



## **Consensus Mining & Seigniorage Corporation**

### **Quarterly Report**

### **Q1 2023**

#### **Financial Results Summary**

Consensus Mining & Seigniorage Corporation (“CMSC” or the “Company”) is pleased to announce that, during its first quarter ending March 31, 2023, the Company earned \$1,489,683 in revenue.

The Company mined 34 BTC and 482 LTC, of which 11 BTC and 198 LTC were sold to pay for operating expenses, with the remainder being retained on the balance sheet.

Quarter-end cryptocurrency holdings totaled 187.93 BTC, 3,921 LTC and de-minimis amounts of ZEC, BCH, ETH and ETC.

Operating expenses of \$588,075, primarily hosting costs, were incurred, resulting in a net operating income (excluding depreciation and any cryptocurrency valuation impairment) of \$901,608.

Non-operating expense for the quarter, primarily consisting of mining equipment depreciation expense, was \$1,822,242.

The Company’s GAAP net operating expense deducts 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 Q1 2023 was (\$937,165).



## **Operations Update**

The Company purchased 100 Antminer S19XP's during the quarter, at a cost of \$404,680, which were deployed in March 2023, and 134 Antminer S19XP's at a cost of \$516,678, which are in transit to their mining location for deployment in mid-May 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 quarter by about 4%, to 135PH. This is expected to increase to 154PH when the equipment currently in transit comes online. As we have been upgrading to more efficient, newer generation equipment, the average electricity required per terahash of output has been decreasing.

As for the Company's hosting providers, we continue to expand with a new provider in North Carolina as our initial deployment and experience has been positive to date.

A pilot contract (for 20 S19jPro's) with a hosting provider that expired during the quarter was not extended and we have moved that equipment to one of our existing providers.

Additionally, we are currently in negotiations with another existing hosting provider to extend the relationship as the contract is up for renewal in the coming months.

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

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

## **Update on Upcoming Listing**

As reported in our Q4 2022 update, the Company was forced to search for a new audit firm after our original firm withdrew. We are pleased to report that the Company has engaged with WithumSmith + Brown, PC as auditor and we expect the audit to commence in the coming weeks, which will hopefully lead to a direct listing in late 2023/early 2024.



## **Management Commentary**

During Q1 2023, the cryptocurrency mining industry felt a reprieve of the tight profitability conditions of Q4 2022, with an increase in crypto prices. The price of Bitcoin averaged \$16,500 during Q4, but has since recovered to a Q1 average of approximately \$22,900, closing the quarter at \$28,500.

While the price appreciation has had a material and positive impact on profitability, continued network difficulty increases, resulting from the growth in network hashrate, has tempered the impact of the price appreciation. The network hashrate grew to an all-time high of 337 exahash, which resulted in a 32% increase in the network difficulty.

With the welcome profit margin improvement, 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 cryptocurrency assets), which has enabled us to add to our cryptocurrency balances at a faster rate than in Q4 2022.

The cost of procuring new mining equipment stayed mostly flat for the quarter as profitability improved. The 25-38 W/TH Luxor Asic Price index saw a slight rise in the prices of equipment in this efficiency range (incorporating equipment like the S19J Pro) to around \$17/TH. Conversely, the most efficient under 25 W/TH Asic Price Index, which includes equipment such as the S19XP saw a material fall from \$35/TH to around \$25/TH. This was in part driven by some aggressive promotions in March of the S19XP by Bitmain, its manufacturer.

Efficiency differences continue to be important considerations for equipment procurement, given the proximity to the next Bitcoin halving in April 2024. Assuming the current mining economics remain the same, much of the equipment that is considered current generation, like the S19JPro's, could become unprofitable in less than a year.

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 consistent with our measured pace of capital deployment.

Across the industry, after several bankruptcy announcements in Q4, things have calmed down, with not many notable corporate issues. Those companies that have been able to weather the storm have solidified their positions, and those that entered bankruptcy have been working through those proceedings.



As previously mentioned, we believe that those 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 and an overextension of debt, among other factors, in a quest for rapid growth.

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

### **Shareholder Call**

Alun Williams, President and Treasurer, and Kevin McRae, Chief Technology Officer, hosted a conference call on **Wednesday, May 24, 2023, at 3:00 p.m. ET**. The call is open only to current CMSC investors. The call will be available for replay following the meeting, to request a replay, please email [ir@consensusmining.com](mailto:ir@consensusmining.com).



**Consensus Mining & Seigniorage Corporation**

**Statement of Financial Condition**

**As of March 31, 2023**

<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 65,213,175
Cryptocurrencies	3,247,735
Loans	350,000
Prepaid expenses and other current assets	266,018
Other receivables	34,009
<b>Total current assets</b>	<b>\$ 69,110,937</b>
Non-current assets	
Property and equipment, net	5,639,011
<b>Total non-current assets</b>	<b>\$ 5,639,011</b>
<b>Total assets</b>	<b>\$ 74,749,948</b>
<b>Liabilities</b>	
Current liabilities	
Accrued expenses	\$ 78,395
<b>Total current liabilities</b>	<b>\$ 78,395</b>
<b>Total liabilities</b>	<b>\$ 78,395</b>
<b>Stockholders' Equity</b>	
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	(11,637,760)
<b>Total stockholders' equity</b>	<b>74,671,553</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 74,749,948</b>



**Consensus Mining & Seigniorage Corporation**

**Statement of Income**

**For the Three Months Ended March 31, 2023**

<b>Revenues</b>	
Cryptocurrency mining	\$ 813,816
Interest revenue	675,867
<b>Total revenues</b>	<b>\$ 1,489,683</b>
<b>Cost of revenues</b>	
Hosting fees	527,279
<b>Total cost of revenues</b>	<b>527,279</b>
<b>Operating expenses</b>	
Depreciation expense	1,763,110
Impairment of cryptocurrencies	59,132
Audit & Tax expenses	26,493
Tax expense	3,695
Management fees	3,000
Transfer agent fees	3,913
Other operating expenses	23,695
<b>Total operating expenses</b>	<b>1,883,038</b>
<b>Non-operating expenses</b>	
Loss on disposal of fixed assets	16,531
<b>Total costs and expenses</b>	<b>\$ 2,426,848</b>
<b>Net loss before provision for income taxes</b>	<b>(937,165)</b>
Provision for income taxes	-
<b>Net loss</b>	<b>\$ (937,165)</b>



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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