

**Consensus Mining & Seigniorage Corporation**

**Financial Statements**

**Report of Independent Registered Public Accounting Firm**

**December 31, 2023 and 2022**

**Consensus Mining & Seigniorage Corporation**  
**Financial Statements**  
**December 31, 2023 and 2022**

Index

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	1-3
Balance Sheets	4
Statements of Operations	5
Statements of Changes in Stockholders' Equity	6
Statements of Cash Flows	7
Notes to Financial Statements	8-20

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

### Opinion

We have audited the financial statements of Consensus Mining & Seigniorage Corporation (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, changes in stockholders' equity and cash flows for the years then ended, and the related notes to 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, 2023 and 2022, 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 of Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's 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 and in accordance with auditing standards generally accepted in the United States of America. 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 – 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 carrying value of approximately \$5.5 million and \$2.7 million, representing approximately 7% and 4% of total assets at December 31, 2023 and 2022, 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 are not registered and therefore, 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 the 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.

*WithumSmith+Brown, PC*

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

Irvine, California

May 23, 2024

PCAOB Number 100

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 63,779,788	\$ 65,151,094
Federal tax receivable	238,269	238,269
Prepaid expenses	719,684	386,384
Other receivables	4,200	6,505
<b>Total current assets</b>	<u>64,741,941</u>	<u>65,782,252</u>
Non-current assets		
Property and equipment, net	4,778,035	7,013,971
Digital assets, net	5,548,988	2,719,120
Loans receivable - related party	303,206	374,693
<b>Total non-current assets</b>	<u>10,630,229</u>	<u>10,107,784</u>
<b>Total assets</b>	<u>\$ 75,372,170</u>	<u>\$ 75,890,036</u>
<b>Liabilities</b>		
Current liabilities		
Accrued state taxes	\$ 144,971	\$ 48,509
Accrued accounting fees	118,495	35,957
Accrued hosting fees	99,208	10,891
Other accrued expenses	4,542	2,837
<b>Total current liabilities</b>	<u>367,216</u>	<u>98,194</u>
<b>Total liabilities</b>	<u>367,216</u>	<u>98,194</u>
<b>Commitments and contingencies (Note 5)</b>		
<b>Stockholders' equity</b>		
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	(11,304,359)	(10,517,471)
<b>Total stockholders' equity</b>	<u>75,004,954</u>	<u>75,791,842</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 75,372,170</u>	<u>\$ 75,890,036</u>

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

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

	<b>For the Year Ended December 31, 2023</b>	<b>For the Year Ended December 31, 2022</b>
<b>Revenues</b>		
Digital asset mining	\$ 3,708,172	\$ 3,978,473
<b>Total revenues</b>	<b>3,708,172</b>	<b>3,978,473</b>
<b>Cost of revenues</b>		
Hosting fees	2,324,152	2,252,774
<b>Total cost of revenues</b>	<b>2,324,152</b>	<b>2,252,774</b>
<b>Operating expenses</b>		
Depreciation expense	4,491,770	6,540,695
Impairment of digital assets	236,429	4,026,745
General and administrative	499,822	306,603
<b>Total operating expenses</b>	<b>5,228,021</b>	<b>10,874,043</b>
<b>Operating loss</b>	<b>(3,844,001)</b>	<b>(9,148,344)</b>
<b>Non-operating income (expense)</b>		
Interest income	3,055,731	894,815
Gain on sale of property and equipment	75,375	-
Loss on disposal of property and equipment	(69,891)	(186,173)
Other income	11,751	-
<b>Total non-operating income</b>	<b>3,072,966</b>	<b>708,642</b>
<b>Loss before provision for income taxes</b>	<b>(771,035)</b>	<b>(8,439,702)</b>
Provision for income taxes	15,853	1,749
<b>Net loss</b>	<b>\$ (786,888)</b>	<b>\$ (8,441,451)</b>
<b>Basic and diluted net loss per share</b>	<b>\$ (0.35)</b>	<b>\$ (3.75)</b>
<b>Weighted average shares (basic and diluted)</b>	<b>2,250,009</b>	<b>2,250,009</b>

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

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

	Common Stock		Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount		
<b>Balance at December 31, 2021</b>	2,250,009	\$ 86,309,313	\$ (2,076,020)	\$ <b>84,233,293</b>
Net loss	-	-	(8,441,451)	(8,441,451)
<b>Balance at December 31, 2022</b>	<b>2,250,009</b>	<b>\$ 86,309,313</b>	<b>\$ (10,517,471)</b>	<b>\$ 75,791,842</b>
Net loss	-	-	(786,888)	(786,888)
<b>Balance at December 31, 2023</b>	<b>2,250,009</b>	<b>\$ 86,309,313</b>	<b>\$ (11,304,359)</b>	<b>\$ 75,004,954</b>

