

**ARGO BLOCKCHAIN PLC**

Company Registration No. 11097258 (England and Wales)

**ARGO BLOCKCHAIN PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

# ARGO BLOCKCHAIN PLC

## COMPANY INFORMATION

**Directors**

P G Wall  
I D MacLeod  
M I Shaw  
M D'Attanasio  
J Savage

**Company secretary**

J Savage

**Company number**

11097258

**Registered office**

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## CHAIRMAN'S STATEMENT

I am delighted to report that 2020 was a transformational year for Argo as it moved into annual profits for the first time since inception. During the past year, Argo focused on operational excellence and a revised “smart growth” strategy, which we set out following the appointment of Peter Wall as CEO and myself as executive chairman early last year.

Our immediate focus in the first half of 2020 was to manage a major scale-up of mining operations on time and budget while navigating through challenging trading conditions in the cryptocurrency sector, as well as the Bitcoin halving in May 2020, which impacted our mining margins. The emergence of COVID-19 also presented additional challenges although the pandemic had no direct impact on our business.

Despite these headwinds, the team made excellent progress across all fronts, culminating in a strong finish to the year as Argo’s state-of-the-art and enlarged mining infrastructure was already in place to benefit from a sustained rally in cryptocurrency prices late in the year.

Revenue increased by 120% to almost £19m reflecting a 207% increase in petahash mining infrastructure from 210 petahash at the end of 2019 to 645 petahash on SHA-256 and from 180 Megasols to 280 Megasols on Equihash. In addition, Argo secured an agreement to acquire two clean energy mining facilities in Quebec where Argo operates 200 petahash, giving the Group greater control over its hosting costs.

The Group increased EBITDA from £1.4m in 2019 to £7.9m in 2020.

Profit before tax amounted to £1.4m against £0.9m loss in the previous year while earnings attributable to shareholders amounted to £1.7m, up from a £0.7m loss in 2019.

The results also reflect Argo’s strategy to pursue “smart growth”, which entailed a gradual investment in its mining infrastructure when hardware prices were competitive, while enhancing mining efficiency through optimisation of machine performance and energy costs. These factors enabled the Group to manage its cash resources through a highly volatile pricing environment for Bitcoin, which impacted mining margins and difficulty rates across the sector for much of the year.

However, late in the year the Bitcoin price began to rally from around \$12,000 at the start of September to around \$29,000 at the end of December, and has continued to push higher since, setting a record at \$64,870 on 14 April 2021. Although we expect cryptocurrency prices to be volatile, we are optimistic that there are sound fundamentals and that prices will remain robust.

We believe the gains that began late last year mark a sea-change in the cryptocurrency and blockchain industry due to a series of positive developments that demonstrate a growing acceptance of cryptocurrencies, in particular Bitcoin, as a new asset class, a means of exchange and store of value by corporate and institutional investors as well as consumers.

Bitcoin’s credibility received a major boost after MicroStrategy, the Nasdaq-listed business intelligence company, and Tesla, the electric car maker, invested \$2.2bn and \$1.5bn, respectively, in the digital currency. This was followed by Tesla’s decision to accept Bitcoin as payment for its vehicles. Recent initiatives by online payment companies such as PayPal and Square to support Bitcoin and other digital currencies, together with growing interest from blue-chip asset managers, such as Fidelity Investments, have provided further confidence and momentum in the cryptocurrencies, which we believe will continue to gain share over the long term.

We believe Argo is well positioned to capitalise on these long-term trends through its large and highly efficient mining infrastructure and experience. The Group will also continue to manage growth through the expansion of the size and quality of its mining infrastructure as well as strategic opportunities that leverage its leading market position.

We also invested approximately £8.3m for an approximately 25% equity stake in Pluto Digital Assets Plc, a UK-based company that specialises in identifying emerging DeFi (decentralised finance) related opportunities including exchanges and platforms. Argo’s management believes that DeFi, along with proof-of-stake opportunities, can expand its leading position in the Bitcoin and proof-of-work consensus mechanism.

The Group has also taken significant steps in response to the growing importance of environmental, social and governance issues. In March 2021, we acquired 320 acres of land in west Texas, where we intend to build a new hosting facility with access to up to 200 megawatts of clean energy at low prices, which will give us capacity to establish our flagship mining centre in the United States by the first quarter of 2022. Separately, a memorandum of

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understanding was signed with DMG Blockchain Solutions to launch Terra Pool, the first Bitcoin “green” mining pool powered exclusively by clean energy. This pool will initially consist of both Argo’s and DMG’s hashrate, which is mostly generated by hydroelectric resources.

Our strategic priority in 2021 remains to focus on continued “smart growth”, to further expand our mining capacity and our facilities whilst investigating new and innovative opportunities in emerging cryptocurrencies and addressing our environmental responsibilities. We will focus on increasing returns from our installed base by optimising hardware performance to reduce power consumption from clean power, improve machine uptime and maintain among the best mining margins in the sector. Margins are expected to constrict later this year from the high levels seen in the first quarter of this year, as mining difficulty rises with new mining machines coming online across the Bitcoin network.

On behalf of the Board, I would like to thank all shareholders for their support and take this opportunity to welcome those from North America who have become Argo investors following our hugely successful commencement of trading on the OTC market in early 2021.

Throughout the year, the Argo team and commercial partners have worked hard and with dedication, and as a result the Group is well-positioned to deliver further growth. It is noteworthy that Peter Wall has elected to take his salary in Bitcoin as a mark of confidence in Argo’s prospects.

*Ian MacLeod*

.....  
Ian MacLeod  
**Executive Chairman**  
28 April 2021

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## BOARD OF DIRECTORS

### **Peter Wall (CEO)**

Peter Wall is the CEO of Argo Blockchain. Peter launched the company alongside the Argo management team and runs the company from his base in Canada. He began his entrepreneurial journey when he co-founded the first coworking space in Bali, Hubud, a dedicated space for techies, startups, and change-makers. Peter is passionate about how blockchain and cryptocurrencies can impact our everyday lives. Known as a guy who gets things done, Peter's varied career highlights include work as a technology entrepreneur, journalist, and filmmaker.

### **Ian MacLeod (Executive Chairman)**

Ian has more than 20 years of international experience providing strategic legal advice at board level. Since 2007, Ian has served as Corporate Secretary and General Counsel to the Teligence Group of Companies in Canada which operate in telecoms, payments, ecommerce and software development. He is responsible for acquisitions, structuring and the strategic direction of the Teligence portfolio.

### **Matthew Shaw (Non-Executive Director)**

Matthew brings over 25 years' experience as an international banker, corporate adviser and serial entrepreneur specialising in the technology and the cryptocurrency sectors. His current portfolio of leadership roles include Protos Asset Management, a Swiss company he founded that manages a cryptocurrency fund, which invests in early stage cryptocurrency and blockchain businesses and actively risk manages liquid tokens using advanced quantitative strategies. He is also currently CEO of Blimp Technologies, a real estate technology company which incorporates a cryptocurrency token and is also president of a proprietary family investment company investing in digital assets, fintech and other technology sectors.

### **Marco D'Attanasio (Non-Executive Director)**

Dr D'Attanasio brings over 20 years of experience in international capital markets, fund management as well as entrepreneurship in the technology sector. He holds a PhD from the University of Parma in Italy in theoretical and mathematical physics. Dr. D'Attanasio is currently the Chief Investment Officer at Hadron Capital (Cayman), an investment management firm he co-founded which is based in the Cayman Islands. Prior to co-founding Hadron Capital (Cayman), Dr. D'Attanasio served as a Managing Director at the Royal Bank of Canada in London and was responsible for the Europe and Asia Relative Value Group, a 10-man proprietary trading unit based in London and Hong Kong.

### **James Savage (Non-Executive Director)**

James is a member of the Association of Chartered Certified Accountants and brings to Argo seven years' private practice experience in auditing and corporate finance across capital markets in the UK, US and Canada. He has held roles managing audits of large multinational groups and carried out valuations for investment funds. James specialises in financial reporting, business analysis and financial modelling.

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## STRATEGIC REPORT

The directors present their strategic report on the Group for the year ended 31 December 2020.

### Principal activity

The Group's principal activity is that of crypto asset mining.

### Review of the business and future developments

Argo Blockchain Plc was incorporated on 5 December 2017. Argo Blockchain Plc invested in a 100% subsidiary Argo Innovation Labs Inc. (together "the Group") incorporated in Canada on 12 January 2018. On 3 August 2018 the Company was admitted to the Official List of the UK Listing Authority by way of a listing on the standard segment of the London Stock Exchange.

The Chairman's statement provides an in depth review of 2020 and rather than repeating that I have concentrated on looking forward in this report.

Argo entered 2021 with a clear business strategy of "smart growth" and its mining operations continue to gain momentum as new production capacity is brought onstream. As announced previously 387 Bitcoin were mined in the first quarter of 2021, generating over £13m in revenue at a combined margin of 81%.

In the first quarter the Group entered two fundraising placements which generated £49.2m and has enabled the Group to invest in new machines, Pluto, DPN LLC (Texas land acquisition) and fund working capital. With the cash generated from these placements and the monies from option and warrants exercises helping to fund working capital the Group has been able to grow its crypto holding to 764 Bitcoin and equivalents.

The Group has acquired 320 acres of land in West Texas through the merger with DPN LLC. The land has access to 800MW of renewable power. The Group is considering its options on building out this facility but expects the first stage of this, a 200MW Facility, to be completed in early 2022.

The Group is mindful of the impact of its carbon footprint and to that end has engaged Guidehouse, a leading consultancy and solutions provider, to research and advise on science-based solutions towards the Group's long-term strategy to eliminate its climate impact. This work will include providing a full climate action plan to achieve the Group's goal of becoming a net zero greenhouse gas (GHG) company.

Alongside appointing Guidehouse the Group has launched "Terra Pool" a Bitcoin mining pool powered by clean energy and representing the first ever opportunity for the creation of 'green bitcoin'. The initiative aims to expedite the shift from conventional power to clean energy and reduce the impact of Bitcoin mining on the environment. The mining pool will provide a platform for cryptocurrency miners to produce Bitcoin and other cryptocurrencies in a sustainable way.

In two stages in early 2021 Argo has invested a total of £8.3m in 'Pluto. Pluto is a crypto venture capital and technology company that connects Web 3.0 decentralised technologies to the global economy. Pluto invests in, incubates and advises digital asset projects based on decentralised technologies (DeTech), decentralised finance (DeFi) and networks such as Ethereum and Polkadot. Pluto also supports the operation of proof-of-stake networks by staking and operating validator nodes.

With our mining capacity set to increase to 1,685 PH/s shortly, Argo remains on track to generate further strong growth in the first half compared to the corresponding period last year. Having successfully completed a major expansion, the current focus is to optimise operations and increase efficiency levels further.

While cryptocurrency mining is challenging, given the dynamic nature of the effort required to mine rewards, overall the Board considers Argo to be well positioned to benefit from a sustained improvement in the Bitcoin price and mining conditions. As a result, the Board looks to the future with cautious optimism.

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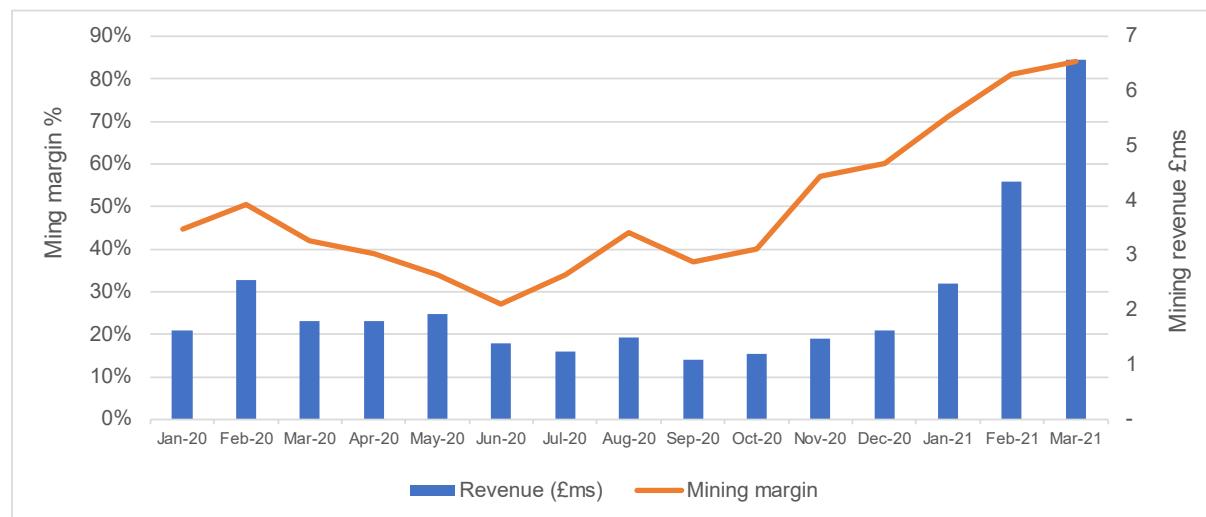
## Group Strategy and Business Model

Argo's overall mining capacity increased from 1,700 machines located at two sites in 2019 to approximately 7,000 machines in production at three sites in Canada by the end of 2020. Overall, 90% of our enlarged mining capacity is currently deployed to mine Bitcoin. Argo rounded off the year with further investment in its mining capacity with an order for 10,000 T17 Antminer machines, which went into production slightly ahead of schedule in Q1 2021.

