contrast, the Litecoin and Dogecoin networks hashrate and difficulty each rose approximately 30% reflecting increased industry adoption of merge mining, a result of the more attractive profit profile compared to Bitcoin mining.

CMSG's constant focus on a low-operating-cost structure has allowed it to continue mining with positive operating cash flow while incrementally adding to its cryptocurrency balances.

We continue to see profitability pressures on the overall mining industry, with margins remaining very tight, despite the recent higher price of Bitcoin.

Hashprice, which is the measure of USD revenue per PH of mining processing power, began the quarter around \$55 per PH per day, and ended near \$46. The continued increase of the overall network hashrate and low transaction fees are the primary drivers for the downward pressure on Hashprice as the average price of BTC fell over the Period.

### *Merge-Mining*

We continue to favor the higher profit profile of the Script mining equipment, receiving rewards in both Dogecoin and Litecoin.

Given Dogecoin's unlimited supply policy, the Company continues to sell the Dogecoin rewards it receives for its Script mining efforts as soon as is practical but retains the Litecoin rewards it receives.

As our recent focus has been to acquire the more profitable Script mining equipment, as opposed to Bitcoin mining equipment, we started to convert a portion of our Dogecoin mining proceeds to Bitcoin. The strategy is to essentially replace the Bitcoin we would have earned, had we acquired Bitcoin mining equipment. The process, which started late in 2024, is a strategy we continued to pursue in the first quarter of 2025.



### *Equipment Developments*

Without any new significantly enhanced equipment hitting the market over the quarter, the prices of the most efficient equipment have remained somewhat stable.

The Luxor ASIC Index for newer, less-than-19-J/TH machines, has been mostly stable over the course of the quarter, at around \$17.2/TH.

The Luxor ASIC index for older, less efficient 19-25 J/TH equipment (such as the S19 XP) fell around 20% to \$11.05/TH, around the same level as at the beginning of Q4, 2024.

The Bitmain Antminer L9 Scrypt mining machines, a significant upgrade to the L7 Litecoin/Dogecoin miners, have been very stable, with very few issues experienced.

The L9 hashrate increased 75% to 16 GH, and power consumption dropped by 40%, to 210 J/GH. We continue to acquire and deploy additional Antminer L9 machines given their attractive profitability profile.

Prices for the Antminer L9 fell materially during the quarter, resulting from the drop in their profitability related to the increases in hashrate and difficulty for both the Dogecoin and Litecoin networks. At the end of the fourth quarter, the machines were selling for around \$13,000 but are currently selling for around \$8,500 per unit.

There is concern and uncertainty around the tariffs that the current administration is imposing on imports, particularly from China, where a significant amount of mining equipment is manufactured.

As a result of the uncertainty over tariffs, and where they could be when our equipment arrives in the U.S., we have been focusing on acquiring equipment that has already cleared US customs, or equipment that is manufactured in locations other than China, such as Malaysia.

In light of the ever-evolving equipment market, the changing U.S. tariff environment and the changing network rewards for mining digital assets—and the strength of our balance sheet—we will keep acquiring equipment in quantities consistent with our measured pace of investment.



### *In Conclusion*

The crypto-mining industry is dynamic, and the Company remains firm in its prudent approach toward deploying capital and maintaining a low-cost structure. We believe this will serve our 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

### **Upcoming Shareholder Call**

Alun Williams, President, Kevin McRae, Chief Technology Officer, and Mark Herndon, Chief Financial Officer, will host a shareholder call on **June 12, 2025 at 3 p.m. ET**. *Questions submitted to [ir@consensusmining.com](mailto:ir@consensusmining.com) before 1:00 p.m. EST the day prior of the call will be considered.* The call is open only to current CMSG investors. The call will be available for replay following the meeting, to request a replay, please email [ir@consensusmining.com](mailto:ir@consensusmining.com).

