



Consensus Mining & Seigniorage Corporation
Quarterly Report
Q3 2024

Financial Results Summary (unaudited)

Consensus Mining & Seigniorage Corporation (“CMSC” or the “Company”) is pleased to announce that, during its third quarter ending September 30, 2024 (the “Period”), the Company generated \$1 million in mining revenue. This is down from \$1.4 million the prior quarter, and up from \$0.8 million for the same quarter last year.

The Company mined 10.9 Bitcoin (BTC) and 717 Litecoin (LTC), all of which were retained. In addition, as a result of the merge-mining process, the Company mined approximately 2.6 million Dogecoin (DOGE), most of which were sold.

The Company’s quarter-end cryptocurrency holdings were primarily 310 Bitcoin (BTC) and 9,388 Litecoin (LTC). The Company also holds a variety of de minimis amounts of Bitcoin Cash (BCH) Zcash (ZEC), Ethereum (ETH), and Ethereum Classic (ETC). The Period-end value of all the cryptocurrency holdings was \$20.3 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 Q2 2024 (and slightly more than the \$0.6 million for the year-ago period, Q3 2023).

Operating costs—which include depreciation expenses for mining equipment as well as general administrative expenses—were \$1.5 million for the Period, compared to \$0.9 million for Q2 2024 and \$0.7 million for Q3 2023. A large portion of the increased depreciation expense relates to equipment that was removed from service due to mechanical failure or diminished profitability.

For the Period, the Company reported an operating loss of \$1.2 million, compared to \$0.3 million for Q2 2024, and \$0.5 million for Q3 2023.

Non-operating income for the Period, consisting primarily of the mark to market of the digital assets and interest income, was \$0.9 million, compared to a loss of \$2.0 million for Q2 2024 and income of \$0.7 million for Q3 2023.

The Company’s net income for the Period was a loss of \$0.5 million, compared to a loss of \$1.7 million for Q2 2024 and a profit of \$0.2 million for Q3 2023.



Operations Update

During the quarter, the Company acquired 33 Antminer L9 Litecoin mining rigs at a cost of approximately \$0.4 million, 15 of which were deployed during the quarter and the remaining 18 are pending delivery.

The Company had previously acquired 116 S21 Pro and 22 S21 Bitcoin mining rigs, as well as 29 Antminer L9 Litecoin mining rigs, all of which were deployed during the quarter.

The Company has also purchased 18 Auradine Teraflux AT2880 and 17 Antminer L9 machines, which are pending delivery.

During the Period, CMSC increased its Bitcoin hashrate capacity from 207 PH to 210 PH with an additional 5 PH pending delivery. The Company also increased its Litecoin hashrate capacity from 2,760 GH to 3,253 GH, with an additional 288 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.

Further, because of the better profit profile of Litecoin mining rigs (due to their ability to merge-mine both Litecoin and Dogecoin), we have acquired more Litecoin mining equipment in recent quarters.

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

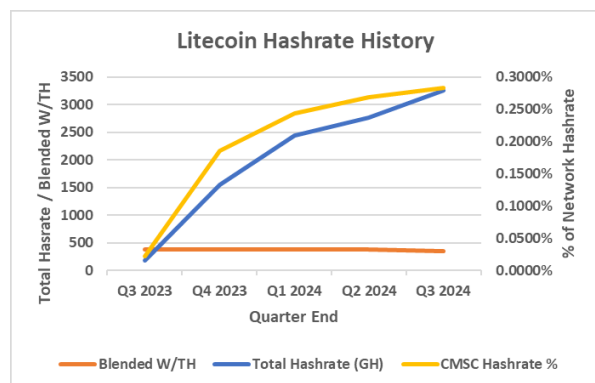
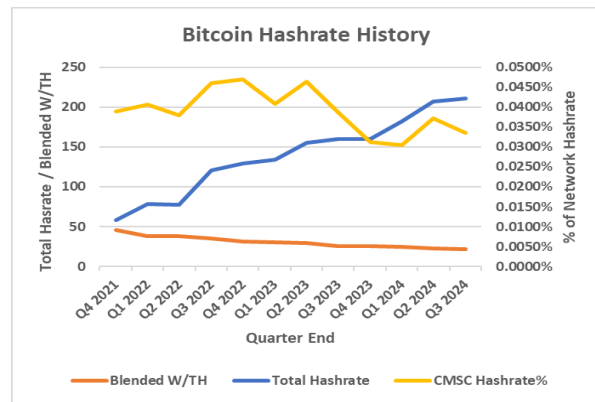
We continue to engage with existing hosting providers to manage our existing space as their operations change and new hosting providers to secure space as we procure new mining equipment.