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



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

	<u>For the Year Ending December 31, 2023</u>	<u>For the Year Ending December 31, 2022</u>
<b>Operating activities:</b>		
Net loss	\$ (786,888)	\$ (8,441,451)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Impairment of digital assets	233,295	4,026,745
Depreciation expense	4,491,770	6,540,695
Digital asset mining	(3,708,172)	(3,978,473)
Loss on disposal of property and equipment	69,891	186,173
Gain on sale of property and equipment	(75,375)	-
Changes in operating assets and liabilities:		
Federal tax receivable	-	(238,269)
Interest and other receivables	15,951	61,976
Prepaid expenses	(333,300)	(226,351)
Accrued state taxes	96,462	(92,142)
Accrued accounting fees	82,538	667
Accrued hosting fees	88,317	2,835
Other accrued expenses	1,705	(269,134)
Net cash provided by (used in) operating activities	<u>176,194</u>	<u>(2,426,729)</u>
<b>Investing activities:</b>		
Purchases of property and equipment	(2,325,725)	(6,218,014)
Proceeds from sales of digital assets	645,009	2,413,949
Payments on (proceeds from) loans receivable to related party	57,841	(350,000)
Proceeds from sale of property and equipment	75,375	39,000
Net cash used in investing activities	<u>(1,547,500)</u>	<u>(4,115,065)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(1,371,306)</u>	<u>(6,541,794)</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>65,151,094</u>	<u>71,692,888</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 63,779,788</u>	<u>\$ 65,151,094</u>
<b>Supplemental disclosure of cash flow information:</b>		
Income taxes paid	\$ 12,725	\$ 328,020

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

**Consensus Mining & Seigniorage Corporation**  
**Notes to Financial Statements**  
**December 31, 2023**

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

Consensus Mining & Seigniorage Corporation (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 December 31, 2023, the Company engages the services of three different digital asset miner hosting companies. The Company has contracted with HM Tech LLC, Blockstream ULC and Tidal Data Systems, LLC to host the Company’s mining equipment. As of December 31, 2022, the Company had engaged the services of four different digital asset miner hosting companies: Core Scientific, Inc., HM Tech LLC, Blockstream ULC and Blockware Solutions LLC.

**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 years ended December 31, 2023 and December 31, 2022 were \$1,109,782 and \$947,311, respectively. The Company has loans receivable with accrued interest from HM Tech LLC. The total value of the loans receivable, including accrued interest, is \$303,206 and \$374,693 as of December 31, 2023 and 2022, respectively. The interest accrued is \$11,047 and \$24,693 as of December 31, 2023 and 2022, 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.

**Consensus Mining & Seigniorage Corporation**  
**Notes to Financial Statements**  
**December 31, 2023**

***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.

**Reclassifications**

Certain prior year amounts have been reclassified to conform with current year presentation. The Company now presents cash flows for the loans receivable to related party in the Investing activities section.

**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 cryptocurrency and calculates impairment using prices from Coinbase.

**Recent Accounting Pronouncements**

In June 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326). ASU No. 2016-13 requires immediate recognition of management's estimates of current expected credit losses (CECL) rather than when incurred. ASU No. 2016-13 is effective for annual periods beginning after December 15, 2022 and interim periods within annual periods beginning after December 15, 2022. The Company adopted this ASU using the modified retrospective method. The impact of adopting this ASU on January 1, 2023 was not material.

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

**Consensus Mining & Seigniorage Corporation**  
**Notes to Financial Statements**  
**December 31, 2023**

**Recent Accounting Pronouncements *(continued)***

beginning after December 15, 2024 and interim periods within annual periods beginning after December 15, 2024, with early adoption permitted. The Company expects to adopt ASU 2023-08 as of January 1, 2024 resulting in certain expanded disclosures about our digital assets and recording an increase to our Digital assets and a reduction to our Accumulated deficit of approximately \$6.0 million.

**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 \$63,779,788 in cash equivalents as of December 31, 2023 and \$65,151,094 in cash equivalents as of December 31, 2022.

**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, 2023 and 2022.

	<b>2023</b>	<b>2022</b>
HM Tech LLC (related party)	\$ 1,109,782	\$ 947,311
Blockstream ULC	633,568	352,455
Tidal Data Systems, LLC	535,308	-
Core Scientific, Inc.	32,313	772,245
Other provider(s)	13,181	180,763
<b>Total</b>	<b>\$ 2,324,152</b>	<b>\$ 2,252,774</b>

**Consensus Mining & Seigniorage Corporation**  
**Notes to Financial Statements**  
**December 31, 2023**

**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 (See Note 6). 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, 2023, there was a loans receivable balance of \$303,206 which includes accrued interest of \$11,047. As of December 31, 2022, there was a loans receivable balance of \$374,693 which includes accrued interest of \$24,693.