## Performance of the business during the period and the position at the End of the Year

The results reflect the impact of a major ramp up of the Group's mining operations, which was completed ahead of plan in the first half amid difficult trading conditions and uncertainty caused by the halving of Bitcoin in May. This event occurs about every four years in the Bitcoin protocol and reduces the amount of new Bitcoin coins issued to miners as a reward for mining a block. The reduced reward results in greater pressure on inefficient miners and can also affect difficulty rates.

The halving, as anticipated by the management team, contributed to a sharp drop in Bitcoin prices and a decline in mining margins before a strong recovery late in the year, as shown in the graph below. Despite the challenging conditions the Group pushed through its growth strategy at pace and on budget, to position the business to benefit from an eventual industry upturn, which came in the closing months of the year, when Bitcoin prices staged a strong rally.



Overall mining capacity at Argo increased from 210 petahash mining capacity to 645 petahash by the end of 2020.

Since the year end, the Group has added another 430 petahash of leased mining capacity increasing its total hashing power to 1,075 petahash.

The group mined more than 10 different crypto currencies during the year though 90% of its hardware was deployed for generating Bitcoin.

## Key performance indicators

The Board of Directors monitors the activities and performance of the Group on a continuing basis. The main performance indicator applicable to the Group is the mining earnings from its of large-scale crypto mining facilities.

KPI	2020	2019	% Change
Total revenue	18,957,417	8,616,879	120%
Mining profit	11,210,889	5,140,719	118%
Mining margin	41%	60%	(19%)
Bitcoin mined	2,465	1,330	85%

The decrease in the mining margin in the year is largely a result of the Bitcoin halving in May 2020.

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## Principal risks and uncertainties

Whilst the Group focusses on self-mining, the Board considers the principal risk for the Group to be volatility in the cryptocurrency market and the general sentiment of crypto assets as a whole. The Group operates in an uncertain environment and is subject to a number of risk factors. The Board consider the following to be of particular relevance but this is no means an exhaustive list as there may be other risk factors not currently known.

### Market conditions

Market conditions, including the cryptocurrency market values and general economic conditions and their effect on exchange rates, interest rates and inflation rates, may impact the ultimate value of the Group regardless of its operating performance. The Group also faces competition from other organisations, some of which may have greater resources.

### Cyber Risk

The Group holds digital assets via software and hardware which may prove to be vulnerable to data security breaches in the future. Data security breach incidents may compromise the confidentiality, integrity or availability of data such that the data is vulnerable to access or acquisition by unauthorised persons. These data security breaches may result in the unrecoverable loss of digital assets. The Group's hardware devices and remote servers holding the Group's data may be breached and result in the loss of valuable data. In order to mitigate these risks the Group holds its assets with third party specialist crypto-currency custodians with a number of security measures in place.

### Cryptocurrency Price Volatility

Revenues are denominated in cryptocurrency or tokens. These 'digital assets' can be subject to high levels of volatility and it may not always be possible for the Group to trade out or effectively hedge its position. The Group will always seek to manage the price volatility risk and actively monitors its portfolio of digital assets. To this end during the year the Group entered into a number of future contracts around the time of the halving in order to protect the company from adverse changes in the difficulty of mining. The majority of the Group's crypto assets (as per note 22) are stored in Bitcoin which dominates the crypto market.

Cryptocurrency exchange rates have exhibited strong volatility. Many factors outside of the control of the Group can affect the market price of cryptocurrencies, including, but not limited to, national and international economic, financial, regulatory, political, terrorist, military, and other events, adverse or positive news events and publicity, and generally extreme, uncertain, and volatile market conditions. Extreme changes in price may occur at any time, resulting in a potential loss of value of our entire portfolio of cryptocurrencies, complete or partial loss of purchasing power, and difficulty or a complete inability to sell or exchange our digital currency.

### Climate change

The Group is aware that Bitcoin is power intensive and as such has an environmental impact as a consequence. The Board has engaged Guidehouse, a leading consultancy and solutions provider, to research and advise on science-based solutions towards Argo's long-term strategy to eliminate its climate impact. This work will include providing a full climate action plan to achieve Argo's goal of becoming a net zero greenhouse gas (GHG) company.

### Technology risks

The company operates within a highly technological environment where software and hardware are consistently updated. To ensure the company remains as a leading provider and stays ahead of its competitors, it needs to continue to invest in its technology, software and hardware which requires a large amount of capital.

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## **Risks relating to the Group's Business strategy**

The Group is dependent on the ability of the Directors to identify suitable opportunities and to implement the Group's strategy. There is no assurance that the Group's activities of mining for itself will continue to be successful even though internal forecasts continue to suggest otherwise.

### Dependence on key personnel and management risks

The Group's business is dependent on retaining the services of a small management team and the loss of a key individual could have an adverse effect on the future of the Group's business. The Group's future success will also depend in large part upon its ability to attract and retain highly skilled personnel. This risk is managed by offering salaries that are competitive in the current market.

### Environmental and other regulatory requirements

The event of a breach with any environmental or regulatory requirements may give rise to reputational, financial or other sanctions against the Group, and therefore the Board considers these risks seriously and designs, maintains and reviews the policies and processes so as to mitigate or avoid these risks. Whilst the Board has a good record of compliance, there is no assurance that the Group's activities will always be compliant.

## **Promotion of the Company for the benefit of the members as a whole**

The Director's believe they have acted in the way most likely to promote the success of the Company for the benefit of its members as a whole, as required by s172 of the Companies Act 2006.

The requirements of s172 are for the Directors to:

- Consider the likely consequences of any decision in the long term,
- Act fairly between the members of the Company,
- Maintain a reputation for high standards of business conduct,
- Consider the interests of the Company's employees,
- Foster the Company's relationships with suppliers, customers and others, and
- Consider the impact of the Company's operations on the community and the environment.

The Company operates as a crypto mining business, which is inherently speculative in nature and, with volatile revenue, at times may be dependent upon fund-raising for its continued operation. The nature of the business is well understood by the Company's members, employees and suppliers, and the Directors are transparent about the cash position and funding requirements.

The application of the s172 requirements can be demonstrated in relation to the some of the key decisions made during 2020:

**Pursuit of an aggressive asset acquisition strategy:** the choice between raising new funds from equity or from utilising existing cash resources and debt was driven by the Board's belief that the prevailing share price during the year was not reflective of the Company's value, and was considered to be the best route to enhanced shareholder values for existing members.

**Cancellation of the share premium:** during the year the Board took the decision to cancel its share premium and increase distributable reserves, which would enable the Company to make a distribution in the future.

**Change in focus from Mining as a Service to self mining:** on 1 April 2020 the Board announced a refocus of its business strategy in light of the continuing difficult trading conditions in the cryptocurrency market as digital currencies faced severe price pressure and volatility. As a result of the challenging conditions, the Group ceased accepting new mining subscriptions and terminated all existing mining-as-a-service (MaaS) contracts and commenced self mining. The Board consider this was an extremely positive move for the business and whilst it has not ruled returning to MaaS to some extent it nevertheless continues with this strategy and believes that its increasing mining machines will ultimately bring rewards to the business and its shareholders.

**Expanding our position in Canada and USA:** having established our presence in Canada, and developed a good working relationship with our partners and suppliers there, the decision to expand the facility with GPUone was driven by the Board's view that the long-term future of mining is strong. Expanding our relationship with our existing partner, GPUone, was seen as a mutually beneficial decision, having formed strong working relationships with them on the initial facility.

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In the USA The Group has developed a strong relationship with Core Scientific, who were introduced to us by GPUone. They host our latest machines bought during the year and after the year end.

As a crypto mining company with operations, the Board takes seriously its ethical responsibilities to the communities and environment in which it works.

The interests of employees are a primary consideration for the Board and an inclusive share-option programme allows them to share in the future success of the company. Personal development opportunities are encouraged and supported.

This report was approved by the board on 28 April 2021 and signed on its behalf by:



.....  
Peter Wall  
**Chief Executive Officer**

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## DIRECTORS' REPORT

### General information

The Directors present the Annual Report and audited consolidated financial statements for the year ended 31 December 2020.

The Company's Ordinary Shares were admitted to the Official List (by way of a Standard Listing under Chapter 14 of the Listing Rules) and to trading on the London Stock Exchange's main market for listed securities on 3 August 2018. The Company is registered in England where its head office is located whilst its operations are based in Canada where the trading subsidiary, Argo Innovation Labs Inc. is registered. The Company owns 100% of a UK subsidiary, Argo Innovation Labs Limited., which remains dormant.

### Future developments

The Group continues to focus its strategy on self mining cryptocurrencies as detailed further in the Strategic Report.

### Dividends

The directors do not propose a dividend in respect of the period ended 31 December 2020 (2019: £Nil).

### Directors

The Board is responsible for the Company's objectives and business strategy and its overall supervision. Acquisition, divestment and other strategic decisions will all be considered and determined by the Board including, when circumstances permit, whether the payment of dividends, issue or buy back of shares is appropriate.

Attendance at Board meetings:

Member	Meetings attended
P Wall	12 of 12
I MacLeod	12 of 12
J Savage	8 of 8
M D'Attanasio	5 of 5
M I Shaw	12 of 12

The Board will provide leadership within a framework of appropriate and effective controls. The Board will set up, operate and monitor the corporate governance values of the Company, and will have overall responsibility for setting the Company's strategic aims, defining the business objective, managing the financial and operational resources of the Company and reviewing the performance of the officers and management of the Company's business. The Board will take appropriate steps to ensure that the Company complies with Listing Principles 1 and 2 as set out in Chapter 7 of the Listing Rules and (notwithstanding that they only apply to companies with a Premium Listing) the Premium Listing Principles as set out in Chapter 7 of the Listing Rules.

The Company supports the concept of an effective Board leading and controlling the Company. The Board is responsible for approving Company policy and strategy. It meets regularly and has a schedule of matters specifically reserved to it for decision. Management supply the Board with appropriate and timely information and the Directors are free to seek any further information they consider necessary. All Directors have access to advice from the Company Secretary and independent professionals at the Company's expense. Training is available for new Directors and other Directors as necessary.

All Directors are subject to re-election every three years and, on appointment, at the first AGM after appointment. There is no separate nomination committee, given the size of the Board. All Director appointments are approved by the Board as a whole.

### Communications with shareholders

Communications with shareholders are given a high priority. In addition to the publication of an annual report and an interim report, there will be regular dialogue with shareholders and analysts. The Annual General Meeting is viewed as a forum for communicating with shareholders, particularly private investors. Shareholders may question the Chairman and other members of the Board at the Annual General Meeting. All published information for shareholders is also available on the Company website, including annual and interim reports, circulars, announcements and significant shareholdings.

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## Accountability and Audit

The Board presents a balanced and understandable assessment of the Company's position and prospects in all interim and price sensitive reports to regulators as well as in the information required to be presented by statutory requirements. There is no separate audit committee, given the size of the Board. All matters normally considered by an Audit & Risk Committee are considered by the Board as a whole.

## Internal control

The Directors acknowledge they are responsible for the Company's systems of internal control and for reviewing the effectiveness of these systems. The risk management process and systems of internal control are designed to manage rather than eliminate the risk of the company failing to achieve its strategic objectives. It should be recognised that such systems can only provide reasonable and not absolute assurance against material misstatement or loss.

## Post balance sheet events

In late December 2020, the Company's shares were admitted to OTCQB Venture Market, allowing North American investors an easier route to acquiring Argo shares. As a result of increasing volumes in trading Argo shares were upgraded to the OTCQX Venture Market in February 2021.

On 2 February 2021, the Company signed a Sale and Purchase Agreement with GPUone, the Canadian data centre provider, for the strategic purchase of the two data centres in Quebec. These facilities are currently owned and operated by GPUone and house a portion of Argo's cryptocurrency mining equipment. The data centres have a combined total of 20MW of power capacity. The purchase will be funded out of Argo's existing deposits with GPUone, and a small cash consideration. Completion of the transaction is subject to resolution of the outstanding conditions.

The Group carried out two fund raises in January and March 2021. These generated £49m in new equity for investment in mining rigs, the West Texas development (discussed above), and blockchain/fintech ventures including a significant equity holding in Pluto Digital Investment PLC.

In March 2021 Argo acquired a hosting facility project with 320 acres of land in West Texas with access to 800MW of low cost clean energy power for a total consideration of US\$17.5m. The Group intends on building out a 200MW facility over the next 12 months.

In late March 2021 the Group signed a memorandum of understanding with DMG Blockchain Solutions to create Terra Pool, the first 'green' Bitcoin mining pool to be powered by clean energy, in response to climate change concerns. The mining pool will provide a platform for cryptocurrency miners to produce Bitcoin and other cryptocurrencies in a sustainable way.

All mining machines currently mining have achieved over 100% ROI, including those installed in January and February of 2021.

