PART I

Item 1. Identity of Directors, Senior Management and Advisers.

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

A. Selected Financial Statements.

Not Applicable.

B. Capitalization and indebtedness.

Not Applicable.

C. Reasons for the offer and use of proceeds.

Not applicable.

D. Risk Factors.

Risk Factors Summary

Our business is subject to a number of risks of which you should be aware before making an investment decision. Among these important risks are the following:

- Due to our limited operating history, it may be difficult to evaluate our business and future prospects, and we may not be able to achieve or maintain profitability in any given period.
- We may be unable to raise additional capital needed to grow our business.
- We have an evolving business model, which is subject to various uncertainties.
- We are subject to many risks related to the development of a new cryptocurrency mining facility in Texas. Delays or disruptions in our development of the Texas facility could materially and adversely affect our results of operations and financial condition.
- Our total revenue and cash flow is substantially dependent on the market value of digital assets and the volume of digital assets received from our mining efforts. If such market value or volume declines, our business, operating results and financial condition would be adversely affected.
- There are risks related to technological obsolescence, the potential disruption of the global supply chain for cryptocurrency mining hardware, and difficulty in obtaining new mining machines that may have a negative effect on our business.
- We cannot be certain as to how future regulatory developments will impact our business and any such additional regulatory requirements, or changes in how existing requirements are interpreted and applied, may cause us to cease all or certain of our operations or change our business model.

- We operate in a highly competitive industry, and we compete against companies with greater resources and experience.

- We rely on a third-party custodian for the long-term holding of our digital assets, and actual or perceived security threats could result in the loss of our assets.

- Cyberattacks and security breaches of our own or our third-party service providers or partner's cryptocurrency operations, or those impacting underlying digital asset networks, could adversely impact our business, operating results and financial condition.

- Our mining facilities and mining equipment may experience damages, including damages that are not covered by insurance.

- We rely on third-party mining pool operators to pay us mining rewards, the failure of which would have a negative impact on our operations.

- There is a possibility of digital asset networks transitioning from proof-of-work mining algorithms to proof-of-stake validation, which could make us less competitive and ultimately adversely affect our business.

- As a result of state and local regulations over electric distribution utilities and retail electricity suppliers, we may not be able to obtain electricity on terms and conditions that are economic and practicable.

- Cryptocurrency regulation, both in the United States and internationally, could adversely affect the price of cryptocurrencies and the cryptocurrency mining industry.

- We operate Terra Pool, a mining pool on behalf of pool participants, which exposes us to regulatory uncertainty and risk that could result in significant compliance expenses or penalties.

- Our success depends on our ability to retain key management personnel, and to attract and retain other highly qualified personnel in the future.

- ADS holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable outcomes to the plaintiff(s) in any such action.

- Our articles of association provide that the courts of England and Wales will be the exclusive forum for the resolution of all shareholder complaints other than complaints asserting a cause of action arising under the Securities Act of 1933, as amended (the "Securities Act"), and the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and that the U.S. District Court for the Southern District of New York will be the exclusive forum for the resolution of any shareholder complaint asserting a cause of action arising under the Securities Act or the Exchange Act.

Risks Related to Our Limited Operating History

Due to our limited operating history, it may be difficult to evaluate our business and future prospects, and we may not be able to achieve or maintain profitability in any given period.

We began our operations in December 2017, and since our incorporation our business model has evolved significantly. While our annual net revenue has increased since our formation, there is no assurance that this growth rate will continue in future periods and you should not rely on the revenue growth of any given period as an indication of our future performance. We may not generate sufficient revenue to achieve positive cash flow from operations or profitability in any given period, and our limited operating history and the volatile nature of our business and the cryptocurrency industry make it difficult to evaluate our current business and our future prospects. We have encountered and will continue to encounter risks and difficulties, including, but not limited to those described in this section. If we do not manage these risks successfully, our business may be adversely impacted. If our growth rate were to decline significantly or become negative, it could adversely affect our operating results and financial condition. If we are not able to achieve or maintain positive cash flow from operations, our business may be adversely impacted and we may require additional financing, which may not be available on favorable terms or at all, or which would be dilutive to our ADS holders.

