



Consensus Mining & Seigniorage Corporation
Quarterly Report
Q3 2023

Financial Results Summary

Consensus Mining & Seigniorage Corporation (“CMSC” or the “Company”) is pleased to announce that, during its third quarter ending September 30, 2023 (the “Period”), the Company generated \$1,625,286 in revenue, compared to \$1,733,542 in Q2 2023.

During the Period, the Company mined 27.6 Bitcoin (BTC), 360 Litecoin (LTC), and 15 Bitcoin Cash (BCH). Of these totals, 3.1 BTC and 70 LTC were sold to partially pay for operating expenses, with the remainder being retained on the balance sheet.

Quarter-end cryptocurrency holdings totaled 235.67 BTC, 4380 LTC and de-minimis amounts of BCH, Zcash (ZEC), Ethereum (ETH) and Ethereum Classic (ETC). The Period-end value of the cryptocurrency holdings was approximately \$6.67 million.

The cost of revenues, a figure that consists of hosting costs, was \$613,975 for the Period, compared to \$688,824 for Q2 2023. The decrease came largely from slightly lower hosting rates, and a reduction of costs associated with equipment that was taken offline after becoming unprofitable.

Operating costs—which includes depreciation expense for the mining equipment, non-cash impairment of the crypto currency values, and administrative expenses—were \$796,220 for the Period, compared to \$1,555,130 for Q2 2023.

The lower operating costs were primarily from a reduction in depreciation charges. This was due to a significant portion of our older equipment fulfilling its 18-month depreciation schedule at the end of May. The result was a materially lower depreciation expense for the full quarter. Despite having now been fully depreciated, much of this equipment is still operating profitably today.

The Company’s GAAP net profit for Q3 2023 was \$184,507, compared to \$(519,454) loss for Q2 2023.



Operations Update

During the quarter, the Company purchased 230 Antminer S19XP machines at a cost of \$762,105; these were deployed in September 2023. Since the end of the Period, an additional 150 Antminer L7 Litecoin mining rigs were acquired at a cost of \$642,261; they were deployed at the end of October 2023.

Factoring in the deployment of new equipment, along with equipment taken offline due to reduced profitability, CMSC increased its bitcoin hashrate capacity during the quarter by about 3%, to 160PH. After the deployment of the Antminer L7 machines at the end of October, the Company's Litecoin hashrate increased from 190GH to 1,513GH.

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

In regard to hosting providers, we have closed with an existing provider in Texas to extend the current 1MW contract for another year and completed the deployment of the recent purchase of 230 Antminer S19XP machines.

This new contract has a different cost structure from the previous fixed rate. 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. This new arrangement allows us to take advantage of both lower power costs when they are low and to put our equipment in standby mode when power costs are high, with the goal of reducing our overall hosting expense, and we have had a positive experience thus far with the new arrangement.

This also gives us more flexibility to navigate the uncertainty in mining profitability that may come with the upcoming bitcoin halving next spring.

Unfortunately, in mid-September, a weather event knocked out transmission lines that feed a section of the hosting facility that houses approximately 300 S19 J Pro machines. The utility has been working hard to bring the site back online, which finally happened during the week of November 6th and the S19 J Pro's are now back up and running. This outage did not affect the S19 XPs hosted with the same provider.