## Directors and directors' interests

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

Director	Appointment/resignation during the year
M S Edwards	Resigned 27 January 2020
P G Wall	Appointed 1 January 2020
G Penchina	Resigned 1 January 2020
T V Le Druillenec	Resigned 30 March 2020
J F Bixby	Resigned 16 May 2020
M I Shaw	Appointed 17 July 2019
I D Macleod	Appointed 1 January 2020
J Savage	Appointed 30 March 2020
M D'Attanasio	Appointed 21 July 2020

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Directors' share holdings		Ordinary Shares at 31 December 2020			Percentage of Issued Share Capital		
Director							
P Wall				570,000		0.2%	
I MacLeod				-		-	
J Savage				-		-	
M D'Attanasio				-		-	
M I Shaw				-		-	

Directors' warrant holdings							
Date of Agreement	Warrant Holder	Number of Warrants	Price per Ordinary Share	Exercise Period	Vesting Period	Transferrable	Exercised
2 Feb 2018	Peter Wall	1,400,000	8 pence	3 years from grant	(25% on issue, 25% each 6m thereafter)	No	No

Directors' option holdings					
Name	Date of Grant	Aggregate number of options granted	Exercise Price	Exercise Conditions	Lapse Date
Peter Wall	25 July 2018	1,000,000	16 pence	1/3 on the first anniversary of admission, 1/36 of the total options monthly thereafter	25 July 2024
Peter Wall	5 Feb 2020	5,700,000	7 pence	1/12mth commencing on the 4th month from issue	4 Feb 2030
Ian MacLeod	5 Feb 2020	1,900,000	7 pence	1/12mth commencing on the 4th month from Issue	4 February 2030
Matthew Shaw	5 Feb 2020	475,000	7 pence	1/12mth commencing on the 4th month from Issue	4 February 2030
Matthew Shaw	17 July 2019	1,000,000	16 pence	1/3 on the first anniversary of admission, 1/36 of the total options monthly thereafter	17 July 2025

## Going Concern

The Directors, having made due and careful enquiry, are of the opinion that the Group has adequate working capital to meet its obligations over the assessed period to the end of June 2022. In addition to generating significant mining profits of £10.8m in Q1 2021 the Group raised £49.2m through two private placements. The Directors therefore have made an informed judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. As a result, the Directors have adopted the going concern basis of accounting in the preparation of the annual financial statements.

The Directors have considered the impact of Covid-19 on the Group, in the context of their operations and the wider crypto currency market. The Group's management and staff are operating remotely, and all mining facilities are

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running as normal. The Directors continue to monitor the crypto currency market and consider the corresponding difficulty adjustments to be balancing the price fluctuations. At this stage, the Directors do not envisage a long term impact to the Group resulting from Covid-19, but will continue to monitor the situation.

## Financial Risk Management

The Group has a simple capital structure and its principal financial assets are cash and digital assets. The Group is subject to market risk by way of being exposed to volatility in crypto asset value and variations in foreign exchange rates. The Group has little exposure to credit risk due to holding its reserves with credible institutions. The Group may also be exposed to liquidity and capital risk, due to the nature of operations and the requirements for mining hardware acquisition. The Group manage these risks through portfolio management and maintenance of sufficient working capital. Further details of risks can be seen within the Strategic Report or in the Notes to the financial statements.

## Substantial shareholdings at the date of this report

Name	Ordinary Shares at date of this report	Percentage of Share Capital
BLOK ETF (Toroso Asset Management)	14,044,537	3.68%

## Controlling shareholder

The Group does not have a controlling shareholder.

## Greenhouse gas emissions

Greenhouse gas emissions, energy consumption and energy efficiency disclosures have not been provided because the Company has consumed less than 40,000 kWh of energy during the period.

The Group is mindful of carbon emissions and has appointed Guidehouse, a leading consultancy and solutions provider, to research and advise on science-based solutions towards Argo's long-term strategy to eliminate its climate impact. This work will include providing a full climate action plan to achieve Argo's goal of becoming a net zero greenhouse gas (GHG) company. The use of renewable energy sources and a low staff headcount allows the Group to maintain low emissions. The Group will use the report prepared to inform strategy.

## Employee and business relationships

The Group consists of a small team, currently 5 directors and 4 personnel, which facilitates the direct and frequent communication between all parties and thereby the interests of all concerned are considered on a regular basis. Due to nature of a small team and the wide and varied skills possessed all key strategic business decisions are discussed and analysed by all concerned.

A significant part of any business is maintaining a good relationship with its suppliers and the Group is well aware of the need to ensure that its main suppliers GPUone and Core Scientific, which provide hosting and power facilities, is managed carefully. The Group has an investment in GPUone and has entered into an LOI to acquire the facilities where our machines are currently hosted. We maintain a close working relationship with Core Scientific with regular meetings and an open dialogue.

## Provision of information to auditor

So far as each of the Directors is aware at the time this report is approved:

- there is no relevant audit information of which the Group's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

## Auditors

The auditors, PKF Littlejohn LLP have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the annual general meeting.

This report was approved by the board on 28 April 2021 and signed on its behalf by:



Peter Wall  
Chief Executive Officer

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## REMUNERATION REPORT

This remuneration report sets out the Group's policy on the remuneration of executive and non-executive Directors together with details of Directors' remuneration packages and service contracts for the financial year ended 31 December 2020. Due to the size of the Board the Group's development of an independent remuneration committee is not considered appropriate as all Board members are included and approve such decisions.. Nor did the Group appoint any third party advisers in relation to directors' remuneration.

### Annual Statement

During the year, there were no major decisions on directors' remuneration, substantial changes relating to the directors' remuneration during the year, or discretion which has been exercised in the award of directors' remuneration.

### Remuneration Policy

In setting the policy, the Board has taken the following into account:

- The need to attract, retain and motivate individuals of a calibre who will ensure successful leadership and management of the Group;
- The Group's general aim of seeking to reward all employees fairly according to the nature of their role and their performance;
- Remuneration packages offered by similar companies within the same sector;
- The need to align the interests of shareholders as a whole with the long-term growth of the Group; and
- The need to be flexible and adjust with operational changes throughout the term of this policy.

### Future Policy Table

Element	Purpose	Policy	Operation	Opportunity and performance conditions
<b>Executive directors</b>				
Base salary	To award for services provided	The remuneration of Directors is based on the recommendations of the Chairman and comparison with other companies of a similar size and sector.	Paid monthly and will be reviewable annually.	Total fees specifically for Director's duties that is limited by the Group's Articles of Association to £150,000 per annum. This excludes remuneration for Executive duties which is in addition to any such fees
Pension Benefits	N/A	Not awarded	N/A	N/A
Annual Bonus	N/A	Not awarded	N/A	N/A
Share Options	N/A	Based on recommendations of the Chairman in relation to contributions to the Group.	N/A	N/A
<b>Non-executive directors</b>				
Base salary	To award for services provided	The Board as a whole determines the remuneration of non-executive Directors based on the recommendations of the Chairman and comparison with other companies of a similar size and sector.	Paid monthly and reviewable annually.	Total fees specifically for Director's duties that is limited by the Group's Articles of Association to £150,000 per annum. This excludes remuneration for Executive duties which is in addition to any such fees
Pension Benefits	N/A	Not awarded	N/A	N/A
Share Options	N/A	There is no element of remuneration for performance.	N/A	N/A
		Not awarded	N/A	N/A

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## Notes to the future policy table

The Directors shall also be paid by the Group all travelling, hotel and other expenses as they may incur in attending meetings of the Directors or general meetings or otherwise in connection with the discharge of their duties.

Any Director who serves on any committee, or who devotes special attention to the business of the Group, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration as the Directors may determine.

## Statement on implementation of remuneration policy

**The Group intends to implement the above policy during this year, however may reconsider future policies as the AGM , where shareholders will be given the opportunity to vote for or against it.**

## Directors' remuneration (audited)

Details of directors' remuneration during the year ended 31 December 2020 is as follows:

Director	Salary and fees	Taxable benefits	Bonus	Pension related benefits	Share based payment	Fixed element	Variable element	2020 Total
	£	£	£	£	£	£	£	£
<b>Executive directors</b>								
Peter Wall	213,873	-	27,049	-	10,319	213,873	37,368	251,240
Ian MacLeod	128,539	-	36,444	-	5,428	128,539	41,872	170,411
Timothy Le Druillenec	21,500	-	-	-	194	21,500	194	21,694
James Savage	47,035	-	-	-	-	47,035	-	47,035
<b>Non-executive directors</b>								
Marco D'Attanasio	12,500	-	-	-	-	12,500	-	12,500
James Savage*	8,750	-	-	-	-	8,750	-	8,750
Matthew Shaw	36,532	-	-	-	4,330	36,532	4,330	40,862
	468,729	-	63,493	-	20,271	468,729	83,764	552,492

Please see the table on page 14 under Directors' interests for dates of appointment and resignation.

\*James Savage transferred from a Finance director to a non-executive director on 15 September 2020.

Director	Salary and fees	Taxable benefits	Bonus	Pension related benefits	Share based payment	Fixed element	Variable element	2019 Total
	£	£	£	£	£	£	£	£
<b>Executive directors</b>								
*Jonathan Bixby	177,146	-	-	-	-	177,146	-	177,146
*Mike Edwards	236,194	-	107,361	-	-	236,194	107,361	343,555
Timothy Le Druillenec	90,000	-	45,000	-	-	90,000	45,000	135,000
<b>Non-executive directors</b>								
*Gil Penchina	15,980	-	-	-	-	15,980	-	15,980
Matthew Shaw	17,086	-	-	-	-	17,086	-	17,086
	536,406	-	152,361	-	-	536,406	152,361	688,767

\*Jonathan Bixby resigned on 16 May 2020, Mike Edwards on 27 January 2020 and Gil Penchina on 1 January 2020.

Details of the share options and warrants granted to the directors during the period are included within the Directors' Report. These shares were issued in accordance with the Canadian share option plan and UK subn plan. The shares were issued at a price above that of market value with vesting conditions attached to length of service to encourage retention of directors over a longer period in line with the Group's long term strategy and to align with long term growth in shareholder value.

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## Total pension entitlements (audited)

The Company does currently not have any pension plans for any of the Directors and does not pay pension amounts in relation to their remuneration. The Company has not paid out any excess retirement benefits to any Directors or past Directors.

## Payments to past directors (audited)

The Company has not paid any compensation to past Directors.

## Statement of directors' shareholding and share interests (audited)

The Directors who held office at 31 December 2020 and who had beneficial interests in the Ordinary Shares of the Company are summarised as follows:

Director	Position
P Wall	Chief Executive Officer
I MacLeod	Executive Chairman
J Savage	Non-Executive Director
M D'Attanasio	Non-Executive Director
M I Shaw	Non-Executive Director

Details of these beneficial interests can be found in the Directors' Report.

## Service Agreements and Letters of Appointment

The service contracts with Peter Wall and Ian MacLeod are on a continuous basis, subject to termination provisions, and subject to termination upon 12 months' notice given by either party. The appointments of Marco D'Attanasio, James Savage and Matthew Shaw are subject to a 3 year term and to termination upon 3 months' notice given by either party.

## Terms of appointment

The services of the Directors, provided under the terms of agreement with the Group are dated as follows:

Director	Year of appointment	Number of years completed	Date of current engagement letter
Peter Wall	2020	1	14 January 2020
Ian MacLeod	2020	1	1 January 2020
Marco D'Attanasio	2020	-	13 July 2020
Matthew Shaw	2020	1	7 September 2019
James Savage	2020	-	30 March 2020

## Performance Graph

The following graph compares the total shareholder return of an ordinary share in Argo Blockchain plc against the total shareholder return of the FTSE All-share index, over the year of 2020.



Data source: [uk.finance.yahoo.com](http://uk.finance.yahoo.com)

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For the year ended 2020, ARB saw a rise in share price from 5.6 pence to 33 pence, an increase of 450%. In the same period, FTAS fell from 4,217.82 to 3,673.63, a decrease of 13%.

## Consideration of employment conditions elsewhere in the Group

The committee has not consulted with employees about executive pay but considers that the current remuneration of Executive Directors is consistent with pay and employment benefits across the wider Group.

## UK 10-year CEO table and UK percentage change table

The Directors have considered the requirement for a UK 10-year CEO table and UK percentage change table. The CEO remuneration is not currently linked to performance, therefore any comparison across years or with the employee group would be significantly skewed and would not add any information of value to shareholders.

The CEO for the current year is Peter Wall and his remuneration is disclosed within this section as is the previous CEO's, Mike Edwards.

There is only one employee who is not and has not been a director throughout the time from incorporation and as such there is no meaningful information from disclosing this to Shareholders.

## Relative importance of spend on pay

The Directors have considered the requirement to present information on the relative importance of spend on pay compared to shareholder dividends paid. Given that the Company does not currently pay dividends we have not considered it necessary to include such information

Description	2020
	£
Wages, salaries and remuneration	561,666
Bonus	73,297
Share based payment	23,664
<b>Total</b>	<b>658,627</b>

The Directors have considered the requirement to present information on the relative importance of spend on pay compared to shareholder dividends paid. Given that the Company does not currently pay dividends we have not considered it necessary to include such information and the spend on pay is clearly disclosed within this report.

## Consideration of shareholder views

any additional feedback received from time to time, is considered as part of the Group's annual policy on remuneration.