We may be unable to raise additional capital needed to grow our business.

We may need to raise additional capital to fund our operations, pursue our growth strategies, including potential acquisitions of complementary businesses, and respond to competitive pressures or unanticipated working capital requirements. For example, in January 2021 and March 2021, we raised gross proceeds of £22.4 million and £26.8 million, respectively, in private placements and subscriptions of our ordinary shares, in September 2021, we raised gross proceeds of $127.9 million in our initial registered public offering in the United States, and in November 2021, we raised net proceeds of approximately $38.6 million after deducting underwriting discounts and commission, but before expenses and fees, in an offering of 8.75% Senior Notes due 2026. We may not be able to obtain additional debt or equity financing on favorable terms, if at all, which could impair our growth and adversely affect our existing operations. If we raise additional equity financing, our ADS holders may experience significant dilution of their ownership interests, and the per ADS value of our ordinary shares could decline. Furthermore, if we incur additional debt financing, the holders of debt likely would have priority over the holders of our ADSs on order of payment preference. We may be required to accept terms that restrict our ability to incur additional indebtedness or to take other actions including terms that require us to maintain specified liquidity or other ratios that could otherwise not be in the interests of our investors.

We have an evolving business model, which is subject to various uncertainties.

Our business model has significantly evolved since our incorporation and we expect it to continue to do so in the future. For example, in the past, we operated as a mining-as-a-service ("MaaS") business. Beginning in 2019, in the face of an industry-wide downturn, we terminated our MaaS contracts and commenced mining for our own account. As digital assets and blockchain technologies become more widely available, we expect the services and products associated with them to evolve. In order to stay current with the industry, our business model may need to evolve as well. As a result, from time to time, we may modify aspects of our business model relating to our strategy. We cannot offer any assurance that these or any other modifications will be successful or will not result in harm to our business. These modifications may increase the complexity of our business and place significant strain on our management, personnel, operations, systems, technical performance, financial resources and internal financial control and reporting functions. We may not be able to manage growth effectively, which could damage our reputation, limit our growth and negatively affect our operating results. Further, we cannot provide any assurance that we will successfully identify all emerging trends and growth opportunities within the cryptocurrency industry and we may lose out on such opportunities. Such circumstances could have a material adverse effect on our business, prospects, financial condition and operating results.

We are subject to many risks related to the development of a new cryptocurrency mining facility in Texas. Delays or disruptions in our development of the Texas facility could materially and adversely affect our results of operations and financial condition.

As part of our evolving strategy focused on owning and operating our own mining facilities, we are developing a new mining facility in Texas, where 85% of electricity generation comes from wind power. However, development of our Texas mining facility may be subject to unexpected problems and delays that could adversely impact our ability to develop or operate the project as planned or increase the costs of the project. Some of the risks inherent in the development and construction of a new mining facility or the extension of an existing mining facility include uncertainties regarding:

- timing and cost of construction of the facility, which can be considerable;
- availability and cost of mining equipment;
- availability and cost of skilled labor, power, water and transportation;
- availability and cost of appropriate power arrangements;
- the successful development and implementation of new technologies and processes related to mining, such as immersion technology;

- applicable requirements under local and state laws and time needed to obtain the necessary environmental and other governmental permits and approvals; and
- availability of funds to finance construction and development.

Delays in obtaining necessary permits and approvals and broader social or political opposition to cryptocurrency mining may increase the cost, timing and complexity of the development and construction of our Texas facility. Accordingly, such facility may not be developed as planned or may be less profitable than anticipated or even be loss-making. Additionally, given current lead times for new mining hardware, we may need to commit to purchasing mining machines in advance of the facility becoming fully operational and, if so, may not have the power capacity to support these mining machines at our other hosted and owned facilities. A failure or material delay in our ability to develop and operate the new facility in accordance with, or in excess of, expectations could have a material adverse effect on our business, prospects, financial condition and operating results.