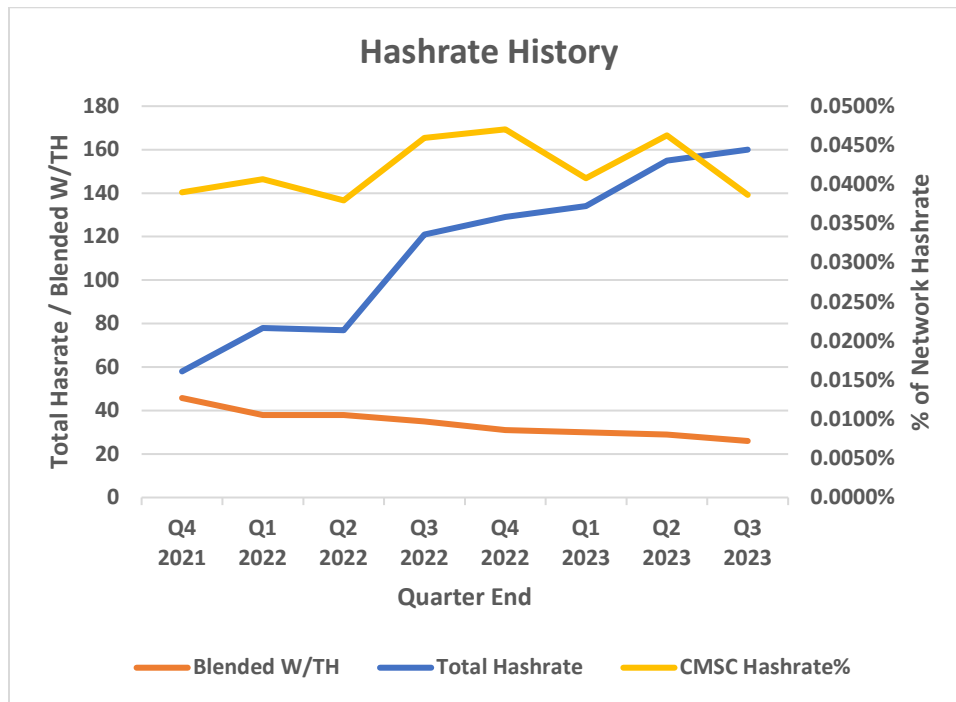
We will continue to engage with existing and new hosting providers to secure space as we procure new mining equipment.

Historical Hashrate and Crypto Balance Review

Expanding our hashrate in line with the growth of the network, while at the same time improving our blended efficiency, is currently one of CMSC’s primary goals.

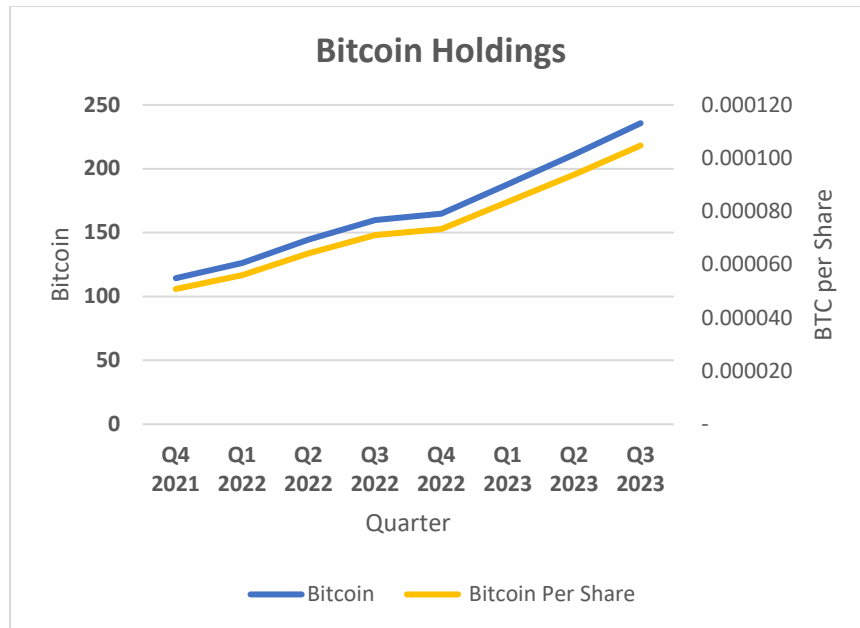
The chart below shows how these three elements have changed since inception of the Company:

- CMSC’s total Bitcoin mining hashrate has increased from 58 PH to 160 PH.
- Power efficiency, measured by the blended W/TH across our server “fleet,” has fallen from 46 W/TH to 26 W/TH.
- CMSC’s percentage of the total network hashrate fell slightly over the quarter, from 0.046% to 0.040%.





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 235 at the end of the Period.



Update on Upcoming Listing

Our engagement with our new auditor, WithumSmith + Brown, PC, is wrapping up and the final audit opinion is expected shortly. Once finalized, the listing application should start within a few weeks, hopefully leading to a direct listing in early 2024.



Management Commentary

Cryptocurrency Prices and Mining Profitability

During Q3 2023, Bitcoin prices remained stuck in the \$25,000-\$30,000 range, with an average price of \$28,100, ending the quarter around \$27,000.