At the AGM held on 25 June 2020, the following votes were cast on the directors' remuneration report and remuneration policy:

Resolution	For	Against	Abstained
To approve the directors' remuneration report	99%	1%	-
To approve the directors' remuneration policy	99%	1%	-

## Policy for new appointments

Base salary levels will take into account market data for the relevant role, internal relativities, the individual's experience and their current base salary. Where an individual is recruited at below market norms, they may be re-aligned over time (e.g. two to three years), subject to performance in the role. Benefits will generally be in accordance with the approved policy.

For external and internal appointments, the Board may agree that the Group will meet certain relocation and/or incidental expenses as appropriate.

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## Other matters

The Company does not currently have any annual or long-term incentive schemes in place for any of the Directors and as such there are no disclosures in this respect.

The share options and warrants granted are discussed above.

This report was approved by the board on 28 April 2021 and signed on its behalf by:



.....  
Peter Wall  
**Chief Executive Officer**

# ARGO BLOCKCHAIN PLC

## CORPORATE GOVERNANCE REPORT

### **The QCA 10 Principles of Corporate Governance**

The Board of Directors of Argo Blockchain Plc recognises the importance of sound corporate governance and has decided to apply the Corporate Governance Code published by the Quoted Companies Alliance (the "QCA Code").

The QCA Code sets out a standard of minimum best practice for small and midsize quoted companies. The QCA's ten principles of corporate governance are set out below.

#### **Principle 1: Establish a strategy and business model which promotes long-term value for shareholders**

The Group is a UK based provider of cryptocurrency mining with its facilities located in Canada and the US. The business focusses on acquiring the most up to date and efficient hardware to support its mining facilities at the most cost-effective prices and utilises renewable energy sources (wherever possible) at the most competitive prices.

#### **Principle 2: Seek to understand and meet shareholder needs and expectations**

The Group seeks to communicate with shareholders to ensure that its financial performance and strategy are clearly understood. This is achieved through regular updates by RNS to the London Stock Exchange and meetings with various shareholders. The Group attends investor conferences in the UK and ensures its website provides accurate information and is kept up to date.

#### **Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success**

Our stakeholder groups include our employees in Canada and our business partners. Employees are kept up to date as much as possible by way of weekly meetings and have access to the Board at all times. We aim to recruit and retain our staff by ensuring our pay and conditions are competitive in the market place and offer training where appropriate. We seek to maintain a good business relationship with our business partners who are well-respected experts in their field.

#### **Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation**

The Group has only five directors and minimal employees and as such maintains internal financial controls commensurate with that small number. The Board is responsible for overall company strategy and ensuring it is implemented and operates close supervision of all purchasing and revenue functions.

Regular financial reporting is performed in Canada and the UK and consolidated results are prepared and then reviewed by the Board and clarification sought where necessary. Due to the small number of directors and employees, there is much closer supervision of all aspects of the business by the Chairman which allows for action to be taken if inefficiencies or irregularities are uncovered.

#### **Principle 5: Maintain the board as a well-functioning, balanced team led by the chair**

The Board includes the Executive Chairman, Chief Executive Officer and Non-Executive Directors. The Board considers that each director has the required level of expertise and experience in his field and regular Board meetings are held to discuss all key matters.

#### **Principle 6: Ensure that, between them, the directors have the necessary up-to-date experience, skills and capabilities**

The Board considers that as a whole it contains individuals who between them have the necessary level of skills and experience in the field in which they operate. All the directors receive regular updates on the Group's operational and financial performance and attend frequent Board meeting where key issues are discussed at length. The Board is responsible for the appointment, removal and re-election of directors and when such a decision is required it will take account of the Company's need for a balance of market, operational and financial expertise. All directors have the ability to take independent professional advice at the company's expense where they consider it necessary to ensure they fulfil their duties in an appropriate manner.

#### **Principle 7: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.**

The Board is constantly reviewing the Group's and its own performance based on internally set performance indicators.

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## **Principle 8: Promote a corporate culture that is based on ethical values and behaviours**

The Board considers it acts in a professional manner at all times and imparts that corporate culture throughout the Group. It also considers that at all times it promotes ethical values and behaviour to its employees.

## **Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision making by the board**

As a company with a Standard Listing, the Company is not required to comply with the provisions of the Corporate Governance Code published by the Financial Reporting Council (FRC Corporate Governance Code). The Company notes that it will not undertake the following steps required by the FRC Corporate Governance Code in that:

- given the size of the Board and the Company's current status, certain provisions of the FRC Corporate Governance Code (in particular the provisions relating to the composition of the Board and the division of responsibilities between the Chairman and chief executive and executive compensation), are not being complied with by the Company as the Board considers these provisions to be inapplicable to the Company;
- the Company will not initially have separate audit and risk, nominations or remuneration committees. The Board as a whole will instead review audit and risk matters, as well as the Board's size, structure and composition and the scale and structure of the Directors' fees, taking into account the interests of Shareholders and the performance of the Company, and will take responsibility for the appointment of auditors and payment of their audit fee, monitor and review the integrity of the Company's financial statements and take responsibility for any formal announcements on the Company's financial performance;
- the FRC Corporate Governance Code recommends that the submission of all directors for re-election at annual intervals. None of the Directors will be required to be submitted for re-election until the first annual general meeting of the Company;
- the Board does not comply with the provision of the FRC Corporate Governance Code that at least half of the Board, excluding the Chairman, should comprise non-executive directors determined by the Board to be independent. In addition, the Company has not appointed a senior independent director. The Company intends to appoint additional independent non-executive directors in the future so that the Board complies with these provisions.

However, in the interests of observing best practice on corporate governance, the Company intends to comply with the provisions of the Corporate Governance Code published by the Quote Companies Alliance (QCA Corporate Governance Code) insofar as is appropriate having regard to the size and nature of the Company and the size and composition of the Board.

The Company's Standard Listing means that it is also not required to comply with those provisions of the Listing Rules which only apply to companies on the Premium List. The UK Listing Authority will not have the authority to (and will not) monitor the Company's compliance with any of the Listing Rules which the Company has indicated that it intends to comply with on a voluntary basis, nor to impose sanctions in respect of any failure by the Company so to comply.

## **Principle 10: Communicate how the company is governed and is performing by maintaining dialogue with shareholders and other relevant stakeholders**

By way of the Annual Report and the financial statements, half year Interims, General Meetings, Annual General Meetings and RNS Market updates the Company communicates with its existing and potential shareholders. In addition, the Company has a comprehensive website: [www.argoblockchain.com](http://www.argoblockchain.com).

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## DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with international accounting standards in conformity with the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit and loss of the group and company for that period.

In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable international accounting standards in conformity with the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the group financial statements, international financial reporting standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible to make a statement that they consider the Annual Report and financial statements taken as a whole, is fair, balanced and understandable and provides the information necessary for the shareholders to assess the group's and company's position and performance, business model and strategy.

### Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the group and company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group and company's website is the responsibility of the directors. The directors' responsibility also extends to the on-going integrity of the financial statements contained therein.

### Directors' responsibilities pursuant to DTR4 (Disclosure and Transparency Rules)

The directors confirm to the best of their knowledge:

- The group and company financial statements have been prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union and give a true and fair view of the assets, liabilities, financial position and profit and loss of the group and company; and
- The annual report includes a fair review of the development and performance of the business and financial position of the group and company together with a description of the principal risks and uncertainties.

On behalf of the Board

*Ian MacLeod*

Ian Macleod  
Executive Chairman

28 April 2021

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## INDEPENDENT AUDITOR'S REPORT

### Opinion

We have audited the financial statements of Argo Blockchain plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the Companies Act 2006 and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit and parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and as regard to the group financial statements, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included a detailed review of the cash flow forecast prepared by management up to June 2022. We have undertaken sensitivity analysis surrounding key areas of estimation uncertainty within the forecast, such as the price of Bitcoin and the mining margin based on the relationship with the level of difficulty, the impact of potential increased power costs and stress tested for scenarios which would remove the available headroom, where in our judgement this was required. We have reviewed all key inputs into the model provided by management for reasonableness and to supporting evidence such as output power per machine, compared to historical financial information and reviewed market conditions as appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Our application of materiality

For the purposes of determining whether the financial statements are free from material misstatement, we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We also determine a level of performance materiality which we use to assess the extent of testing needed to reduce an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

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Materiality for the group financial statements was set at £190,000 (2019: £126,300). This was calculated based on 1% of total revenue for the year, revised from the 2019 benchmark used being 1.5% of total revenue. Using our professional judgement, we have determined this to be the principal benchmark within the financial statements as it will be most relevant to stakeholders in assessing the financial performance of the group in its early years of development. This benchmark is key in being able to demonstrate to stakeholders year on year growth in revenue, and achieving greater profitability as a result. The decrease in the percentage used is a reflection of the perceived risk in the industry and the significant growth of the group, which therefore enabled greater coverage from the audit procedures undertaken. Revenue is also a KPI of the group and disclosed within the strategic report and hence supports the principal benchmark used to calculate materiality of the group.

Materiality for the parent company financial statements was set at £23,000 (2019: £33,981). This was calculated based on 2% of total expenditure. This has been revised from the thresholds in the prior year, being 5% of loss before tax. We have determined this to be the principal benchmark of the parent company, as revenue is generated solely through its subsidiary. A key management target is to restrict the parent company expenditure to a minimum, in order to maximise the utilisation of funds within the trading subsidiary. Materiality for the trading subsidiary has been calculated on the same basis as that of the group.

Performance materiality for the group financial statements was set at £114,000 (2019: £75,780) and the parent company was set at £16,100 (2019: £23,787), being 60% and 70% of materiality for the financial statements as a whole respectively. The performance materiality for the trading subsidiary is calculated on the same basis as group materiality.

We agreed to report to those charged with governance all corrected and uncorrected misstatements we identified through our audit with a value in excess of £9,950 (2019: £6,315) and for the parent company a value in excess of £1,150 (2019: £1,699). We also agreed to report any other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

## Our approach to the audit

The scope of our audit was influenced by our application of materiality. The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures.

As part of our planning, we assessed all components of the group for their significance in order to determine the scope of the work to be performed. Those entities of the group which were considered to be significant components, being Argo Blockchain Plc and Argo Innovation Labs Inc, were subject to full scope audit procedures by PKF Littlejohn LLP. Procedures were then performed to address the risks identified and for the most significant assessed risks of material misstatement, the procedures performed are outlined below in the key audit matters section of this report.

Argo Innovations Labs Limited is a dormant member of the group headed by Argo Blockchain plc and therefore no audit work has been performed on this entity.

We did not rely on the work of any component auditors.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our scope addressed this matter
<b>Revenue recognition (Note 7)</b> There is an inherent risk around the accuracy and completeness of revenue.  Revenues are received from participation in the mining pools, which incorporate both block rewards and transaction fees, and gives risk to a completeness risk. The fair value of crypto assets received are in addition subject to high levels of volatility,	In responding to the identified key audit matter we completed the following audit procedures: <ul style="list-style-type: none"><li>■ Updating our understanding of the internal control environment in operation for the significant income streams and undertaking a walk-through to ensure that the key controls within these systems have been operating in the period under audit;</li><li>■ Performing substantive transactional testing of income recognised in the financial statements, by vouching a</li></ul>

# ARGO BLOCKCHAIN PLC

<p>therefore generating a significant risk of misstatement in respect of the accuracy of revenue recognised.</p>	<p>sample of transactions within the group's wallets to the respective blockchain, and testing the fair value on initial recognition;</p> <ul style="list-style-type: none"> <li>▪ Vouching a sample of transactions directly from the blockchain back to the group's wallets to confirm completeness of revenue;</li> <li>▪ Undertaking an analytical review of total revenue expected to be recognised within these financial statements by assessing the total hashpower contributed onto the network by the group against total block rewards and transaction fees issued over the year;</li> <li>▪ Vouching a sample of cryptocurrencies sold for fiat currency or separate cryptocurrencies and recalculating the gain or loss on disposal;</li> <li>▪ Performing a recalculation of the gain or loss on the revaluation on digital assets throughout the year and at the year end;</li> <li>▪ Performing a review of post year end cryptocurrency receipts to ensure completeness of income recorded in the accounting period;</li> <li>▪ Testing the crypto-mining process to ensure delivery is in line with contractual terms, and subsequent revenue is recognised correctly and in accordance with the applicable framework; and</li> <li>▪ Ensuring disclosure in the financial statements is adequate.</li> </ul> <p><b>Key Observations:</b></p> <p>We concluded that revenue is materially complete and accurate as recognised in the financial statements. We have assessed the accounting treatment of revenue recognition in line with IFRS 15 and determined the recognition criteria and classification is appropriate.</p>
<p><b>Recognition and valuation of Crypto currency assets (Note 22)</b></p> <p>The group during the year entered into material transactions involving the purchase, mining and disposal of Crypto assets. The group has other current assets of £4,637,438 at the period end comprising of Crypto currencies.</p> <p>The type and form of these assets can differ significantly with regard to the ability to make payments, trade or exchange. In addition, not all Crypto assets have an active market whereby transactions in the digital currencies take place with sufficient frequency and volume in order to provide pricing information on an ongoing basis. Crypto assets can be subject to high levels of volatility. Therefore, there is a significant risk of material misstatement of said assets, due to both the significant management estimate involved and the volatility attributed to crypto assets.</p>	<p>In responding to the identified key audit matter we completed the following audit procedures:</p> <ul style="list-style-type: none"> <li>▪ Confirming good title to and quantities of the Crypto assets within the group's wallets;</li> <li>▪ Reviewing and testing underlying agreements giving rise to the receipt of Crypto assets;</li> <li>▪ Agreeing the fair values of the Crypto assets at the transaction date and year end date;</li> <li>▪ Confirming that only the Crypto currencies traded on an active market have been measured at fair value; and</li> <li>▪ Performing a post year-end review to identify transactions which support the realisation of the 31 December 2020 carrying value.</li> </ul> <p><b>Key Observations:</b></p> <p>We are satisfied that the group has title to the digital assets as recorded within Note 22.</p> <p>We are satisfied the digital assets held and recognised as at 31 December 2020 are stated at fair value based upon the existence of an active market.</p>

# ARGO BLOCKCHAIN PLC

Based on our application of current accounting standards, and the fact there is no specific standard relating to the accounting for digital assets, we are satisfied with the current recognition criteria and disclosure of digital assets held at the year end.

