



Consensus Mining & Seigniorage Corporation
Quarterly Report
Q2 2024

Financial Results Summary (unaudited)

Consensus Mining & Seigniorage Corporation (“CMSC” or the “Company”) is pleased to announce that, during its second quarter ending June 30, 2024 (the “Period”), the Company generated \$1.4 million in mining revenue. This is down from \$1.5 million the prior quarter, and up from \$0.97 million for the same quarter last year.

The Company mined 14.3 Bitcoin (BTC), 692 Litecoin (LTC) and 30 Bitcoin Cash (BCH), all of which were retained. In addition, as a result of merge-mining, the Company mined approximately 2.5 million Dogecoin (DOGE), most of which was sold.¹

Quarter-end cryptocurrency holdings totaled 299 Bitcoin (BTC), 8,671 Litecoin (LTC), 87 Bitcoin Cash (BCH), 90,000 Dogecoin (DOGE) as well as de-minimis amounts of Zcash (ZEC), Ethereum (ETH), and Ethereum Classic (ETC). The Period-end value of all the cryptocurrency holdings was \$19.5 million.

The cost of revenue, a figure that largely consists of hosting costs, totaled \$0.7 million for the Period, approximately the same amount it was for Q1 2024 and the year-ago period, Q2 2023.

Operating costs—which include depreciation expenses for mining equipment as well as general administrative expenses—were \$0.9 million for the Period, compared to \$0.8 million for Q1 2024 and \$1.5 million for Q2 2023.

The Company reported an operating loss for the Period of \$240,450, compared to an operating profit of \$44,982 for Q1 2024, and an operating loss of \$1.2 million for Q2 2023.

Non-operating loss for the Period, consisting primarily of the mark to market of the digital assets and interest income, was a loss of \$2.0 million, compared to a profit of \$9.1 million for Q1 2024 and a loss of \$0.5 million for the Q2 2023.²

The Company’s net income for the Period was a loss of \$1.7 million, compared to a profit of \$9.1 million for Q1 2024 and a loss of \$0.5 million for Q2 2023.²

¹ Please refer to the Merge-Mining Update Section for more information on the merge-mining of Dogecoin.

² Please refer to the Accounting Methodology Changes section for more information.



Accounting Methodology Changes

In December 2023, the Financial Accounting Standards Board issued Accounting Standards Update No. 2023-08, Intangibles - Goodwill and Other - Crypto Assets (Topic 350-60). The update requires that entities present crypto assets to be measured at fair value and separately from other intangible assets in the balance sheet. The Accounting Standard is effective for annual periods beginning after December 15, 2024, with early adoption permissible. The Company adopted the update as of January 1, 2024.

The prior treatment of digital assets required the Company to impair its digital assets to the lowest observable price since the asset was acquired, with no reversal of the impairment.

This change in accounting rules for digital assets has resulted a material impact to the Q2 2024 financial statements.

- Digital assets are now recorded at their fair value as of each period during 2024. The Q2 mark-to-market of the digital assets was an unrealized loss of \$2.8 million.

Merge Mining Update

Script algorithm miners, such as the Antminer L7, can mine multiple digital networks at the same time, resulting in rewards from each network.

Our Litecoin mining pool mines Litecoin and Dogecoin at the same time. The mining pool has historically converted the Dogecoin rewards to Litecoin and paid its pool participants in Litecoin for the full reward of its mining efforts across both networks.

In early 2024, the mining pool changed its policy on reward payouts, and directly distributes both the Litecoin rewards and the Dogecoin rewards that the pool receives.

Given Dogecoin's unlimited supply policy, the Company chooses not to retain this cryptocurrency for the long term. As such, the Company has sold, and will continue to periodically sell, the Dogecoin rewards it receives for its Script mining efforts as soon as is practical.

As a result of the compelling profit profile for Script miners, resulting from the benefits of merge mining, the Company has been increasing its Script mining hashrate in recent months.



Operations Update

During the fourth quarter of 2023, the Company acquired 200 Antminer S21 machines for a total of \$646,000, for future delivery in stages over the first six months of 2024. The Company was able to deploy most of the remaining units from this order during the quarter, with the final 38 being deployed after the quarter's end.

During the Period, 35 Antminer L7 Litecoin mining rigs were acquired at a cost of \$229,600; 80 Antminer S21 195T machines for \$302,000, and 100 Antminer S21 Pro 234T machines for \$481,646, all of which were deployed during the quarter.