Online webinar: **[REGISTER HERE](#)**

Phone Access: +1 (562) 247-8321 Audio Access Code: 831-129-836



*Important Disclosures:*

*Consensus Mining & Seigniorage Corporation ("CMSG") is an operating business and is not a registered investment adviser or broker-dealer. CMSG 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. CMSG 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—is 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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**Consensus Mining & Seigniorage Corporation**

**Financial Statements**

**For the three months ended March 31, 2025 (unaudited)**

**Consensus Mining & Seigniorage Corporation**  
**Financial Statements**  
**For the three months ended March 31, 2025 (unaudited)**

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**Consensus Mining & Seigniorage Corporation**  
**Balance Sheets**

	<b>March 31, 2025</b>	<b>December 31, 2024</b>
	(unaudited)	
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 61,201,921	\$ 61,251,236
Federal tax receivable	89,600	223,100
Prepaid expenses	115,775	567,851
Other receivables	80,343	163,736
Total current assets	61,487,639	62,205,923
Non-current assets		
Property and equipment, net	4,411,510	4,201,154
Digital assets, net	27,983,390	30,942,301
Loans receivable - related party	343,375	335,045
Total non-current assets	32,738,275	35,478,500
<b>Total Assets</b>	<b>\$ 94,225,914</b>	<b>\$ 97,684,423</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities		
Accrued taxes	\$ 68,097	\$ 35,314
Accrued accounting fees	40,826	115,012
Other accrued expenses	23,778	11,439
Total current liabilities	132,701	161,765
Non-current liabilities		
Deferred tax liabilities, net	2,742,926	3,488,926
<b>Total Liabilities</b>	<b>2,875,627</b>	<b>3,650,691</b>
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	5,040,974	7,724,419
Total Stockholders' Equity	91,350,287	94,033,732
Total Liabilities and Stockholders' Equity	\$ 94,225,914	\$ 97,684,423

**Consensus Mining & Seigniorage Corporation**  
**Statements of Operations**

	<b>Three Months Ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
	<b>(unaudited)</b>	
Digital asset mining revenues	\$ 1,350,315	\$ 1,547,745
Cost of revenues - hosting fees	670,546	664,939
Operating expenses:		
Depreciation expense	602,642	749,895
(Gains) losses on disposals, net	49,211	-
General and administrative expenses	126,947	122,213
Total operating expenses	778,800	872,108
Operating loss	(99,031)	10,698
Non-operating income (expense):		
Net change in unrealized appreciation on digital assets	(3,786,659)	8,292,639
Interest income	614,681	790,781
Realized (loss) gain on sale of digital assets	(7,936)	29,456
Total non-operating income	(3,179,914)	9,112,876
Income (loss) before income taxes	(3,278,945)	9,123,574
Provision for income taxes	(595,500)	2,003,625
Net income (loss)	<u>\$ (2,683,445)</u>	<u>\$ 7,119,949</u>
Basic and diluted net income (loss) per share	<u>\$ (1.19)</u>	<u>\$ 3.16</u>
Weighted average shares (basic and diluted)	<u>2,250,009</u>	<u>2,250,009</u>

**Consensus Mining & Seigniorage Corporation**  
**Statements of Changes in Equity**

**Three Months Ended March 31, 2025**

	<u>Common Stock</u>			<u>Retained Earnings (Accumulated Deficit)</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Par Value</u>	<u>Additional Paid in Capital</u> (unaudited)		
Balance at December 31, 2024	2,250,009	\$ 22,500	\$ 86,286,813	\$ 7,724,419	\$ 94,033,732
Net income (loss)	—	—	—	(2,683,445)	(2,683,445)
Balance at March 31, 2025	<u>2,250,009</u>	<u>\$ 22,500</u>	<u>\$ 86,286,813</u>	<u>\$ 5,040,974</u>	<u>\$ 91,350,287</u>

**Three Months Ended March 31, 2024**

	<u>Common Stock</u>			<u>Retained Earnings (Accumulated Deficit)</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Par Value</u>	<u>Amount</u> (unaudited)		
Balance at December 31, 2023	2,250,009	\$ 22,500	\$ 86,309,313	\$ (11,304,359)	\$ 75,004,954
Cumulative effect of the adoption of an accounting standard	—	—	—	6,011,337	6,011,337
Net income (loss)	—	—	—	7,119,949	7,119,949
Balance at March 31, 2024	<u>2,250,009</u>	<u>\$ 22,500</u>	<u>\$ 86,309,313</u>	<u>\$ 1,826,927</u>	<u>\$ 88,136,240</u>