**Prepaid Expenses**

The Company has \$337,242 in prepaid hosting expenses, \$323,000 in prepaid property and equipment and \$59,442 in prepaid insurance as of December 31, 2023 and \$375,865 in prepaid hosting expenses and \$10,519 in prepaid insurance as of December 31, 2022. See below for a breakout of the Company’s prepaid expenses. Hosting expenses are displayed by provider:

	<u>2023</u>	<u>2022</u>
Prepaid property and equipment	\$ 323,000	\$ -
Hosting - Blockstream ULC	278,783	316,901
Hosting - Tidal Data Systems, LLC	58,459	-
Hosting - HM Tech LLC (related party)	-	20,674
Hosting - Core Scientific, Inc.	-	35,065
Hosting - Blockware Solutions LLC	-	3,225
Prepaid insurance	59,442	10,519
<b>Total</b>	<u>\$ 719,684</u>	<u>\$ 386,384</u>

**Consensus Mining & Seigniorage Corporation**  
**Notes to Financial Statements**  
**December 31, 2023**

**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.
- Loss of the private security key which would prevent the Company from accessing the digital assets and render the digital assets worthless to the Company.
- Current and continued market acceptance driven by significant market volatility.
- Should any individual or group obtain 51% control of the distributed network, such control could have a significant adverse effect on the ownership or value of the digital asset.

**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 the beginning of 2024, the block reward was 6.25 bitcoin. At the next halving event, those rewards will be reduced to 3.125 bitcoin (See Note 6). As a result, the bitcoin rewards the Company receives from its mining activities will be cut in half. Unless there is a commensurate increase in transactions fees, reduction in the network hashrate (resulting a similar difficulty adjustment) or increase in the price of bitcoin (or some combination thereof), the Company could see a reduction in its revenues, in fiat terms, which could impact the Company's profitability. The potential changes to these factors as a result of the halving are unknown at this time.

**Consensus Mining & Seigniorage Corporation**  
**Notes to Financial Statements**  
**December 31, 2023**

**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 year ended December 31, 2023 and 2022, depreciation related to property and equipment amounted to \$4,491,770 and \$6,540,695, respectively.

	<u>2023</u>	<u>2022</u>
Computer equipment (digital asset miners)	\$ 13,156,287	\$ 13,792,774
Less accumulated depreciation	(8,378,252)	(6,778,803)
<b>Total</b>	<u>\$ 4,778,035</u>	<u>\$ 7,013,971</u>

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, 2023, equipment with a historical cost of \$268,456 and accumulated depreciation of \$198,565 was written off resulting in a loss of \$69,891. Machines sold during 2023 resulted in a gain of \$75,375. The cost basis of these machines was \$0. During the year ended 2022, equipment with a historical cost of \$366,536 and accumulated depreciation of \$203,519 was written off resulting in a loss of \$163,017. Machines sold during 2022 resulted in a loss of \$23,156.

**Digital Assets**

Digital assets represent the only intangible assets held by the Company. The Company accounts for digital assets in accordance with the AICPA's practice aid "Accounting for and auditing of digital assets." In accordance with this practice aid, digital assets are accounted for as an indefinite-live intangible asset and are valued based on the current price of the digital asset at the time the digital asset was received. The Company evaluates 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 years ended December 31, 2023 and 2022 of \$236,429 and \$4,026,745, respectively. The following tables present additional information about the Company's digital assets as of December 31, 2023 and 2022, respectively:

**Consensus Mining & Seigniorage Corporation**  
**Notes to Financial Statements**  
**December 31, 2023**

**Digital Assets (continued)**

	2023		2022	
	Cost*	Carrying Value	Cost*	Carrying Value
Bitcoin	\$ 10,962,994	\$ 5,202,044	\$ 8,105,265	\$ 2,555,105
Litecoin	688,109	335,593	487,498	159,066
Ethereum	2,279	424	2,279	424
Ethereum Classic	1,791	457	1,791	457
Z-Cash	19,287	3,011	19,287	3,948
Bitcoin Cash	8,743	7,458	787	120
<b>Total</b>	<b>\$ 11,683,204</b>	<b>\$ 5,548,988</b>	<b>\$ 8,616,907</b>	<b>\$ 2,719,120</b>

\* The cost basis of the Company's digital assets above is the Company's historical cost basis of all digital assets since its inception.

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.