Additionally, the Company purchased 18 Auradine Teraflux AT2880 machines for \$87,740 and 14 Antminer L9 Litecoin mining rigs for \$168,980, all of which are pending delivery.

Since the end of the Period, the Company purchased an additional 18 Antminer L9 Litecoin mining rigs for \$194,400, which are also pending delivery.

During the Period, CMSC increased its Bitcoin hashrate capacity from 180 PH to 207 PH with an additional 31 PH coming online after the end of the Period and 5 PH pending delivery. The Company also increased its Litecoin hashrate capacity from 2,443 GH to 2,760 GH, with an additional 512 GH pending delivery.

In addition to adding more efficient machines and increasing our hashrate, we've been closely monitoring profitability as hashprice has been impacted by the recent Bitcoin halving, as well as changes in the network difficulty and the price of Bitcoin. As some of our older, less efficient machines become unprofitable, the Company has taken and will continue to take those units offline until market conditions improve.

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

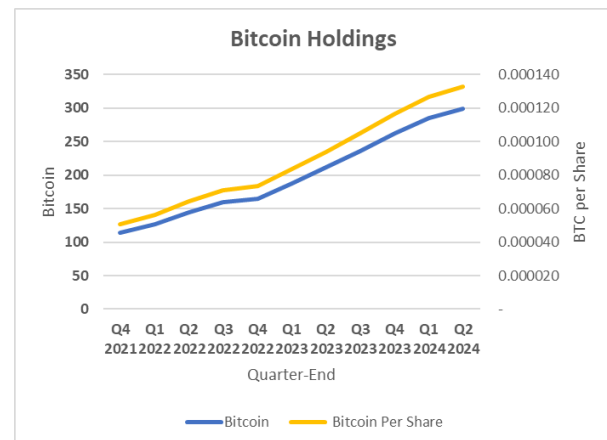
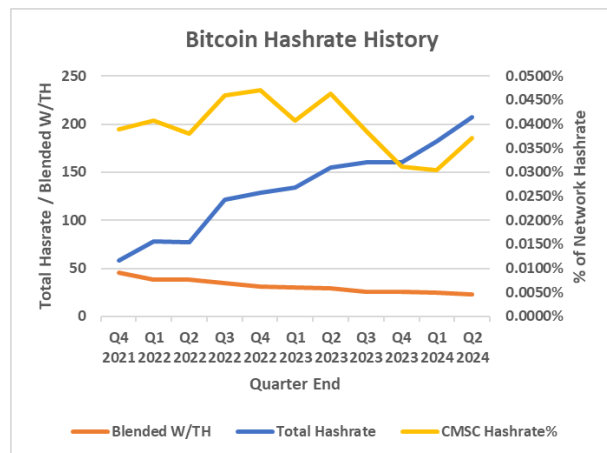
We will continue to engage with existing and new hosting providers to secure space as we procure new mining equipment.

Historical Hashrate and Crypto Balance Review

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

The charts below show how these three elements of our Bitcoin mining efforts have changed since inception, along with the growth of the Company’s cryptocurrency holdings:

- CMSC’s total Bitcoin mining hashrate increased to 207 PH at the end of the Period.
- Power consumption, measured by the blended W/TH across our server “fleet,” has fallen from 46 W/TH at the inception of the Company to 22.9 W/TH. It is expected to fall further as already-purchased highly efficient equipment is deployed.
- CMSC’s percentage of the total network hashrate increased over the quarter to 0.037%.
- 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 299 at the end of the Period. Litecoin holdings have grown from 1,428 at the inception of the Company to 8,761.





Update on Upcoming Listing

The Company continues to work with OTC Markets and regulators on the listing application, responding to questions and requests for additional information as received.

Management Commentary

Cryptocurrency Prices and Mining Profitability

During the second quarter of 2024, Bitcoin prices fell from around \$71,000 to approximately \$62,700—a decrease of 12%—with an average price of \$65,700 during the quarter.

Over the quarter, network hashrate fell about 5%, and network difficulty ended the quarter around where it started. However, since the end of the quarter, network hashrate has risen by about 14%, along with a recent 8% increase in network difficulty.

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

The 2024 Bitcoin Halving

In the middle of April 2024, the fourth Bitcoin halving event in history took place. As part of the system's algorithm, after every 210,000 blocks confirmed (or mined) on the network, the block rewards paid to the mining community are halved. In this latest halving, the block reward was reduced from 6.25 BTC to 3.125.