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 and Litecoin mining efforts have changed:

- CMSC’s total Bitcoin mining hashrate increased to 210 PH at the end of the Period.
- Power consumption, measured by the blended W/TH across our Bitcoin server “fleet,” has fallen from 46 W/TH at the inception of the Company to 21.459 W/TH.
- CMSC’s percentage of the total Bitcoin network hashrate fell over the quarter to 0.034%.
- CMSC’s total Litecoin mining hashrate increased from 2,760 GH to 3,253 GH over the quarter. This compares to a Litecoin mining hashrate of 190 GH for the same quarter a year ago.
- Power consumption, measured by the blended W/TH across our Litecoin miners fell by 8% over the quarter as we started to deploy our Antminer L9s.
- While prudently growing our hashrate, we have steadily accumulated digital assets. Bitcoin holdings have grown from 114 BTC at CMSC’s inception to 310 at the end of the Period. Litecoin holdings have grown from 1,428 to 9,388 over the same timeframe.





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. The OTC Markets application is now completed, and our Form 211 application is currently under review by FINRA.

Management Commentary

Cryptocurrency Prices and Mining Profitability

During the third quarter of 2024, Bitcoin prices rose from around \$62,700 to approximately \$63,300—an increase of 1%—with an average price of \$61,000 during the quarter.

Over the quarter, network hashrate rose about 14%, and network difficulty rose around 6%. However, since the end of the quarter, network hashrate has risen an additional 13%, along with an 8% increase in network difficulty.

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

The 2024 Bitcoin Halving

With the 2024 Bitcoin Halving now behind us, we continue to see profitability pressures on the overall mining industry, with profit margins continuing to be very tight.

Hashprice, which is the measure of USD revenues per PH of mining processing power, has remained in the \$40-\$50 per PH range, which is materially lower than the \$80-\$100 per PH experienced pre-halving.

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 Period.



Merge-Mining

Script algorithm miners, such as the Antminer L9, can mine multiple digital networks at the same time, resulting in rewards from each network.

Our Litecoin mining pool mines Litecoin and Dogecoin simultaneously. 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 does not retain this digital asset 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.

Equipment Developments

The cost of new mining equipment has continued to fall over the Period, primarily related to lower mining revenue due to the halving and the continued increase in overall network hashrate.

The 25-38 W/TH Luxor ASIC Price Index dipped from about \$7.50/TH to about \$7.00/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 from \$12/TH to around \$8/TH. This is primarily a result of the S19XP being included in this index, along with its profitability profile being impacted by the halving and the value of this generation of equipment adjusting accordingly.

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 requiring approximately the same amount of power.

We have a number of S21 Pro machines deployed at this time and have been experiencing some reliability issues, with multiple units needing to be returned for warranty repair.



The Company has purchased a small order of machines from Auradine, which is a new U.S.-based manufacturer of mining equipment. Their focus is to compete with Bitmain on both power and efficiency, but also to address reliability and responsiveness issues that we, and the industry as a whole have experienced with certain Bitmain equipment over the last several years. If the initial order with Auradine operates as advertised, we may look to engage further with this supplier.

As previously reported, Bitmain announced the release of the Antminer L9, a significant upgrade to the current L7 Litecoin/Dogecoin miner. The L9 hashrate increased 75% to 16 GH and power consumption is reduced by 40% to 210 J/GH. We continue to acquire and deploy additional Antminer L9 machines given their superior profitability profile.

In light the ever-evolving equipment market and the changing network rewards for mining digital assets—and the strength of our balance sheet—we continue to acquire equipment in a size consistent with our measured pace of investment.

In Conclusion

The crypto-mining industry is dynamic, and the Company remains firm in its prudent approach toward deploying capital and maintaining a low-cost structure. This, we believe, will serve shareholders well for many years to come.

A handwritten signature in black ink, appearing to read "Alun Williams", written in a cursive style.

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.