**Consensus Mining & Seigniorage Corporation**  
**Notes to Financial Statements**  
**December 31, 2023**

**Revenue Recognition (continued)**

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, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Bitcoin	\$ 3,453,255	\$ 3,759,889
Litecoin	246,961	209,415
Bitcoin Cash	7,956	8,174
Z-Cash	-	995
<b>Total revenue from mining of digital assets</b>	<u>\$ 3,708,172</u>	<u>\$ 3,978,473</u>

**Consensus Mining & Seigniorage Corporation**  
**Notes to Financial Statements**  
**December 31, 2023**

**Revenue Recognition (continued)**

The Company's aggregated revenue earned from the mining of digital assets by location for the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
North Carolina	\$ 2,483,189	\$ 2,765,987
Kentucky	11,451	297,347
North Dakota	9,532	110,846
Quebec, Canada	262,389	122,330
Texas	941,611	446,911
New York	-	235,052
<b>Total revenue from mining of digital assets</b>	<u><u>\$ 3,708,172</u></u>	<u><u>\$ 3,978,473</u></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 \$2,324,152 and \$2,252,774 in hosting fees for the years ended December 31, 2023 and December 31, 2022, respectively. The hosting fees are driven by the electricity consumed at each provider's location and the rates established with each provider.

**Net Loss Per Share**

The Company computes net 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, 2023 and 2022, respectively.

**Note 3 - Income Taxes**

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

**Consensus Mining & Seigniorage Corporation**  
**Notes to Financial Statements**  
**December 31, 2023**

***Note 3 - Income Taxes (continued)***

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 2023 and 2022 are comprised of:

	<u>2023</u>	<u>2022</u>
Current income taxes:		
Federal	\$ -	\$ -
State	15,853	1,749
Deferred income tax expense	-	-
<b>Total provision for income taxes</b>	<u>\$ 15,853</u>	<u>\$ 1,749</u>

The reconciliations between the effective tax rate on loss from continuing operations and the U.S. federal statutory tax rate, as of December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Statutory U.S. income tax rate	-21.0%	-21.0%
Increase (decrease) in taxes resulting from:		
State taxes, net of federal benefit	0.5%	0.2%
Nondeductible expenses	0.0%	0.0%
Change in valuation allowance	18.4%	20.8%
	<u>2.1%</u>	<u>0.0%</u>

**Consensus Mining & Seigniorage Corporation**  
**Notes to Financial Statements**  
**December 31, 2023**

***Note 3 - Income Taxes (continued)***

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 is due to a change in the tax rate and 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, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Deferred tax assets:		
Digital asset impairment	\$ 1,433,566	\$ 941,050
Net operating loss carryforwards	126,306	52,959
Fixed assets	93,470	-
Other	437	-
Gross deferred tax assets	<u>1,653,779</u>	<u>994,009</u>
Less valuation allowance	<u>(1,653,779)</u>	<u>(967,116)</u>
Deferred tax assets - net of allowance	-	26,893
Deferred tax liabilities		
Fixed assets	-	<u>26,893</u>
Total deferred tax liabilities	-	26,893
Net deferred income tax liability	<u>\$ -</u>	<u>\$ -</u>

The Company has the following attributes:

	<b>Gross Amount</b>	<b>Expiring</b>
Federal net operating loss carryforwards	\$ 564,631	Indefinite
State net operating loss carryforwards	\$ 372,868	Indefinite

**Consensus Mining & Seigniorage Corporation**  
**Notes to Financial Statements**  
**December 31, 2023**

***Note 3 - Income Taxes (continued)***

The valuation allowance at December 31, 2022 was \$967,116 and increased during 2023 by \$686,663. The allowance was increased based on the following factors. Under the TCJA rules, the Company cannot carryback NOLs to previous years, so it would not be able to recover deferred tax assets in that way. Future projections are dependent on the crypto market and therefore would not be readily supportable. Lastly there are not sufficient deferred tax liabilities to support recognition.

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 in any jurisdiction.

***Note 4 – Stockholders' Equity***

In accordance with the Stock Purchase Agreement dated November 14, 2021, initial investors received ownership shares 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.

**Consensus Mining & Seigniorage Corporation**  
**Notes to Financial Statements**  
**December 31, 2023**

***Note 6 – Subsequent Events***

Management has evaluated subsequent events through May 23, 2024, the date the financial statements were issued, for inclusion or disclosure in the financial statements. The Company has not engaged any additional hosting service providers nor has it terminated any hosting services relationships.

During 2024, the Company purchased a total of 317 mining rigs for \$1,572,310.

The Company extended the loans to HM Tech LLC by two additional years through July 15, 2026. (See Note 2).

On April 19, 2024, the Bitcoin halving event occurred reducing the mining reward to 3.125 per block (See Note 2).