While the block rewards were reduced at the halving, a spike in transaction fees softened the impact on the mining rewards for a few days afterwards. However, since then, transaction fees have come back in line with historical amounts. The halving has now had its expected impact on mining rewards: Hashprice, expressed in terms of dollars earned per PH of processing power, fell from \$104 to \$48 as at the end of the quarter, and \$43 as of the time of this writing.

With the initial halving volatility calming down, the impact of the halving and price movements have impacted our mining revenues. However, as we have continued to add the most efficient Bitcoin and Litecoin mining equipment, the effect of the halving on mining revenues was not material to the quarter.



We will continue to monitor the profitability of our older equipment and take machines offline, when appropriate, while at the same time seeking to deploy more efficient new equipment to replace the older units.

Equipment Developments

The cost of new mining equipment fell over the Period, primarily related to lower mining revenue as a result of the halving.

The 25-28 W/TH Luxor ASIC Price Index dipped from about \$12/TH to about \$7.50/TH through the quarter. This index includes equipment that is both marginally profitable and likely unprofitable in today's market, depending on the costs of operating the machines.

The most efficient under-25 W/TH ASIC Price Index, which includes equipment such as the S19 XP and S21, also fell - but by not as much, closing the quarter at around \$12/TH.

Bitmain has continued to improve the processing power output of its latest S21 models. The spec TH for the original S21 was 200 TH, the S21 Pro is 234 TH and the S21 XP is expected to be 270 TH, each running off about the same amount of power consumption.

The Company acquired a small order of Auradine machines. This new entrant is a US manufacturer competing with Bitmain on both power and efficiency, but also aims to address reliability and warranty issues that we have experienced with certain Bitmain equipment. If the initial order with Auradine operates as advertised, we may look to engage further with this supplier.

Recently, Bitmain announced the release of the Antminer L9, a significant upgrade to the current L7. The L9 hashrate is increased 75% to 16 GH and power consumption is reduced by 40% to 210 J/GH.

In light of these factors and our liquid balance sheet, we continue to seek to acquire equipment in a size consistent with our measured pace of capital deployment.



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. This, we believe, will serve 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



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.

2024 Consensus Mining & Seigniorage Corporation[©]

Consensus Mining & Seigniorage Corporation

Financial Statements

For the three and six months ended June 30, 2024 (unaudited)

Consensus Mining & Seigniorage Corporation
Financial Statements
For the three and six months ended June 30, 2024 (unaudited)

Index

	<u>Page</u>
Balance Sheets	3
Statements of Operations	4
Statements of Changes in Stockholders' Equity	5
Statements of Cash Flows	6
Notes to Financial Statements	7-16

Consensus Mining & Seigniorage Corporation
Balance Sheet

	<u>June 2024</u> <u>(unaudited)</u>	<u>December 2023</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 61,924,646	\$ 63,779,788
Federal tax receivable	8,472	238,269
Prepaid expenses	419,200	719,684
Other receivables	75	4,200
Total current assets	<u>62,352,393</u>	<u>64,741,941</u>
Non-current assets		
Property and equipment, net	5,788,679	4,778,035
Digital assets, net	19,456,400	5,548,988
Loans receivable - related party	318,642	303,206
Total non-current assets	<u>25,563,721</u>	<u>10,630,229</u>
Total assets	<u>\$ 87,916,114</u>	<u>\$ 75,372,170</u>
Liabilities		
Current liabilities		
Accrued taxes	\$ 111,534	\$ 144,971
Accrued accounting fees	56,454	118,495
Accrued hosting fees	80,777	99,208
Other accrued expenses	145,940	4,542
Total current liabilities	<u>394,705</u>	<u>367,216</u>
Non-current liabilities		
Deferred tax liabilities, net	1,100,000	-
Total non-current liabilities	<u>1,100,000</u>	<u>-</u>
Total liabilities	<u>1,494,705</u>	<u>367,216</u>
Commitments and contingencies (Note 5)		
Stockholders' equity		
Common stock (\$0.01 par value, 5,000,000 shares authorized,	22,500	22,500
Additional paid-in capital	86,286,813	86,286,813
Retained earnings (accumulated deficit)	112,096	(11,304,359)
Total stockholders' equity	<u>86,421,409</u>	<u>75,004,954</u>
Total liabilities and stockholders' equity	<u>\$ 87,916,114</u>	<u>\$ 75,372,170</u>