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and parent company financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect

# ARGO BLOCKCHAIN PLC

a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research, and application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from:
  - Companies Act 2006
  - Canada Business Corporations Act
  - Securities Law
  - Anti Money Laundering Legislation
  - Disclosure Rules and Transparency rules for listed entities
  - Local tax laws and regulations
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:
  - A review of the Board minutes throughout the year and post year end
  - A review of the RNS announcements;
  - A review of general ledger transactions;
  - Discussion with management;
  - Confirmation from legal advisors.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, the risk relating to the valuation of Cryptocurrency assets to be an area of potential for management bias. The valuation of the digital assets held at the year end have been classified as "level 2" in the fair value hierarchy table, and supporting evidence has been obtained from a relevant trading platform to support the fair value of the assets held.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Other matters which we are required to address

We were appointed by the board on 26 February 2021 to audit the financial statements for the period ending 31 December 2020 and subsequent financial periods. Our total uninterrupted period of engagement is 3 years, covering the periods ending 31 December 2018 to 31 December 2020.

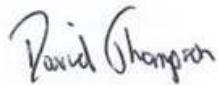
The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

# ARGO BLOCKCHAIN PLC

## Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**David Thompson (Senior Statutory Auditor)**

15 Westferry Circus

**For and on behalf of PKF Littlejohn LLP**

Canary Wharf

**Statutory Auditor**

London E14 4HD

**28 April 2021**

# ARGO BLOCKCHAIN PLC

## GROUP STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Revenue	7	18,957,417	8,616,879
Direct costs	8	(17,106,462)	(5,559,796)
Crypto asset fair value movement	22	2,070,396	(333,853)
<b>Gross profit</b>		<b>3,921,351</b>	<b>2,723,230</b>
Administrative expenses	8	(2,438,330)	(3,557,045)
Reversal of credit loss provision	8	447,242	-
Share based payment expense	23	(331,733)	-
<b>Operating profit/(loss)</b>		<b>1,598,530</b>	<b>(833,815)</b>
Interest expense	8	(157,501)	(40,853)
Finance income		1,389	5,617
<b>Profit/(loss) before taxation</b>		<b>1,442,418</b>	<b>(869,051)</b>
Tax on profit/(loss)	12	-	-
<b>Profit/(loss) after taxation</b>		<b>1,442,418</b>	<b>(869,051)</b>
<b>Other comprehensive income</b>			
Items which may be subsequently reclassified to profit or loss:			
- Currency translation reserve	25	264,612	178,240
<b>Total other comprehensive income, net of tax</b>		<b>264,612</b>	<b>178,240</b>
<b>Total comprehensive income attributable to the equity holders of the Company</b>		<b>1,707,030</b>	<b>(690,811)</b>
<b>Earnings per share attributable to equity owners (pence)</b>			
Basic earnings per share	13	0.6p	(0.2p)
Diluted earnings per share	13	0.5p	(0.2p)

The income statement has been prepared on the basis that all operations are continuing operations.

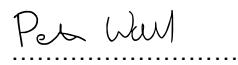
The accounting policies and notes on pages 38 to 61 form part of the financial statements.

# ARGO BLOCKCHAIN PLC

## GROUP STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2020 £	As at 31 December 2019 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments at fair value through profit or loss	15	1,393,303	58,140
Financial assets fair valued through profit or loss	16	-	1,346,236
Intangible fixed assets	17	367,768	481,935
Tangible fixed assets	18	10,524,232	15,399,312
Right of Use assets	18	7,379,387	-
Other receivables	19	4,114,726	4,151,400
<b>Total non-current assets</b>		<b>23,779,416</b>	<b>21,437,023</b>
<b>Current assets</b>			
Trade and other receivables	21	2,175,319	2,085,699
Digital assets at fair value through profit or loss	22	4,637,438	1,040,964
Cash and cash equivalents		2,050,761	161,342
<b>Total current assets</b>		<b>8,863,518</b>	<b>3,288,005</b>
<b>Total assets</b>		<b>32,642,934</b>	<b>24,725,028</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	24	303,436	293,750
Share premium	24	1,540,497	25,252,288
Share based payment reserve	23	75,233	-
Foreign currency translation reserve	25	442,852	178,240
Accumulated surplus/(deficit)	25	21,964,870	(4,986,336)
<b>Total equity</b>		<b>24,326,888</b>	<b>20,737,942</b>
<b>Current liabilities</b>			
Trade and other payables	26	936,659	3,987,086
Lease liability	27	3,469,672	-
<b>Total current liabilities</b>		<b>4,406,331</b>	<b>3,987,086</b>
<b>Non-current liabilities</b>			
Lease liability	27	3,909,715	-
<b>Total liabilities</b>		<b>8,316,046</b>	<b>3,987,086</b>
<b>Total equity and liabilities</b>		<b>32,642,934</b>	<b>24,725,028</b>

The Group financial statements were approved by the board of directors and authorised for issue on 28 April 2021 and are signed on its behalf by:



Peter Wall

**Chief Executive Officer**

The accounting policies and notes on pages 38 to 61 form part of the financial statements.

# ARGO BLOCKCHAIN PLC

## COMPANY STATEMENT OF FINANCIAL POSITION

Company Registration No. 11097258

	Note	As at 31 December 2020 £	As at 31 December 2019 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments	14	1	1
<b>Total non-current assets</b>		<b>1</b>	<b>1</b>
<b>Current assets</b>			
Trade and other receivables	21	23,062,640	23,227,957
Cash and cash equivalents		1,455,822	40,097
<b>Total current assets</b>		<b>24,518,462</b>	<b>23,268,054</b>
<b>Total assets</b>		<b>24,518,463</b>	<b>23,268,055</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	24	303,436	293,750
Share premium	24	1,540,497	25,252,288
Share based payment reserve	23	75,233	-
Accumulated surplus/(deficit)	25	22,429,233	(2,469,233)
<b>Total equity</b>		<b>24,348,399</b>	<b>23,076,805</b>
<b>Current liabilities</b>			
Trade and other payables	26	170,064	191,250
<b>Total liabilities</b>		<b>170,064</b>	<b>191,250</b>
<b>Total equity and liabilities</b>		<b>24,518,463</b>	<b>23,268,055</b>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The Company's total comprehensive loss for the year was £610,322 (2019: £689,621).

The Company financial statements were approved by the board of directors and authorised for issue on 28 April 2021 and are signed on its behalf by:



Peter Wall  
Chief Executive Officer

The accounting policies and notes on pages 38 to 61 form part of the financial statements.

# ARGO BLOCKCHAIN PLC

## GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Total
	£	£	£	£	£
<b>Balance at 1 January 2019</b>	293,750	25,252,288	-	(4,117,285)	21,428,753
<b>Total comprehensive loss for the period:</b>					
Loss for the period	-	-	-	(869,051)	(869,051)
Other comprehensive income	-	-	178,240	-	178,240
<b>Total comprehensive income for the period</b>	-	-	178,240	(869,051)	(690,811)
<b>Transactions with equity owners:</b>					
Issue of share capital net of issue costs	-	-	-	-	-
<b>Balance at 31 December 2019</b>	293,750	25,252,288	178,240	(4,986,336)	20,737,942

	Share capital	Share premium	Foreign currency translation reserve	Share based payment reserve	Retained earnings	Total
	£	£	£	£	£	£
<b>Balance at 1 January 2020</b>	293,750	25,252,288	178,240	-	(4,986,336)	20,737,942
<b>Total comprehensive income for the period:</b>						
Profit for the period	-	-	-	-	1,442,418	1,442,418
Other comprehensive income	-	-	264,612	-	-	264,612
<b>Total comprehensive income for the period</b>	-	-	264,612	-	1,442,418	1,707,030
<b>Transactions with equity owners:</b>						
Shares to be issued*	9,686	1,540,497	-	-	-	1,550,183
Share options/warrants charge	-	-	-	331,733	-	331,733
Share based payments lapsed/expired	-	-	-	(256,500)	256,500	-
Cancellation of share premium account	-	(25,252,288)	-	-	25,252,288	-
<b>Total transactions with equity owners</b>	9,686	(23,711,791)	-	75,233	25,508,788	1,881,916
<b>Balance at 31 December 2020</b>	303,436	1,540,497	442,852	75,233	21,964,870	24,326,888

\*Shares to be issued relate to share options exercised and paid up pre year end, however the shares were formally issued post year end.

The accounting policies and notes on pages 38 to 61 form part of the financial statements.

# ARGO BLOCKCHAIN PLC

## COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Share based payment reserve	Retained earnings	Total
	£	£	£	£	£
<b>Balance at 1 January 2019</b>	293,750	25,252,288	-	(1,779,612)	23,766,426
<b>Total comprehensive loss for the period:</b>					
Loss for the period	-	-	-	(689,621)	(689,621)
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	(689,621)	(689,621)
<b>Transactions with equity owners:</b>					
Issue of share capital net of issue costs	-	-	-	-	-
<b>Balance at 31 December 2019</b>	293,750	25,252,288	-	(2,469,233)	23,076,805

	Share capital	Share premium	Share based payment reserve	Retained earnings	Total
	£	£	£	£	£
<b>Balance at 1 January 2020</b>	293,750	25,252,288	-	(2,469,233)	23,076,805
<b>Total comprehensive loss for the period:</b>					
Loss for the period	-	-	-	(610,322)	(610,322)
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	(610,322)	(610,322)
<b>Transactions with equity owners:</b>					
Shares to be issued	9,686	1,540,497	-	-	1,550,183
Share options/warrants charge	-	-	331,733	-	331,733
Share based payments lapsed/expired	-	-	(256,500)	256,500	-
Cancellation of share premium account	-	(25,252,288)	-	25,252,288	-
<b>Total transactions with equity owners</b>	9,686	(23,711,791)	75,233	25,508,788	1,881,916
<b>Balance at 31 December 2020</b>	303,436	1,540,497	75,233	22,429,233	24,348,399

The accounting policies and notes on pages 38 to 61 form part of the financial statements.

# ARGO BLOCKCHAIN PLC

## GROUP STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2020 £	Year ended 31 December 2019 £
<b>Cash flows from operating activities</b>			
Operating profit/(loss)		1,598,530	(833,815)
<b>Adjustments for:</b>			
Depreciation/Amortisation	8	6,026,779	2,221,201
Foreign exchange movements		271,175	178,240
Loss on disposal of tangible assets		66,157	-
Share based payment expense		331,733	-
Interest expense		(157,501)	(40,853)
<b>Working capital changes:</b>			
(Increase) in trade and other receivables	21	(89,620)	(4,058,043)
(Decrease)/increase in trade and other payables	26	(2,106,788)	2,684,300
(Increase) in digital assets as receivables	22	(3,578,381)	(1,038,882)
<b>Net cash flow from/(used in) operating activities</b>		<b>2,362,084</b>	<b>(887,852)</b>
<b>Investing activities</b>			
Investment in GPUone	15	-	(58,140)
Convertible loan note with GPUone	16	-	(1,346,236)
Foreign exchange on investing activities	15,16, 19	47,746	-
Purchase of tangible fixed assets	18	(1,807,971)	(15,025,708)
Proceeds from disposal of tangible fixed assets		704,282	-
Interest received		1,389	5,617
<b>Net cash used in investing activities</b>		<b>(1,054,554)</b>	<b>(16,424,467)</b>
<b>Financing activities</b>			
(Decrease)/Increase in loans	26	(968,294)	1,084,218
Proceeds from shares to be issued	25	1,550,183	-
<b>Net cash generated from financing activities</b>		<b>581,889</b>	<b>1,084,218</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,889,419</b>	<b>(16,228,101)</b>
Cash and cash equivalents at beginning of period		161,342	16,389,443
Cash and cash equivalents at end of period		2,050,761	161,342

### Material non-cash movements:

- During the year, the company converted the loan to GPUone into equity in that entity. Refer to Note 15.