**Consensus Mining & Seigniorage Corporation**  
**Statements of Cash Flows**

	<b>Three Months Ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
	(unaudited)	
Operating activities:		
Net cash (used in) provided by operating activities	\$ 298,263	\$ 18,425
Investing activities:		
Purchases of property and equipment	(862,209)	(797,460)
Proceeds from sales of digital assets	647,812	174,379
Purchases of digital assets	(133,181)	-
Net cash used in investing activities	(347,578)	(623,081)
Net decrease in cash and cash equivalents	(49,315)	(604,656)
Cash and cash equivalents, beginning of year	61,251,236	63,779,788
Cash and cash equivalents, end of year	\$ 61,201,921	\$ 63,175,132
Supplemental disclosures of cash flow information		
Income taxes paid	\$ -	\$ -

## **Note 1 – Organization and nature of business**

The accompanying unaudited interim Condensed Financial Statements of Consensus Mining & Seigniorage Corporation (the “Company”) were prepared in accordance with accounting principles generally accepted in the United States of America. In the opinion of management, these statements include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the Condensed Financial Statements. The interim operating results are not necessarily indicative of the results for a full year or for any interim period. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations relating to interim financial statements. The Condensed Financial Statements included herein should be read in conjunction with Management’s Discussion and Analysis of Financial Condition and Results of Operations and with the Company’s annual 2023 Financial Statements and Notes.

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 LLC (“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 March 31, 2025, the Company engages the services of three different digital asset miner hosting companies. The Company has contracted with HM Tech LLC, Radiant Tech LLC and Tidal Data Systems, LLC to host the Company’s mining equipment. As of December 31, 2024, the Company had engaged the services of the same digital asset 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. The hosting fees incurred from HM Tech LLC for the three months ended March 31, 2025 and 2024 were \$284,124 and \$228,105, respectively. During the three months ended March 31, 2025 and 2024, the Company incurred hosting fees from HM Tech LLC of \$284,124 and \$228,105. The Company has loans receivable with accrued interest from HM Tech LLC. The total value of the loans receivable, including accrued interest, is \$343,375 and \$335,045 as of March 31, 2025 and December 31, 2024, respectively. The interest accrued is \$51,217 and \$42,887 as of March 31, 2025 and December 31, 2024, 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 value being received.

## ***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

### **Use of Estimates**

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 and calculates impairment using prices from Coinbase.

### **Recent Accounting Pronouncements**

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. ASU No. 2023-09 establishes incremental disaggregation of income tax disclosures pertaining to the effective tax rate reconciliation and income taxes paid. This standard is effective for fiscal years beginning after December 15, 2024, and requires prospective application with the option to apply it retrospectively. We intend to adopt this standard in our Annual Report on Form 10-K for the year ending December 31, 2025. We are currently evaluating the potential impact of adopting this standard on our disclosures.

### **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 \$61,201,921 in cash equivalents as of March 31, 2025 and \$61,251,236 in cash equivalents as of December 31, 2024.

### **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 three months ended March 31, 2025 and 2024.

	<b>Three Months Ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
	(unaudited)	
HM Tech LLC (related party)	\$ 284,124	\$ 228,105
Blockstream ULC	(1,190)	188,644
Tidal Data Systems, LLC	296,529	248,190
Radiant Tech LLC	91,083	—
<b>Total</b>	<b>\$ 670,546</b>	<b>\$ 664,939</b>

### **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 March 31, 2025, there was a loans receivable balance of \$343,375 which includes accrued interest of \$51,217. As of December 31, 2024, there was a loans receivable balance of \$335,045 which includes accrued interest of \$42,887. During 2023, HM Tech LLC repaid \$105,000.