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

Consensus Mining & Seigniorage Corporation
Statement of Operations

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
			(unaudited)	
Revenues				
Digital asset mining	\$ 1,400,494	\$ 970,492	\$ 2,948,239	\$ 1,784,131
Total revenues	1,400,494	970,492	2,948,239	1,784,131
Cost of revenues				
Hosting fees	716,517	688,823	1,381,456	1,216,102
Total cost of revenues	716,517	688,823	1,381,456	1,216,102
Operating expenses				
Depreciation expense	810,791	1,426,949	1,558,131	3,190,059
General and administrative	113,636	57,869	235,849	118,664
Total operating expenses	924,427	1,484,818	1,793,980	3,308,723
Operating income (loss)	(240,450)	(1,203,149)	(227,197)	(2,740,694)
Non-operating income (expense)				
Net change in unrealized appreciation on digital assets	(2,769,808)	-	5,522,831	-
Interest income	783,451	763,134	1,574,232	1,439,001
Impairment of digital assets	-	(64,759)	-	(127,600)
Realized gain (loss) on sale of digital assets	(4,698)	-	24,758	-
Loss on disposal of property and equipment	(11,277)	(4,042)	(13,832)	(20,573)
Other income	935	1,256	935	3,292
Total non-operating income (loss)	(2,001,397)	695,589	7,108,924	1,294,120
Income (loss) before income taxes	(2,241,847)	(507,560)	6,881,727	(1,446,574)
Provision (benefit) for income taxes	(527,016)	225	1,476,609	225
Net income (loss)	\$ (1,714,831)	\$ (507,785)	\$ 5,405,118	\$ (1,446,799)
Basic and diluted net income (loss) per share	\$ (0.76)	\$ (0.23)	\$ 2.40	\$ (0.64)
Weighted average shares (basic and diluted)	2,250,009	2,250,009	2,250,009	2,250,009

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

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

Six Months Ended June 30, 2024 (unaudited)

	Common Stock		Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount		
Balance at December 31, 2023	2,250,009	\$ 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	-	-	7,119,949	7,119,949
Balance at March 31, 2024	2,250,009	\$ 86,309,313	\$ 1,826,927	\$ 88,136,240
Net loss	-	-	(1,714,831)	(1,714,831)
Balance at June 30, 2024	2,250,009	\$ 86,309,313	\$ 112,096	\$ 86,421,409

Six Months Ended June 30, 2023 (unaudited)

	Common Stock		Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount		
Balance at December 31, 2022	2,250,009	\$ 86,309,313	\$ (10,517,471)	\$ 75,791,842
Net loss	-	-	(939,014)	(939,014)
Balance at March 31, 2023	2,250,009	\$ 86,309,313	\$ (11,456,485)	\$ 74,852,828
Net loss	-	-	(507,785)	(507,785)
Balance at June 30, 2023	2,250,009	\$ 86,309,313	\$ (11,964,270)	\$ 74,345,043

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

Consensus Mining & Seigniorage Corporation
Statement of Cash Flows

	For the Six Months Ended June 30,	
	2024	2023
	(unaudited)	
Operating activities:		
Net cash (used in) provided by operating activities	<u>(424,622)</u>	<u>405,935</u>
Investing activities:		
Purchases of property and equipment	(2,030,271)	(921,359)
Proceeds from sales of digital assets	599,751	543,087
(Issuance of) loans receivable to related party	-	28,948
Net cash used in investing activities	<u>(1,430,520)</u>	<u>(349,324)</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,855,142)</u>	<u>56,611</u>
Cash and cash equivalents, beginning of period	<u>63,779,788</u>	<u>65,151,094</u>
Cash and cash equivalents, end of period	<u>\$ 61,924,646</u>	<u>\$ 65,207,705</u>
Supplemental disclosure of cash flow information:		
Income taxes paid	<u>\$ 166,405</u>	<u>\$ 225</u>

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

Consensus Mining & Seigniorage Corporation
Notes to Financial Statements
June 30, 2024 (unaudited)

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 June 30, 2024, 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, 2023, the Company had engaged the services of the same digital asset miner hosting companies.