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Consensus Mining & Seigniorage Corporation

Financial Statements

For the three and nine months ended September 30, 2024 (unaudited)

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

Index

<u>Balance Sheets</u>	<u>3</u>
<u>Statements of Operations</u>	<u>4</u>
<u>Statements of Changes in Stockholders' Equity</u>	<u>5</u>
<u>Statements of Cash Flows</u>	<u>6</u>
<u>Notes to Financial Statements</u>	<u>7-12</u>

Consensus Mining & Seigniorage Corporation
Balance Sheets

	September 30, 2024	December 31, 2023
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 61,379,117	\$ 63,779,788
Federal tax receivable	—	238,269
Prepaid expenses	943,421	719,684
Other receivables	75	4,200
Total current assets	<u>62,322,613</u>	<u>64,741,941</u>
Non-current assets		
Property and equipment, net	4,541,919	4,778,035
Digital assets, net	20,299,667	5,548,988
Loans receivable - related party	326,741	303,206
Total non-current assets	<u>25,168,327</u>	<u>10,630,229</u>
Total Assets	<u>\$ 87,490,940</u>	<u>\$ 75,372,170</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accrued taxes	\$ 352,234	\$ 144,971
Accrued accounting fees	84,967	118,495
Accrued hosting fees	51,957	99,208
Other accrued expenses	40,107	4,542
Total current liabilities	<u>529,265</u>	<u>367,216</u>
Non-current liabilities		
Deferred tax liabilities, net	1,060,000	—
Total non-current liabilities	<u>1,060,000</u>	<u>—</u>
Total Liabilities	<u>1,589,265</u>	<u>367,216</u>
Commitments and contingencies (Note 5)		
Stockholders' Equity		
Common stock (\$0.01 par value, 5,000,000 shares authorized, 2,250,009 issued and outstanding)	22,500	22,500
Additional paid-in capital	86,286,813	86,286,813
Accumulated deficit	(407,638)	(11,304,359)
Total Stockholders' Equity	<u>85,901,675</u>	<u>75,004,954</u>
Total Liabilities and Stockholders' Equity	<u>\$ 87,490,940</u>	<u>\$ 75,372,170</u>

Consensus Mining & Seigniorage Corporation
Statements of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(unaudited)			
Revenue:				
Digital asset mining	\$ 1,005,802	\$ 810,705	\$ 3,954,041	\$ 2,594,836
Total revenue	<u>1,005,802</u>	<u>810,705</u>	<u>3,954,041</u>	<u>2,594,836</u>
Cost of revenues				
Hosting fees	734,126	613,974	2,115,582	1,830,076
Total cost of revenues	<u>734,126</u>	<u>613,974</u>	<u>2,115,582</u>	<u>1,830,076</u>
Operating expenses:				
Depreciation expense	1,298,041	634,314	2,870,004	3,844,946
General and administrative expenses	186,761	98,530	422,610	217,194
Total operating expenses	<u>1,484,802</u>	<u>732,844</u>	<u>3,292,614</u>	<u>4,062,140</u>
Operating loss	(1,213,126)	(536,113)	(1,454,155)	(3,297,380)
Non-operating income (expense):				
Net change in unrealized appreciation on digital assets	136,171	-	5,659,002	-
Interest income	775,143	805,760	2,349,375	2,244,761
Impairment of digital assets	-	(85,800)	-	(213,400)
Realized gain (loss) on sale of digital assets	(3,308)	-	21,450	-
Other income	-	8,457	935	11,749
Total non-operating income	<u>908,006</u>	<u>728,417</u>	<u>8,030,762</u>	<u>2,043,110</u>
Income (loss) before income taxes	(305,120)	192,304	6,576,607	(1,254,270)
Provision for income taxes	214,614	-	1,691,223	225
Net income (loss)	<u>\$ (519,734)</u>	<u>\$ 192,304</u>	<u>\$ 4,885,384</u>	<u>\$ (1,254,495)</u>
Basic and diluted net income (loss) per share	<u>\$ (0.23)</u>	<u>\$ 0.09</u>	<u>\$ 2.17</u>	<u>\$ (0.56)</u>
Weighted average shares (basic and diluted)	<u>\$ 2,250,009</u>	<u>\$ 2,250,009</u>	<u>\$ 2,250,009</u>	<u>\$ 2,250,009</u>

Consensus Mining & Seigniorage Corporation
Statements of Changes in Equity

Nine Months Ended September 30, 2024

	Common Stock		Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity
	Shares	Amount	(unaudited)	
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
Net loss	—	—	(519,734)	(519,734)
Balance at September 30, 2024	2,250,009	\$ 86,309,313	\$ (407,638)	\$ 85,901,675