# ARGO BLOCKCHAIN PLC

## COMPANY STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2020 £	Year ended 31 December 2019 £
<b>Cash flows from operating activities</b>			
Operating loss		(610,368)	(694,532)
Share based payment expense		331,733	
(Increase) in trade and other receivables	21	(132,945)	(37,198)
(Decrease)/increase in trade and other payables	26	(21,186)	128,250
<b>Net cash flow from/(used in) operating activities</b>		<b>(432,766)</b>	<b>(603,480)</b>
<b>Investing activities</b>			
Decrease/(Increase) in loan to subsidiary	21	298,262	(12,478,403)
Interest received		46	4,911
<b>Net cash raised/(used) in investing activities</b>		<b>298,308</b>	<b>(12,473,495)</b>
<b>Financing activities</b>			
Proceeds from shares to be issued	25	1,550,183	-
<b>Net cash generated from financing activities</b>		<b>1,550,183</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,415,725</b>	<b>(13,076,975)</b>
Cash and cash equivalents at beginning of period		40,097	13,117,072
Cash and cash equivalents at end of period		1,455,822	40,097

The accounting policies and notes on pages 38 to 61 form part of the financial statements.

# ARGO BLOCKCHAIN PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 1. COMPANY INFORMATION

Argo Blockchain plc ("the company") is a public company, limited by shares, and incorporated in England and Wales. The registered office is Room 4, 1st Floor 50 Jermyn Street, London, United Kingdom, SW1Y 6LX. The company was incorporated on 5 December 2017 as GoSun Blockchain Limited and changed its name to Argo Blockchain Limited on 21 December 2017. Also on 21 December 2017, the company re-registered as a public company, Argo Blockchain plc. Argo Blockchain plc acquired a 100% subsidiary, Argo Blockchain Canada Holdings Inc. (together "the Group"), incorporated in Canada, on 12 January 2018.

On 3 August 2018 the company gained admission to the official list (by way of Standard Listing under chapter 14 of the Listing Rules) and to trading on the London Stock Exchange's main market for listed securities.

On 1 September 2018 the Company acquired 100% of Argo Innovation Labs Limited (formerly Argo Mining Limited) for £1, which was dormant in the period ended 31 December 2019 and 2020.

The principal activity of the group is that of a crypto asset mining.

The financial statements cover the year ended 31 December 2020.

### 2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with international accounting standards in conformity with the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. The financial statements have been prepared under the historical cost convention, except for the measurement to fair value certain financial and digital assets and financial instruments as described in the accounting policies below.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £. Argo Innovations Labs Inc.'s functional currency is Canadian Dollars; all entries from this entity are presented in the Group's presentational currency of Sterling. Where Argo Innovation Labs Inc's functional currency is different from the parent, the assets and liabilities presented are translated at the closing rate as at the Statement of Financial Position date. Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The Group has reclassified the 2019 comparative for the fair value movement in digital assets. This is now included in the calculation of gross profit, whereas previously in 2019 this was included in operating profit/(loss). The reclassification into gross profit in 2020 more accurately reflects the nature and management of these assets as inventory for commodity broker-traders.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

#### **Going concern**

The preparation of consolidated financial statements requires an assessment on the validity of the going concern assumption. The Directors have reviewed cash flow projections for a period of at 15 months from the date of approval of the Financial Statements. The Group currently has an increasing level of revenues and margin as crypto prices have increased significantly at the end of the year and post the year end. In making their assessment of going concern, the Directors acknowledge that the Group has increasing cash reserves from the exercise of share options and warrants and two private placements post year end and can therefore confirm that they hold sufficient funds to ensure the Group continues to meet its obligations as they fall due for a period of at least one year from date of approval of

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these Financial Statements. The Directors have considered the impacts of Covid-19 and conclude that there are no material factors that are likely to affect the ability of the Group to continue as a going concern. Accordingly, the Board believes it is appropriate to adopt the going concern basis in the preparation of the Financial Statements.

## **Revenue recognition**

Mined income: The Group recognised revenue during the period in relation to mined crypto. The Group enters into contracts with the mining pool. The performance obligation is identified to be the delivery of crypto into the Group's wallet once an algorithm has been solved. The transaction price is the fair value of crypto mined, being the fair value per the prevailing market rate for that crypto currency on the transaction date, and this is allocated to the number of crypto mined. These criteria for performance obligation are assessed to have occurred once the crypto has been received in the Group's wallet. Mining earnings are made up of the baseline block reward and transaction fees of between 5% to 10%, however, these are bundled together in the daily deposits from mining and therefore are not capable of being analysed separately.

## **Basis of consolidation**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The group consists of Argo Blockchain plc and its wholly owned subsidiaries Argo Innovation Labs Inc and Argo Innovation Labs Limited, the latter remaining dormant. Argo Innovation Labs Limited has been dormant since incorporation.

In the parent company financial statements, investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

The consolidated financial statements incorporate those of Argo Blockchain plc and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. On the basis that Argo Innovation Labs Limited was dormant during the year and is immaterial to the Group, it was not included in these consolidated financial statements.

All financial statements are made up to 31 December 2020. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation.

## **Segmental reporting**

The directors consider that the Group has only one significant reporting segment being crypto mining which is fully earned by the Canadian subsidiary.

## **Intangible assets**

Intangible fixed assets comprising of the Group's website and supporting software platform relates partly to the user interface for customers, and as such has been revenue generating and will be should the Group return to mining as a service ('MaaS').

Intangible assets are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recorded within administration expenses.

Costs relating to the development of website and software are capitalised once all the development phase recognition criteria of IAS 38 "Intangible Assets" are met. When the software is available for its intended use, amortisation is charged on a straight-line basis over the estimated useful life of 5 years.

The useful life represents management's view of the expected period over which the Group will receive benefits from the Website, as well as anticipation of future events which may impact their useful life, such as changes in technology.

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## Tangible fixed assets

Tangible fixed assets comprise of mining and computer equipment, and data centre improvements.

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. Cost includes the original purchase price of the asset and any costs attributable to bringing the asset to its working condition for its intended use. An item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the asset will flow to the entity, and the cost of the asset can be measured reliably.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their estimated useful lives of 3 years in the case of mining and computer equipment and 5 years in the case of the data centre improvements, on a straight line basis. Depreciation is recorded in the Statement of Comprehensive Income within direct costs.

Management assesses the useful lives based on historical experience with similar assets as well as anticipation of future events which may impact their useful life, such as changes in technology.

## Digital assets

Digital assets, including tokens and cryptocurrency, do not qualify for recognition as cash and cash equivalents or financial assets, and have an active market which provides pricing information on an ongoing basis.

The Group has assessed that it acts in a capacity as a commodity broker-trader as defined in IAS 2, Inventories, in characterising its holding of Digital assets as inventory. If assets held by commodity broker-traders are principally acquired for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin, such assets are accounted for as inventory, and changes in fair value (less costs to sell) are recognised in profit or loss. Digital assets are initially measured at fair value. Subsequently, digital assets are measured at fair value with gains and losses recognised directly in profit or loss.

Digital assets are included in current assets as management intends to dispose of them within 12 months of the end of the reporting period.

## Impairment of fixed assets

At each reporting period end date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

## Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and demand deposits with banks and other financial institutions, that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. The Group considers the credit risk on cash and cash equivalents to be limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

## Financial instruments

Financial assets: Financial assets are recognised in the Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are subsequently measured at amortised cost, fair value through OCI, or fair value through profit and loss.

The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement: For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Equity Instruments: The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable.

Financial assets at amortised cost (debt instruments): This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Interest received is recognised as part of finance income in the statement of profit or loss and other comprehensive income. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost include other receivables and cash and cash equivalents.

Derecognition: A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated Balance sheet) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets: The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit

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exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For the years ended 31 December 2020 and 2019 the Group has not recognised any ECLs.

For other receivables due in less than 12 months, the Group applies the simplified approach in calculating ECLs, as permitted by IFRS 9. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The Company has an Intercompany loan due from its 100% Canadian subsidiary for which there is no formal agreement including payment date and therefore it cannot be considered to be in breach of an agreement and accordingly the loan is not subject to adjustments and is maintained at its book value in the financial statements.

**Financial liabilities:** Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables and loans.

**Subsequent measurement:** The measurement of financial liabilities depends on their classification, as described below:

**Loans and borrowings and trade and other payables:** After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

This category generally applies to trade and other payables.

**Derecognition:** A financial liability is derecognised when the associated obligation is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss or other comprehensive income.

**Equity instruments:** Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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## Financial instruments

The Group enters into forward, option and swap contracts to reduce its exposure to mining difficulty movements and crypto asset price risk. Derivative financial instruments are not used for speculative purposes and the group does not apply hedge accounting.

Derivatives financial instruments are initially recognised at fair value on the date the contract is entered into, and subsequently measured at fair value. Gains or losses on derivatives are recognised in the income statement.

## Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

## Taxation

The tax expense represents the sum of tax currently payable or receivable and deferred tax.

Current tax: The tax currently payable or receivable is based on taxable profit or loss for the year. Taxable profit or loss differs from net profit or loss as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax: Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

## Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

The group does not have any pension schemes.

## Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

When the terms and condition of equity settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

As a result of the increase in share price and the impact of the estimation of share-based payments the Group has now recognised an expense for the outstanding share options and warrants.

## Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are determined in foreign currencies are retranslated at the rates prevailing on the reporting end date - Gains and losses arising on translation are included in the income statement for the period. At each reporting end date, non-monetary assets and liabilities that are determined in foreign currencies are retranslated at the rates prevailing on the opening balance sheet date. Gains and losses arising on translation of subsidiary undertakings are included in other comprehensive income and contained within the Foreign currency translation reserve.

## **4. FINANCIAL RISK FACTORS**

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance. Risk management is undertaken by the Board of Directors.

### Market Risk

The Group is dependent on the state of the cryptocurrency market and general sentiment of crypto assets as a whole. During the year the Group managed the company's cryptocurrency through a carefully structured active management strategy for all Group held crypto assets. It is designed to protect the Company in the event that crypto prices decrease, but would also have the potential to provide an upside in a rising crypto asset market. This strategy was executed both internally and through a treasury services contract with Protos Asset Management, a Swiss-based company with a focus on asset management. Internally, the Argo team exchanged cryptocurrency to fiat currency on a weekly and monthly basis through exchange accounts held at Binance and Kraken. For treasury management - Protos used a 'trend-following' strategy to adjust Argo's cryptocurrency holdings on a weekly basis into various cryptocurrencies and stable coins.

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The Group is also subject to market fluctuations in foreign exchange rates. The subsidiary (Argo Innovation Labs Inc.) is based in Canada, and transacts in CAD\$, USD\$ and GBP. Crypto currency is primarily convertible into fiat through USD currency pairs and through USD denominated stable coins and is the primary method for the Group for conversion into cash. The Group monitors exchange rates on a constant basis and maintains bank accounts in all applicable currency denominations.

## **Credit risk**

Credit risk arises from cash and cash equivalents as well as any outstanding receivables. Management does not expect any losses from non-performance of these receivables. The amount of exposure to any individual counter party is subject to a limit, which is assessed by the Board.

The Group considers the credit risk on cash and cash equivalents to be limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The company considers the intercompany loan to its subsidiary (Argo Innovation Labs Inc.) to be fully recoverable through review of projected cash flows and acceptance of regular repayments.

The carrying amount of financial assets recorded in the financial statements represent the Group's and Company's maximum exposure to credit risk. The Group and Company do not hold any collateral or other credit enhancements to cover this credit risk.

## **Liquidity risk**

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Board updates cashflow projections on a regular basis and closely monitors the cryptocurrency market on a daily basis. Accordingly, the Group's controls over expenditure are carefully managed, in order to maintain its cash reserves.

## **Capital risk management**

The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Group entered into short-term financing arrangements during the year, to increase capital for mining hardware purchases. As at 31 December 2019, £1,084,218 was outstanding and was fully repaid by June 2020.

During the year the Group entered into a short term loan to finance equipment purchases of £344,991. As at 31 December 2020 the balance outstanding was £115,924.

The Group entered into a long term lease for a total of £7,379,388 to finance the purchase of mining hardware (disclosed as right of use assets). In accordance with the agreement nothing was repaid during the year.

The Group monitors capital on the basis of the total equity held by the Group, being £24,326,888 (2019: £20,737,942).

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## 5. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

The Group and Company have adopted all recognition, measurement and disclosure requirements of IFRS, including any new and revised standards and Interpretations of IFRS, in effect for annual periods commencing on or after 1 January 2020. The adoption of these standards and amendments did not have any material impact on the financial result of position of the Group and Company.

Standards which are in issue but not yet effective:

At the date of authorisation of these financial statements, the following Standards and Interpretation, which have not yet been applied in these financial statements, were in issue but not yet effective.

Standard or Interpretation	Description	Effective date for annual accounting period beginning on or after
IAS 1	Amendments - Classification of Liabilities as Current or Non-current	1 January 2023
IAS 16	Amendments - Property, Plant and Equipment	1 January 2022
IAS 8	Amendments - Definition of Accounting Estimates	1 January 2023
IAS 1	Amendments – Disclosure of Accounting Policies	1 January 2013
IFRS	Annual Improvements to IFRS Standards 2018-2020	1 January 2022

The Group and Company have not early adopted any of the above standards and intends to adopt them when they become effective.

## 6. KEY JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

### **Share-based payments – Note 23**

During the year (and in previous years) share based payments were made based on the fees due to certain individuals for services to be performed by them in the future. In calculating these payments, where possible the Directors consulted with professional advisers to establish the market rate for these services. In addition to this, the company has also issued warrants and options to Directors and employees which have been valued in accordance with the Black Scholes model. Significant estimation and judgement is required by the directors when using the Black Scholes method. Further details of these estimates are available in note 23.