Consensus Mining & Seigniorage Corporation
Notes to Financial Statements
June 30, 2024 (unaudited)

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 June 30, 2024 and 2023 were \$250,100 and \$346,128, respectively. During the six months ended June 30, 2024 and 2023, the Company incurred hosting fees from HM Tech LLC of \$478,205 and \$652,568. The Company has loans receivable with accrued interest from HM Tech LLC. The total value of the loans receivable, including accrued interest, is \$318,642 and \$303,206 as of June 30, 2024 and December 31, 2023, respectively. The interest accrued is \$26,483 and \$11,047 as of June 30, 2024 and December 31, 2023, respectively. Additionally, the Company records a monthly management fee in the amount of \$1,000, payable to HK, for the resources utilized in running its day-to-day operations. This is a contractual agreement with a related party and not necessarily indicative of the 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 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. 2023-08, 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

Consensus Mining & Seigniorage Corporation
Notes to Financial Statements
June 30, 2024 (unaudited)

Recent Accounting Pronouncements (*continued*)

intangible assets in the income statement. ASU No. 2023-08 is effective for annual periods beginning after December 15, 2024 and interim periods within annual periods beginning after December 15, 2024, with early adoption permitted. The Company adopted ASU 2023-08 as of January 1, 2024. As a result of adoption, the Company recorded a cumulative effect adjustment of \$6.0 million to the 2024 opening retained earnings balance.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short-term, highly liquid Investments, those purchased with an original maturity of three months or less, held at banks or other financial institutions. The Company holds its cash at one financial institution through a money market fund, which is insured by the Securities Investor Protection Corporation (“SIPC”) up to \$500,000. In addition to the SIPC protection, the financial institution provides its brokerage customers with additional coverage in excess of SIPC. The total aggregate excess of SIPC coverage available through the financial institution’s policy is up to \$1 billion. The Company has \$61,924,646 in cash equivalents as of June 30, 2024 and \$63,779,788 in cash equivalents as of December 31, 2023.

Concentrations

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

Below are the hosting expenses by provider for the three and six months ended June 30, 2024 and 2023.

Consensus Mining & Seigniorage Corporation
Notes to Financial Statements
June 30, 2024 (unaudited)

Concentrations (continued)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
	(Unaudited)			
HM Tech LLC (related party)	\$ 250,100	\$ 346,128	\$ 478,205	\$ 652,568
Blockstream ULC	142,102	172,482	330,746	330,166
Tidal Data Systems, LLC	324,315	166,517	572,505	187,876
Other providers	-	3,697	-	45,492
Total	\$ 716,517	\$ 688,824	\$ 1,381,456	\$ 1,216,102

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 June 30, 2024, there was a loans receivable balance of \$318,642 which includes accrued interest of \$26,483. As of December 31, 2023, there was a loans receivable balance of \$303,206 which includes accrued interest of \$11,047. During 2023, HM Tech LLC repaid \$105,000.

Prepaid Expenses

The Company has \$341,248 in prepaid hosting expenses, \$63,679 in prepaid property and equipment and \$14,273 in prepaid insurance as of June 30, 2024 and \$323,000 in prepaid property and equipment and \$59,442 in prepaid insurance as of December 31, 2023. See below for a breakout of the Company's prepaid expenses. Hosting expenses are displayed by provider:

	June 30, 2024	December 31, 2023
	(Unaudited)	
Prepaid property and equipment	\$ 63,679	\$ 323,000
Hosting - Blockstream ULC	219,148	278,783
Hosting - Tidal Data Systems, LLC	122,100	58,459
Prepaid insurance	14,273	59,442
Total	\$ 419,200	\$ 719,684

Consensus Mining & Seigniorage Corporation
Notes to Financial Statements
June 30, 2024 (unaudited)

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.

Risks and Uncertainties (*continued*)

- 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 June 30, 2024, the block reward was 3.125 bitcoin.

Property and equipment

Property and equipment are recorded at cost less depreciation. Depreciation is computed using a straight-line method based on the estimated useful lives of the assets. The useful life of new digital asset miners is estimated to be 3 years. The useful life of used digital asset miners is estimated to be 1.5 years. For the three months ended June, 2024 and 2023, depreciation related to property and equipment amounted to \$810,791 and \$1,426,949, respectively. For the six months ended June, 2024 and 2023, depreciation related to property and equipment amounted to \$1,558,131 and \$3,190,059, respectively.

Consensus Mining & Seigniorage Corporation
Notes to Financial Statements
June 30, 2024 (unaudited)

Property and equipment (continued)

	<u>June 30, 2024</u> <u>(Unaudited)</u>	<u>December 31, 2023</u>
Computer equipment (digital asset miners)	\$ 15,680,604	\$ 13,156,287
Less accumulated depreciation	(9,891,925)	(8,378,252)
Total	<u>\$ 5,788,679</u>	<u>\$ 4,778,035</u>

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. During 2023, the Company evaluated digital assets for impairment on a daily basis or when events or changes indicate the carrying value may not be recoverable by using the daily low price. The Company has evaluated its digital assets for impairment and has recorded impairment for the three and six months ended June 30, 2023 of \$64,759 and \$127,600, respectively.