Nine Months Ended September 30, 2023

	Common Stock		Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity
	Shares	Amount	(unaudited)	
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
Net income	—	—	192,304	192,304
Balance at September 30, 2023	2,250,009	\$ 86,309,313	\$ (11,771,966)	\$ 74,537,347

Consensus Mining & Seigniorage Corporation
Statements of Cash Flows

	Nine Months Ended September 30,	
	2024	2023
	(unaudited)	
Operating activities:		
Net cash (used in) provided by operating activities	\$ (984,931)	\$ 220,788
Investing activities:		
Purchases of property and equipment	(2,310,889)	(1,683,464)
Proceeds from sales of digital assets	895,149	645,009
(Issuance of) loans receivable to related party	-	57,841
Net cash used in investing activities	(1,415,740)	(980,614)
Net decrease in cash and cash equivalents	(2,400,671)	(759,826)
Cash and cash equivalents, beginning of year	63,779,788	65,151,094
Cash and cash equivalents, end of year	<u>\$ 61,379,117</u>	<u>\$ 64,391,268</u>
Supplemental disclosures of cash flow information		
Income taxes paid	<u>\$ 195,105</u>	<u>\$ 225</u>

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 September 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.

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 September 30, 2024 and 2023 were \$259,172 and \$298,529, respectively. During the nine months ended September 30, 2024 and 2023, the Company incurred hosting fees from HM Tech LLC of \$737,378 and \$951,097. The Company has loans receivable with accrued interest from HM Tech LLC. The total value of the loans receivable, including accrued interest, is \$326,741 and \$303,206 as of September 30, 2024 and December 31, 2023, respectively. The interest accrued is \$34,582 and \$11,047 as of September 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

Use of Estimates (continued)

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 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 \$61,379,117 in cash equivalents as of September 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 nine months ended September 30, 2024 and 2023.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
				(unaudited)
HM Tech LLC (related party)\$	259,173	\$ 298,528	\$ 737,379	\$ 951,096
Blockstream ULC	149,496	144,222	480,242	474,388
Tidal Data Systems, LLC	325,457	171,224	897,961	359,100
Other providers	—	—	—	45,492
Total	\$ 734,126	\$ 613,974	\$ 2,115,582	\$ 1,830,076

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 September 30, 2024, there was a loans receivable balance of \$326,741 which includes accrued interest of \$34,582. 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 \$397,016 in prepaid hosting expenses, zero prepaid property and equipment and \$77,295 in prepaid insurance as of September 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:

	<u>September 30, 2024</u> (unaudited)	<u>December 31, 2023</u>
Prepaid property and equipment	\$ 469,110	\$ 323,000
Hosting - Blockstream ULC	195,095	278,783
Hosting - Tidal Data Systems, LLC	114,375	58,459
Hosting - HM Tech LLC	87,546	—
Prepaid insurance	<u>77,295</u>	<u>59,442</u>
Total	\$ 943,421	\$ 719,684

Risks and Uncertainties

The below are some risks and uncertainties that may cause future results to differ from historical results.

- The success of the Company is directly correlated with the success of digital assets, primarily Bitcoin.
- Our digital asset mining operations require significant and cost effective electricity, the pricing and availability of which may be subject to local laws.
- Our mining operations require a reliable high speed and secure internet connection which can be at risk to cybersecurity breach.
- Our mining operations are also focused in discrete locations that may be subject to severe weather and natural disasters.
- Public perception of energy consumption for purposes of mining digital assets may result in new laws or regulation resulting in a negative impact to the Company's operations.

Bitcoin Halving Risk to Revenues

New bitcoin are paid to bitcoin miners once they have completed a block on the blockchain, plus transaction fees. The new bitcoin rewards are fixed bitcoin payments. At the inception of bitcoin, the block reward was 50 bitcoin. However, built into the blockchain protocol is an event called a halving. After 210,000 blocks have been verified, the block rewards are cut in half. As of September 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 September 30, 2024 and 2023, depreciation related to property and equipment amounted to \$1,298,041 and \$634,314, respectively. For the nine months ended September 30, 2024 and 2023, depreciation related to property and equipment amounted to \$2,870,004 and \$3,844,946, respectively.

	<u>September 30, 2024</u> (unaudited)	<u>December 31, 2023</u>
Computer equipment (digital asset miners)	\$ 9,463,455	\$ 13,156,287
Less accumulated depreciation.	<u>(4,921,536)</u>	<u>(8,378,252)</u>
Total	\$ 4,541,919	\$ 4,778,035

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-life 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 nine months ended September 30, 2023 of \$85,700 and \$213,400, respectively.