### **Valuation of tangible and intangible fixed assets – Note 17 and 18**

The directors considered at length whether any further impairments were required on the value of the mining and computer equipment, and website and underlying software. In doing so they made use of forecasts of revenues and expenditure prepared by the Group and came to the conclusion that further impairment of those assets were unnecessary based on current forecasts.

### **Valuation of amounts due from group companies – Note 21**

The Board considered amounts due from group companies and whether any further impairments were required on their carrying value. When considering these amounts they made use of forecasts of the profitability of the subsidiary

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and of their revenues and expenditure and concluded that impairment of those assets were unnecessary based on current forecasts and performance during the first part of 2021.

## **Valuation of investments – Note 15**

The Board has reviewed the carrying value of investments at the year end. They have taken into account the underlying investments and post balance sheet events which give relevant third party valuations to those investments and have concluded those investments do not require impairment.

## **Recoverability of non-current other receivables – Note 19**

As with the valuation of investments in GPUone the Board has reviewed the post balance sheet events and the continued provision of services from GPUone on time and in line with expectations and as such have concluded that the deposits will be recoverable and are valued appropriately.

## **Valuation of cryptocurrencies – Note 22**

The Board monitors regularly the values of the cryptocurrencies and any market forecasts. During the period, the Group entered into crypto currency transactions, which were assessed for fair value in line with the requirements of IAS 2, Inventories. If assets held by commodity broker-traders are principally acquired for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin, such assets are accounted for as inventory, and changes in fair value (less costs to sell) are recognised in profit or loss. Revaluations were made with such regularity that as at the end of the reporting period the carrying amount of the asset does not differ materially from its fair value. All revaluations were made with reference to level 1 information, being crypto currencies actively traded on the open market. As at 31 December 2020 the Group held £4,637,438 of crypto currency (see note 22).

## **7. REVENUE**

	<b>2020</b> £	<b>2019</b> £
Canada (corporate reseller)	-	239,453
Subscriber revenue – worldwide	9,509	29,242
Crypto currency mining - worldwide	18,947,908	8,348,184
<b>Total revenue</b>	<b>18,957,417</b>	<b>8,616,879</b>

Due to the nature of Crypto currency mining, it is not possible to provide a geographical split of the revenue stream.

Revenue is recorded at a point in time, being when it is credited to the Group's wallets.

## **8. EXPENSES BY NATURE**

<b>Direct costs</b>	<b>2020</b> £	<b>2019</b> £
Depreciation of mining hardware	5,895,573	2,083,636
Hosting and other costs	11,210,889	3,476,160
<b>Total direct costs</b>	<b>17,106,462</b>	<b>5,559,796</b>

<b>Administrative expenses</b>	<b>2020</b> £	<b>2019</b> £
Salary and other employee costs	460,881	289,272
Depreciation and amortisation	131,206	137,565
Legal, professional and regulatory fees	249,440	607,190
Foreign exchange losses	271,175	401,038
Consulting fees	690,430	1,186,450
Advertising fees	113,027	104,806
Travel and subsistence	45,624	168,567
Research costs	20,000	103,973
Senior management loss of office	-	236,194
Other expenses	456,547	321,990
<b>Total administrative expenses</b>	<b>2,438,330</b>	<b>3,557,045</b>

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	2020 £	2019 £
<b>Finance costs</b>		
Interest on short term loans	157,501	40,853
<b>Total finance costs</b>	<b>157,501</b>	<b>40,853</b>

## Reversal of credit loss provision

In the period ended 31 December 2018 the Group made a full provision against £834,000 receivable from Mirabaud Securities Limited as part of the Listing process on 3 August 2018. During the year ended 31 December 2020 the Group recovered £447,242. This represents the total monies which will be received against that initial amount.

## 9. AUDITOR'S REMUNERATION

	2020 £	2019 £
In relation to statutory audit services	100,000	50,000
Other audit assurance services	35,000	-
<b>Total auditor's remuneration</b>	<b>135,000</b>	<b>50,000</b>

## 10. EMPLOYEES

The average monthly number of persons (including directors) employed by the Group during the period was:

	2020 Number	2019 Number
Directors and employees	6	7

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	191,057	268,620
Social security costs	12,939	16,592
Pension costs	-	4,060
Share based payment charge	23,664	-
	<b>227,660</b>	<b>289,272</b>

The average monthly number of persons (including directors) employed by the company during the period was:

	2020 Number	2019 Number
Directors and employees	1	1

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	91,785	135,000
Social security costs	7,607	17,551
Share based payment expense	194	-
	<b>99,586</b>	<b>152,551</b>

# ARGO BLOCKCHAIN PLC

## 11. DIRECTORS' AND KEY MANAGEMENT REMUNERATION

	2020 £	2019 £
Director's remuneration for qualifying services	532,221	688,767
Senior management loss of office	-	236,194
Key management personnel	-	578,103
Share based payment expense	20,271	-
<b>Total remuneration for directors and key management</b>	<b>552,492</b>	<b>1,503,064</b>

The amounts above are remunerated through service companies (as disclosed in note 29). Further details of Directors' remuneration are available in the Remuneration report. The highest paid director during the year was Peter Wall, earning £251,240 (2019: Mike Edwards £343,555).

## 12. TAXATION

The actual charge/(credit) for the period can be reconciled to the expected charge/(credit) based on the profit or loss and the standard rate of tax as follows:

	2020 £	2019 £
Profit/(loss) before taxation	1,442,418	(869,051)
Expected tax charge/(credit) based on a weighted average of 24% (UK and Canada)	346,180	(208,572)
Effect of expenses not deductible in determining taxable profit	3,260	31,871
Capital allowances in excess of depreciation	(100,861)	(1,141,206)
Other tax adjustments	(703,067)	94,129
Unutilised tax losses carried forward	455,058	1,223,778
<b>Taxation charge in the financial statements</b>	<b>-</b>	<b>-</b>

The group has tax losses available to be carried forward and used against trading profits arising in future periods of £10,031,918 (2019: £8,728,978). A deferred tax asset of £2,407,661 (2019: £2,094,955) calculated at a weighted average rate of 24% has not been recognised in respect of the tax losses carried forward on the basis that there is insufficient certainty over the level of future profits to utilise against this amount.

## 13. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit attributable to equity shareholders by the weighted average number of shares in issue.

The Group and Company has in issue 41,802,911 warrants and options at 31 December 2020.

	2020	2019
Net profit/(loss) for the period attributable to ordinary equity holders from continuing operations (£)	1,707,030	(690,811)
Weighted average number of ordinary shares in issue	303,435,997	293,750,000
Basic earnings per share for continuing operations (pence)	0.6	(0.2)

	2020	2019
Net profit/(loss) for the period attributable to ordinary equity holders for continuing operations (£)	1,707,030	(690,811)
Diluted number of ordinary shares in issue	334,638,379	338,604,769
Diluted earnings per share for continuing operations (pence)	0.5	(0.2)

In 2019, given the loss for the year, the diluted earnings per share was the same as the basic earnings per share as this would otherwise be dilutive.

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## 14. INVESTMENT IN SUBSIDIARIES

Company	Shares in subsidiaries £
<b>Cost and carrying value</b>	
At 1 December 2019	1
Additions	-
<b>At 31 December 2019</b>	<b>1</b>
<b>Cost and carrying value</b>	
At 1 January 2020	1
Additions	-
<b>At 31 December 2020</b>	<b>1</b>

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Country of incorporation	Ownership interest (%)	Voting power held (%)	Nature of business
Argo Innovation Labs Inc.	Canada	100%	100%	**
Argo Innovation Labs Limited	UK	100%	100%	Dormant

\*\* The provision of cryptocurrency mining services.

The company's interest in Argo Innovation Labs Inc. was acquired on incorporation of that Company, previously named Argo Blockchain Canada Holdings Inc., on 12 January 2019.

The registered office of Argo Blockchain Canada Holdings Inc. is 700-401 West Georgia Street, Vancouver BC V6B 5A1 Canada. On 8 January 2020 that company changed its name to Argo Innovation Labs Inc.

On 1 September 2019 the Company acquired 100% of Argo Mining Limited for £1. The registered office is Room 4, 1st Floor 50 Jermyn Street, London, United Kingdom, SW1Y 6LX. On 14 January 2020 that company changed its name to Argo Innovation Labs Limited. This company was dormant in the year ended 31 December 2019 and 2020.

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## 15. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group	£
At 1 January 2020	58,140
Additions:	1,335,676
Foreign exchange movement	(513)
<b>At 31 December 2020</b>	<b>1,393,303</b>

On 29 November 2020 the Group converted its loan note (CDN\$2,314,334) in GPUone Holdings Inc into Class A shares. This investment represents an interest of approximately 10% of GPUone Holding Inc. as at 31 December 2020 (2019: 0.4%). See note 16.

## 16. FINANCIAL ASSETS FAIR VALUED THROUGH PROFIT OR LOSS

Group	£
At 1 January 2020	1,346,236
Converted loan note	(1,335,676)
Foreign exchange loss	(10,560)
<b>At 31 December 2020</b>	<b>-</b>

On 29 November 2020 the Group converted its loan note (CDN\$2,314,334) in GPUone Holdings Inc into Class A shares. See note 15.

# ARGO BLOCKCHAIN PLC

## 17. INTANGIBLE FIXED ASSETS

Group	Website £
<b>Cost</b>	
As at 31 December 2018 and 2019	671,921
Additions	-
At 31 December 2020	671,921
<b>Amortisation and impairment</b>	
At 31 December 2018	52,421
Amortisation charged during the period	137,565
At 31 December 2019	189,986
Amortisation charged during the period	114,167
Impairment losses	-
At 31 December 2020	304,153
<b>Carrying amount</b>	
At 31 December 2019	481,935
<b>At 31 December 2020</b>	<b>367,768</b>

All intangible assets are held by the subsidiary, Argo Innovation Labs Inc.

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## 18. TANGIBLE FIXED ASSETS

Group	Right of use Assets	Mining and Computer Equipment	Improvements to Datacentre	Total
	£	£	£	£
<b>Cost</b>				
At 31 December 2018	-	2,807,589	84,927	2,892,516
Additions	-	15,025,708	-	15,025,708
At 31 December 2019	-	17,833,297	84,927	17,918,224
Foreign exchange movement	-	(136,479)	-	(136,479)
Additions	7,379,387	1,807,971	-	9,187,358
Disposals	-	(1,640,442)	-	(1,640,442)
At 31 December 2020	7,379,387	17,864,347	84,927	25,328,661
<b>Depreciation and impairment</b>				
At 31 December 2018	-	421,711	13,565	435,276
Depreciation charged during the period	-	2,066,248	17,388	2,083,636
At 31 December 2019	-	2,487,959	30,953	2,518,912
Foreign charge movement		14,658	-	14,658
Depreciation charged during the period	-	5,895,573	17,039	5,912,612
Depreciation on disposals	-	(1,021,140)	-	(1,021,140)
At 31 December 2020	-	7,377,050	47,992	7,425,042
<b>Carrying amount</b>				
At 31 December 2019	-	15,345,338	53,974	15,399,312
<b>At 31 December 2020</b>	<b>7,379,387</b>	<b>10,487,297</b>	<b>36,935</b>	<b>17,903,619</b>

All property, plant and equipment is owned by the subsidiary, Argo Innovation Labs Inc. The right of use assets were contracted but not in use prior to 31 December 2020.

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## 19. OTHER RECEIVABLES (NON-CURRENT)

	Group 2020 £	Company 2020 £	Group 2019 £	Company 2019 £
Deposits	4,114,726	-	4,151,400	-
<b>Total carrying amount of other receivables</b>	<b>4,114,726</b>	-	<b>4,151,400</b>	-

On 26 June 2019 the Group agreed an amendment to the master service agreement with GPUone Holding Inc. whereby the service contract for the supply of hosting and power would attract lower costs and terminate on 26 June 2022. Early termination of the contract by the Group would result in costs equivalent to 4 months of power usage, deductible from the deposit. These deposits are fixed and are to be drawn down upon during the final months of the contract term as a prepayment for hosting and power. The decrease in the year relates to foreign exchange movements only.

## 20. FINANCIAL INSTRUMENTS<sup>46</sup>

	Group 2020 £	Company 2020 £	Group 2019 £	Company 2019 £
<b>Carrying amount of financial assets</b>				
Measured at amortised cost				
- Trade and other receivables	144,607	22,949,160	74,929	23,173,994
- Cash and cash equivalents	2,050,761	1,455,822	161,342	40,097
Measured at fair value through profit & loss				
<b>Total carrying amount of financial assets</b>	<b>2,195,368</b>	<b>24,404,982</b>	<b>236,271</b>	<b>23,214,091</b>
 <b>Carrying amount of financial liabilities</b>				
Measured at amortised cost				
- Trade and other payables	548,293	10,397	2,463,501	78,000
- Short term loans	115,924	-	1,084,218	-
- Lease liabilities	7,409,387	-	-	-
<b>Total carrying amount of financial liabilities</b>	<b>8,073,604</b>	<b>10,397</b>	<b>3,547,719</b>	<b>78,000</b>

The directors consider the carrying amounts of financial instruments in the financial statements approximate to their fair values.