## Prepaid Expenses

The Company's prepaid expenses are summarized in the following table:

	<u>March 31, 2025</u>	<u>December 31, 2024</u>
	(unaudited)	
Prepaid property and equipment	\$ —	\$ 420,300
Hosting - Tidal Data Systems, LLC	93,375	101,625
Prepaid insurance	22,400	45,926
Total	<u>\$ 115,775</u>	<u>\$ 567,851</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 March 31, 2025, 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 three months ended March 31, 2025 and 2024, depreciation related to property and equipment amounted to \$602,642 and \$749,895, respectively. For the three months ended March 31, 2025 and 2024, depreciation related to property and equipment amounted to \$2,870,004 and \$3,844,946, respectively.

	<u>March 31, 2025</u>	<u>December 31, 2024</u>
	(unaudited)	
Computer equipment (digital asset miners)	\$ 7,969,691	\$ 7,490,894
Less accumulated depreciation.	(3,558,181)	(3,289,740)
Total	<u>\$ 4,411,510</u>	<u>\$ 4,201,154</u>

## Digital Assets

The following tables present additional information about the Company's digital assets as of March 31, 2025 and December 31, 2024, respectively:

	March 31, 2025			December 31, 2024		
	Units Held	Cost Basis	Fair Value	Units Held	Cost Basis	Fair Value
Bitcoin	328	\$ 15,196,940	\$ 27,050,374	320	\$ 14,571,281	\$ 29,842,075
Litecoin	10,809	1,050,743	896,530	10,168	980,778	1,048,055
Dogecoin	18,000	2,999	2,999	15,000	4,730	4,730
All others	219	58,562	33,487		57,889	47,441
		<u>\$ 16,309,243</u>	<u>\$ 27,983,390</u>		<u>\$ 15,614,677</u>	<u>\$ 30,942,301</u>

	Bitcoin	
	Units	Amount
<b>Balance at December 31, 2024</b>	320	\$ 29,842,075
Revenue recognized	7	625,661
Proceeds from sale	-	-
Purchases	1	133,181
Change in fair value	-	(3,550,543)
<b>Balance at March 31, 2025</b>	<u>328</u>	<u>\$ 27,050,374</u>

	Litecoin		Dogecoin		Other Coins
	Units	Amount	Units	Amount	Amount
<b>Balance at December 31, 2024</b>	10,168	\$ 1,048,055	15,000	\$ 4,730	\$ 47,441
Revenue recognized	641	69,964	2,433,579	654,018	672
Proceeds from sale	-	-	(2,430,579)	(647,814)	-
Realized gain (loss)	-	-	-	(7,935)	-
Change in fair value	-	(221,489)	-	-	(14,626)
<b>Balance at March 31, 2025</b>	<u>10,809</u>	<u>\$ 896,530</u>	<u>18,000</u>	<u>\$ 2,999</u>	<u>\$ 33,487</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.

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.

### **Revenue Recognition**

	<b>Three Months Ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
	(unaudited)	
Bitcoin	\$ 625,661	\$ 1,221,982
Dogecoin	654,018	200,017
Litecoin	69,964	119,108
Other	672	6,638
Total revenue from mining of digital assets	<u>\$ 1,350,315</u>	<u>\$ 1,547,745</u>

The Company's aggregated revenue earned from the mining of digital assets by location for the three months ended March 31, 2025 and 2024 and the three months ended March 31, 2025 and 2024 are as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
	(unaudited)	
North Carolina	\$ 1,237,144	\$ 1,033,901
Quebec, Canada	—	16,020
Texas	—	497,824
Nebraska	113,171	—
Total revenue from mining of digital assets	<u>\$ 1,350,315</u>	<u>\$ 1,547,745</u>

### **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 three months ended March 31, 2025 and 2024, respectively.

### **Note 3 - Income Taxes**

The Company recorded a benefit from income taxes of \$0.6 million and an income tax expense of \$2.0 million for the three months ended March 31, 2025 and 2024, respectively, primarily related to the deferred tax liability associated with unrealized appreciation or depreciation in certain digital assets. There are no unrecognized benefits for uncertain tax matters.

### **Note 4 – 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.