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

	September 30, 2024			December 31, 2023		
	Units Held	Cost Basis	Fair Value	Units Held	Cost Basis	Fair Value
Bitcoin	310	\$ 13,792,352	\$ 19,635,503	262	\$ 10,962,994	\$ 11,082,695
Litecoin	9,388	912,177	627,286	6,330	688,109	460,912
Dogecoin	20,000	2,284	2,284	-	-	-
All others	215	56,731	34,594	154	32,100	13,568
	<u>\$ 29,913</u>	<u>\$ 14,763,544</u>	<u>\$ 20,299,667</u>	<u>6,746</u>	<u>\$ 11,683,203</u>	<u>\$ 11,557,175</u>

	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
Revenue recognized	11	667,549
Proceeds from sale	-	-
Change in fair value	-	213,514
Balance at September 30, 2024	310	\$ 19,635,503

Digital Assets (continued)

	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)	(203,829)	-
Realized gain (loss)	-	-	-	29,456	-
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)	(395,920)	-
Realized gain (loss)	-	-	-	(4,698)	-
Change in fair value	-	(243,515)	-	(667)	(22,318)
Balance at June 30, 2024	8,671	\$ 652,161	90,000	\$ 11,194	\$ 38,606
Revenue recognized	717	47,499	2,627,144	289,898	856
Proceeds from sale	-	-	(2,697,144)	(295,400)	-
Realized gain (loss)	-	-	-	(3,308)	-
Change in fair value	-	(72,374)	-	(100)	(4,868)
Balance at September 30, 2024	9,388	\$ 627,286	20,000	\$ 2,284	\$ 34,594

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

Revenue Recognition

In accordance with Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606), we determine revenue recognition through the following steps:

- Identification of the contract with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the performance obligations are satisfied

We account for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

To identify the performance obligations in the contract, the Company must assess the goods or services to be rendered as distinct. Per ASC 606, a good or service is distinct if the following criteria are satisfied: 1) the customer can benefit from the good or service on its own or in conjunction with other readily available resources and 2) the provider's promise to transfer the good or service is separately identifiable in the contract.

The transaction price is the consideration the provider is expecting to receive in exchange for the good or services rendered to the customer. The transaction price can include non-cash compensation and should factor in any discounts or other pricing customizations. The Company recognizes revenue when the single performance obligation is satisfied at a point in time.

Our contracts generally contain a single performance obligation in the form of services where the Company provides computing power to a single digital asset mining pool. In exchange for providing computing power, the Company is allocated a fractional share of the digital asset reward the mining pool operator receives for validating a new block on the blockchain. The Company and pool operator can terminate the contracts at any time and at no cost to either party. There are no significant financing components in these transactions as the performance obligations and settlement of the transactions occurs daily.

Revenue Recognition (continued)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(unaudited)			
Bitcoin	\$ 667,549	\$ 779,457	\$ 2,829,358	\$ 2,482,779
Dogecoin	289,898	0	875,984	0
Litecoin	47,499	28,170	224,068	108,979
Other	856	3,078	24,631	3,078
Total revenue from mining of digital assets	\$ 1,005,802	\$ 810,705	\$ 3,954,041	\$ 2,594,836

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(unaudited)			
North Carolina	\$ 815,209	\$ 573,986	\$ 2,908,871	\$ 1,780,849
Kentucky	-	0	0	11,450
North Dakota	-	-	-	9,552
Quebec, Canada	-	59,318	16,020	190,021
Texas	190,593	177,401	1,029,150	602,964
Total revenue from mining of digital assets	\$ 1,005,802	\$ 810,705	\$ 3,954,041	\$ 2,594,836

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 nine months ended September 30, 2024 and 2023, respectively.

Note 3 - Income Taxes

The Company recorded a \$0.0 million deferred benefit and a \$1.1 million deferred provision for income taxes for the three and nine months ended September 30, 2024, respectively, primarily related to the unrealized appreciation in certain digital assets. There are no unrecognized benefits for uncertain tax matters.

Note 4 – Commitments and Contingencies

The Company has agreed to indemnify, hold harmless and defend certain service providers from and against any loss, liability or expense, including reasonable attorneys' fees, except to the extent that the loss, liability or expense arose from the service provider's intentional misconduct or gross negligence. The Company has not had any prior claims or losses pursuant to such indemnification obligations to date and cannot predict the extent of a potential claim.