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## 21. TRADE AND OTHER RECEIVABLES

	Group 2020 £	Company 2020 £	Group 2019 £	Company 2019 £
Amounts due from group companies	-	22,875,732	-	23,173,994
Prepayments and other receivables	811,684	108,336	268,842	33,975
Other taxation and social security	1,363,635	78,572	1,816,857	19,988
<b>Total trade and other receivables</b>	<b>2,175,319</b>	<b>23,062,640</b>	<b>2,085,699</b>	<b>23,227,957</b>

Amounts due from group companies consist of an intercompany loan made to the 100% subsidiary, Argo Innovation Labs Inc. and is eliminated on consolidation. This debtor is greater than 90 days and is considered recoverable through regular payments from the subsidiary.

Other receivables includes a prepayment for power to GPUone of £472,385 (2019: £nil).

Other taxation and social security consist of purchase tax recoverable in the UK and Canada. UK VAT debtors are greater than 90 days old as at 31 December 2020. Canadian GST and QST debtors are greater than 90 days as at 31 December 2020.

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

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## 22. DIGITAL ASSETS

Group	2020 £	2019 £
<b>Brought forward</b>	<b>1,040,964</b>	<b>2,082</b>
<b>Additions</b>		
Crypto assets purchased and received	9,896,641	237,018
Crypto assets mined	18,947,908	8,348,184
<b>Total additions</b>	<b>28,844,549</b>	<b>8,585,202</b>
<b>Disposals</b>		
Crypto assets sold	(27,318,471)	(7,212,466)
<b>Total disposals</b>	<b>(27,318,471)</b>	<b>(7,212,466)</b>
<b>Fair value movements</b>		
Movements on crypto asset sales	(13,816)	(132,107)
Loss on futures	(258,326)	-
Movements on crypto assets held at the year end	2,342,538	(201,747)
<b>Total fair value movements</b>	<b>2,070,396</b>	<b>(333,854)</b>
<b>Carried forward</b>	<b>4,637,438</b>	<b>1,040,964</b>

The Group mined crypto assets during the year, which are recorded at fair value on the day of acquisition. Movements in fair value between acquisition (date mined) and disposal (date sold), and the movement in fair value in crypto assets held at the year end, are recorded in profit or loss.

At the period end, the Group held crypto assets representing a fair value of £4,637,438. The breakdown of which can be seen below:

Group 2020 Crypto asset name	Coins/tokens	Fair value £
Bitcoin - Bitcoin	183	3,929,696
Polkadot – DOT	75,000	515,176
Ethereum - ETH	254	138,257
Binance Coin - BNB	1,243	34,260
USDT,USDC & Tether (stable coin – fixed to USD)	26,509	19,553
Alternative coins	-	496
<b>At 31 December 2020</b>		<b>4,637,438</b>

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Group 2019 Crypto asset name	Coins/tokens	Fair value £
Bitcoin	63	339,839
PAX and USDT (stable coin – fixed to USD)	404,108	321,615
XTZ	153,198	158,688
ETH	548	54,149
BEAM	66,967	27,600
XRP	130,143	19,001
ZEC	795	17,155
LTC	536	16,859
BCH	107	16,551
EOS	5,240	10,320
Alternative coins	Various	59,187
<b>At 31 December 2019</b>		<b>1,040,964</b>

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## 23. SHARE OPTIONS AND WARRANTS

The following options and warrants over Ordinary Shares have been granted by the company and are outstanding:

Options / warrants	Grant date	Expiry date	Exercise price	Number of options and warrants outstanding at 31 December 2020	Number of options and warrants exercisable at 31 December 2020
Warrants	2 February 2018	2 February 2023	£0.08	2,250,000	2,250,000
Warrants	23–26 February 2018	23–26 February 2021	£0.08	6,580,000	6,580,000
Warrants	23 February 2018	23 February 2021	£0.08	1,400,000	1,400,000
Warrants	14 – 17 June 2018	14–17 June 2021	£0.16	650,000	650,000
Warrants	15 June 2018	15 June 2021	£0.16	210,453	210,453
Warrants	3 August 2018	3 August 2023	£0.16	3,231,600	3,231,600
Options	25 July 2018	25 July 2024	£0.16	10,506,784	10,506,784
Options	25 July 2018	30 August 2022	£0.16	5,000,000	5,000,000
Options	17 July 2019	17 July 2025	£0.16	425,926	425,926
Options	5 February 2020	4 February 2030	£0.07	4,750,000	1,809,524
Options	5 February 2020	4 February 2030	£0.07	475,000	180,952
Options	5 February 2020	4 February 2030	£0.07	5,700,000	2,171,429
Options	5 February 2020	25 July 2024	£0.07	22,619	22,619
				<b>41,202,382</b>	<b>34,439,287</b>

	Number of options and warrants	Weighted average exercise price £
At 1 January 2020	45,037,075	0.14
Granted	11,400,000	0.07
Exercised	(9,685,997)	0.16
Lapsed	(5,548,696)	0.16
<b>Outstanding at 31 December 2020</b>	<b>41,202,382</b>	<b>0.13</b>
<b>Exercisable at 31 December 2020</b>	<b>34,439,287</b>	<b>0.13</b>

	Number of options and warrants	Weighted average exercise price £
At 1 January 2019	48,230,103	0.14
Granted	1,000,000	0.16
Exercised	-	-
Lapsed	(4,375,334)	0.16
<b>Outstanding at 31 December 2019</b>	<b>44,854,769</b>	<b>0.14</b>
<b>Exercisable at 31 December 2019</b>	<b>37,910,408</b>	<b>0.14</b>

The weighted average remaining contractual life of options and warrants as at 31 December 2020 is 29 months (2019: 36 months). If the exercisable shares had been exercised on 31 December 2020 this would have represented 11% of the enlarged share capital.

At the grant date, the fair value of the options and warrants prior to the listing date was the net asset value and post listing determined using the Black-Scholes option pricing model. Volatility was calculated based on data from comparable listed technology start-up companies, with an appropriate discount applied due to being an unlisted entity at the grant date. Risk free interest has been based on UK Government Gilt rates for an equivalent term.

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Black-Scholes table

Grant date	Grant date share price	Exercise price	Volatility	Life	Risk free interest rate	Marketability discount
2 February 2018	0.08	0.08	40%	5 years	1%	75%
23-26 February 2018	0.08	0.08	40%	3 years	1%	75%
23 February 2018	0.08	0.08	40%	3 years	1%	75%
14-17 June 2018	0.08	0.16	40%	3 years	1%	75%
15 June 2018	0.08	0.16	40%	3 years	1%	75%
3 August 2018	0.11	0.16	40%	5 years	1%	0%
25 July 2018	0.08	0.16	40%	6 years	1%	75%
25 July 2018	0.08	0.16	40%	6 years	1%	75%
17 July 2019	0.09	0.16	40%	6 years	1%	90%
5 February 2020	0.07	0.07	40%	10 years	1%	0%
5 February 2020	0.07	0.07	40%	10 years	1%	0%
5 February 2020	0.07	0.07	40%	10 years	1%	0%
5 February 2020	0.07	0.07	40%	10 years	1%	0%

## 24. SHARE CAPITAL

	2020 £	2019 £
<b>Ordinary share capital</b>		
<i>Issued and fully paid</i>		
293,750,000 Ordinary Shares of £0.001 each	293,750	293,750
<i>Fully paid not yet issued</i>		
9,685,997 Ordinary Shares of £0.001 each	9,686	-
303,435,997 Ordinary Shares of £0.001 each	303,436	293,750
<b>Share premium account</b>		
At beginning of the period	25,252,288	25,252,288
Cancelled during the year	(25,252,288)	-
Fully paid not yet issued	1,540,497	-
At the end of period	1,540,597	25,252,288

On 23 November 2020 the High Court of England and Wales confirmed the reduction to the Company's equity through cancellation of the share premium account. This was transferred into retained earnings.

## 25. RESERVES

The following describes the nature and purpose of each reserve:

Reserve	Description
Share capital	Represents the nominal value of equity shares
Share premium	Amount subscribed for share capital in excess of nominal value
Share based payment	Represents the fair value of shares granted during the year and as a result of a change in estimation those granted in prior periods
Foreign currency translation	Cumulative effects of translation of opening balances on non-monetary assets between subsidiary functional currency (Canadian dollars) and Group functional and presentational currency (Sterling).
Retained earnings	Cumulative net gains and losses and other transactions with equity holders not recognised elsewhere.

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## 26. TRADE AND OTHER PAYABLES

	Group 2020 £	Company 2020 £	Group 2019 £	Company 2019 £
Trade payables	548,293	10,397	2,463,501	78,000
Accruals and other payables	271,471	158,695	439,367	113,250
Short term loans	115,924	-	1,084,218	-
Other taxation and social security	972	972	-	-
<b>Total trade and other creditors</b>	<b>936,660</b>	<b>170,064</b>	<b>3,987,086</b>	<b>191,250</b>

Within other payables is an amount of £5,000 (2019: £5,000) owed to related parties in relation to securing trade agreements and facilitating the business and expenditure accrued during the early stages of the business.

The directors consider that the carrying value of trade and other payables is approximately equal to their fair value.

## 27. LEASE LIABILITIES

	Group 2020 £	Company 2020 £	Group 2019 £	Company 2019 £
Lease liability – current	3,469,672			
Lease liability – non current	3,909,715	-	-	-

The lease liability for mining hardware from Celsius Network attracts an interest rate of 12% per annum. No depreciation, finance cost or cash outflows arose from this lease liability during the year.

## 28. COMMITMENTS

The Group's material contractual commitments relate solely in regards to the master services agreement with GPUone and Core Scientific, which provides hosting, power and support services. Whilst management do not envisage terminating agreements in the immediate future, it is impracticable to determine monthly commitments due to large fluctuations in power usage and variations on foreign exchange rates, and as such a commitment over the contract life has not been determined. The Director's consider that the early termination fee, drawn down from deposits held by GPUone (see note 19) represents the minimum committed payment due.

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## 29. RELATED PARTY TRANSACTIONS

### Rental agreements

The Company rents office space from Dukemount Capital plc, for which Timothy Le Druillenec was a Director during the period up until 1 February 2020. During the period, payments of £275 were made whilst Timothy Le Druillenec was a Director of Dukemount Capital plc.

The Group also rents office space from Vernon Blockchain Inc, for which Peter Wall was a Director during the period. During the period, payments of £20,876 (2019: £9,314) were made with a balance of £nil outstanding as at 31 December 2020 (2019: £16,299.)

For each agreement, there is no long term commitment, and these transactions were made on an arm's length basis.

### Protos Asset Management

During the year, the Group obtained services from Protos Asset Management in regards to crypto portfolio management. Protos Asset Management is paid a monthly management fee of USD\$5,000 and a percentage performance payment based on the relative success of the portfolio against the market. Matthew Shaw, appointed on 17 July 2020 as a non-executive of Argo Blockchain Plc founded Protos Asset Management. During the period of his directorship, the Group paid £22,715 (2019: £83,553) in service fees. This service was terminated during the year.

### Key management compensation

Key management includes Directors (executive and non-executive).

£36,532 (2019: £17,086) paid to POMA Enterprises Limited in respect of fees of Matthew Shaw who is the owner of that entity; £240,921 (2019: £250,218) paid to Vernon Blockchain Inc in respect fees of Peter Wall who is owner of that entity; and £164,983 paid to Tenuous Holdings in respect of fees of Ian MacLeod who is the owner of that entity. These are not inclusive of the related party transactions disclosed above and for the avoidance of doubt are not in addition to any other remuneration stated elsewhere in the financial statements.

## 30. CONTROLLING PARTY

There is no controlling party of the Group.

## 31. POST BALANCE SHEET EVENTS

In late December 2020, the Company's shares were admitted to OTCQB Venture Market, allowing North American investors an easier route to acquiring Argo shares. As a result of increasing volumes in trading Argo shares were upgraded to trading on New York's OTCQX Venture Market in February 2021.

On 2 February 2021, the Company signed a Share Purchase Agreement with GPUone, the Canadian data centre provider, for the strategic purchase of the two data centres in Quebec. These facilities are currently owned and operated by GPUone and house a portion of Argo's cryptocurrency mining equipment. The data centres have a combined total of 20MW of power capacity. The purchase will be funded out of Argo's existing deposits with GPUone, and a small cash consideration. Completion of the transaction is subject to resolution of the outstanding conditions.

The Group carried out two fund raises in January and March 2021. These generated £49m in new equity for investment in mining rigs, the West Texas development, and blockchain/fintech ventures including a significant equity holding in Pluto Digital Assets PLC.

In March 2021 Argo acquired a hosting facility project with 320 acres of land in West Texas with access to 800MW of low cost clean energy power for a total consideration of US\$17.5m. The Group intends on building out a 200MW facility over the next 12 months. with access to some of the lowest cost clean electricity to support next phase of smart growth in 2022.

In late March 2021 the Group signed a Memorandum of understanding signed with DMG Blockchain Solutions to create Terra Pool, the first 'green' Bitcoin mining pool to be powered by clean energy, in response to climate change concerns. The mining pool will provide a platform for cryptocurrency miners to produce Bitcoin and other cryptocurrencies in a sustainable way.

All mining machines currently mining have achieved over 100% ROI, including those installed in January and February of 2021.