While recent price appreciation and subsequent stability has had a positive impact on profitability, continued increases in network difficulty—resulting from the growth in the network hashrate—have tempered the positive impact of the price changes. The network hashrate grew from 360 exahash to 411 exahash (approximately 14%) over the quarter, resulting in a 10% increase in the network difficulty. Network hashrate and difficulty has continued to move upward since the end of the quarter.

With the welcome profit margin improvement, CMSC's continued focus on maintaining a low operating cost structure has allowed it to continue mining with positive operating cash flow. This, in turn, has enabled CMSC to continue to add to its cryptocurrency balances at a faster rate compared to when profit margins were significantly tighter at the end of 2022.

Since the end of the quarter, a number of noteworthy ETF developments have taken place. Critically, the deadline passed for the SEC to appeal the D.C. Circuit Court of Appeals' order to reject the SEC's denial of the conversion of Grayscale's flagship fund, Grayscale Bitcoin Trust (GBTC), to an ETF. Grayscale still needs to work closely with the SEC for approval, but this is another step in the right direction for a potential spot ETF.

Equipment Developments

The cost of procuring new mining equipment fell slightly for the quarter as profitability stabilized, and as the halving approaches. The 25-38 W/TH Luxor ASIC Price index saw a slight drop in the prices of equipment in this efficiency range (incorporating equipment like the S19J Pro) to around \$12/TH.

The most efficient under-25 W/TH ASIC Price Index, which includes equipment such as the S19XP, saw a more material fall, from around \$20/TH to around \$16/TH. The premium for these more efficient machines has started to contract as we get closer to the halving, and as difficulty increases.

Both Bitmain and MicroBt have announced the upcoming releases of their most efficient ASIC miners, which should start hitting the market in a few months.



Bitmain's air-cooled S21, coming in at a 200 terahash processing speed and an efficiency of 17.5 J/T, is expected to start delivery in the first half of next year. MicroBT announced its competitor to the S21 in a recent conference in Dubai, with a processing speed of around 180 terahash and an efficiency rating of 18.5 J/T.

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, many machines considered current generation, like the S19JPro, could become unprofitable in less than a year.

Given these factors and our liquid balance sheet, we continue to look for opportunities to acquire assets that are available in an investment size consistent with our measured pace of capital deployment as prices continue to fall.

In Summary

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".

Alun Williams
President and Treasurer
Consensus Mining & Seigniorage Corporation



Consensus Mining & Seigniorage Corporation
Statement of Financial Condition
As of September 30, 2023

Assets	
Current assets	
Cash and cash equivalents	\$ 64,391,268
Prepaid expenses	505,222
Loans receivable	295,690
Total current assets	<u>65,192,180</u>
Non-current assets	
Property and equipment, net	4,852,488
Digital assets, net	4,436,417
Federal tax receivable	197,971
Total non-current assets	<u>9,486,876</u>
Total assets	<u>\$ 74,679,056</u>
Liabilities	
Current liabilities	
Accrued hosting fees	\$ 136,023
Accrued accounting fees	10,400
Other accrued expenses	17,502
Total current liabilities	<u>163,925</u>
Total liabilities	<u>163,925</u>
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
Accumulated deficit	(11,794,182)
Total stockholders' equity	<u>74,515,131</u>
Total liabilities and stockholders' equity	<u>\$ 74,679,056</u>



Consensus Mining & Seigniorage Corporation
Statement of Income
For the Three Months Ended September 30, 2023

Revenues	
Digital asset mining	\$ 810,910
Total revenues	810,910
Cost of revenues	
Hosting fees	613,975
Total cost of revenues	613,975
Operating expenses	
Depreciation expense	603,731
Impairment of digital assets	93,959
Professional fees	43,706
Insurance expense	17,870
Tax expense	6,773
Transfer agent fees	3,913
Management fees	3,000
Other operating expenses	23,268
Total operating expenses	796,220
Non-operating income	
Interest income	805,759
Other income	8,617
Total non-operating income	814,376
Non-operating expense	
Loss on disposal of fixed assets	30,584
Total non-operating expense	30,584
Total costs and expenses	1,440,779
Net income before provision for income taxes	184,507
Provision for income tax benefit	-
Net income	\$ 184,507



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.

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