The following tables present additional information about the Company’s digital assets as of June 30, 2024 and December 31, 2023, respectively:

	<u>June 30, 2024</u> <u>(Unaudited)</u>			<u>December 31, 2023</u>		
	<u>Units Held</u>	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Units Held</u>	<u>Cost Basis</u>	<u>Fair Value</u>
Bitcoin	299	\$ 13,121,799	\$ 18,754,440	262	\$ 10,962,994	\$ 11,082,695
Litecoin	8,671	864,549	652,161	6,330	688,109	460,912
Ethereum	1	2,279	1,654	1	2,279	1,089
Ethereum Classic	37	1,791	866	37	1,791	802
Z-Cash	88	20,616	1,848	79	19,287	2,125
Bitcoin Cash	87	31,189	34,239	37	8,743	9,552
Dogecoin	90,000	11,093	11,192	-	-	-
Total	<u>99,183</u>	<u>\$ 14,053,316</u>	<u>\$ 19,456,400</u>	<u>6,746</u>	<u>\$ 11,683,203</u>	<u>\$ 11,557,175</u>

Consensus Mining & Seigniorage Corporation
Notes to Financial Statements
June 30, 2024 (unaudited)

Digital Assets (continued)

	Bitcoin	
	Units	Amount
Balance at December 31, 2023	262	\$ 11,082,695
Revenue recognized	23	1,221,983
Proceeds from sale	-	-
Change in fair value	-	8,013,241
Balance at March 31, 2024	285	\$ 20,317,919
Revenue recognized	14	939,826
Proceeds from sale	-	-
Change in fair value	-	(2,503,305)
Balance at June 30, 2024	299	\$ 18,754,440

	Litecoin		Dogecoin		Other Coins
	Units	Amount	Units	Amount	Amount
Balance at December 31, 2023	6,330	\$ 460,912	-	\$ -	\$ 13,568
Revenue recognized	1,649	119,108	1,467,439	200,012	6,642
Proceeds from sale	-	-	(1,347,439)	(174,373)	-
Change in fair value	-	258,195	-	766	23,581
Balance at March 31, 2024	7,979	\$ 838,215	120,000	\$ 26,405	\$ 43,791
Revenue recognized	692	57,461	2,526,295	386,074	17,133
Proceeds from sale	-	-	(2,556,295)	(400,620)	-
Change in fair value	-	(243,515)	-	(667)	(22,317)
Balance at June 30, 2024	8,671	\$ 652,161	90,000	\$ 11,192	\$ 38,607

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

Consensus Mining & Seigniorage Corporation
Notes to Financial Statements
June 30, 2024 (unaudited)

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.

Consensus Mining & Seigniorage Corporation
Notes to Financial Statements
June 30, 2024 (unaudited)

Revenue Recognition (continued)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
	(Unaudited)			
Bitcoin	\$ 939,826	\$ 932,257	\$ 2,161,809	\$ 1,703,322
Dogecoin	386,069	-	586,086	-
Litecoin	57,461	38,234	176,569	80,809
Other	17,137	-	23,775	-
Total revenue from mining of digital assets	\$ 1,400,493	\$ 970,491	\$ 2,948,239	\$ 1,784,131

The Company's aggregated revenue earned from the mining of digital assets by location for the three months ended June 30, 2024 and 2023 and the six months ended June 30, 2024 and 2023 are as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
	(Unaudited)			
North Carolina	\$ 1,059,760	\$ 685,420	\$ 2,093,662	\$ 1,206,862
Kentucky	-	48	-	11,450
North Dakota	-	-	-	9,552
Quebec, Canada	-	67,377	16,020	130,703
Texas	340,733	217,646	838,557	425,564
Total revenue from mining of digital assets	\$ 1,400,493	\$ 970,491	\$ 2,948,239	\$ 1,784,131

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 and six month periods ended June 30, 2024 and 2023, respectively.

Note 3 - Income Taxes

The Company recorded a \$0.9 million deferred benefit and a \$1.1 million deferred provision for income taxes for the three and six months ended June 30, 2024, respectively, primarily related to the unrealized appreciation in certain digital assets.

There are no unrecognized benefits for uncertain tax matters.

Consensus Mining & Seigniorage Corporation
Notes to Financial Statements
June 30, 2024 (unaudited)

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.