Risks Related to Our Business and Financial Position

Our operating results have fluctuated and may continue to fluctuate significantly due to the highly volatile nature of digital assets.

All of our sources of revenue are dependent on digital assets and the broader blockchain ecosystem. Due to the highly volatile nature of the blockchain ecosystem and the prices of digital assets, our operating results have fluctuated, and may continue to fluctuate, significantly from period to period in accordance with market sentiments and movements in the broader blockchain ecosystem. In particular, our operating results may continue to fluctuate significantly as a result of a variety of factors, many of which are unpredictable and in certain instances are outside of our control, including:

- changes in the legislative or regulatory environment, or actions by governments or regulators that impact the cryptocurrency industry generally, or our operations specifically;
- difficulty obtaining new hardware and related installation costs;
- access to cost-effective sources of electrical power;
- evolving cryptographic algorithms and emerging trends in the technology securing blockchains, including proof-of-stake;
- changes in the development, usage, and market preferences for the cryptocurrencies we mine;
- adverse legal proceedings or regulatory enforcement actions, judgments, settlements or other legal proceeding and enforcement-related costs;
- the development and introduction of existing and new products and technology by us or our competitors;
- the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies (such as government-led digital currency projects);
- increases in operating expenses that we expect to incur to grow and expand our operations and to remain competitive;
- system failure or outages, including with respect to our mining hardware, power supply and third-party networks;
- breaches of security or data privacy;
- our ability to protect our intellectual property;
- our ability to attract and retain talent; and

- our ability to compete.

As a result of these and other factors, it is difficult for us to forecast growth trends accurately and our business and future prospects are difficult to evaluate, particularly in the short term. In addition, as a result of the rapidly evolving nature of our business and the blockchain ecosystem, period-to-period comparisons of our operating results may not be meaningful, and you should not rely upon them as an indication of future performance. Annual expenses reflected in our financial statements may be significantly different from historical rates. Our operating results in one or more future periods may fall below the expectations of securities analysts and investors. As a result, the trading price of our ADSs may increase or decrease significantly.

Our total revenue and cash flow is substantially dependent on the market value of digital assets and the volume of digital assets received from our mining efforts. If such market value or volume declines, our business, operating results and financial condition would be adversely affected.

We currently generate substantially all of our revenue from cryptocurrency rewards and transaction fees received for successfully proposing a valid “block” of transactions on the Bitcoin blockchain. Similarly, our operating cash flow is substantially dependent on our ability to sell cryptocurrency for fiat currency as needed. As such, any declines in the amount of cryptocurrencies that we successfully mine, the price of such cryptocurrencies or market liquidity for cryptocurrencies and digital assets generally would adversely affect our revenue and ability to fund our operations.

The price of cryptocurrencies and digital assets and associated demand for buying, selling, and trading cryptocurrencies and digital assets have historically been subject to significant volatility. For example, Bitcoin’s aggregate market value exceeded $900 billion as of January 1, 2022 compared to approximately $550 billion as of January 1, 2021, based on Bitcoin prices quoted on major exchanges. The price and trading volume of any digital asset is subject to significant uncertainty and volatility, depending on a number of factors, including:

- market conditions across the broader blockchain ecosystem;
- trading activities on digital asset platforms worldwide, many of which may be unregulated, and may include manipulative activities;
- investment and trading activities of highly active retail and institutional users, speculators, miners and investors;
- the speed and rate at which digital assets are able to gain worldwide adoption as a medium of exchange, utility, store of value, consumptive asset, security instrument or other financial asset, if at all;
- changes in user and investor confidence in digital assets and digital asset platforms;
- publicity and events relating to the blockchain ecosystem, including public perception of the impact of the blockchain ecosystem on the environment;
- unpredictable social media coverage or “trending” of digital assets;
- the functionality and utility of digital assets and their associated ecosystems and networks, including digital assets designed for use in various applications;
- consumer preferences and perceived value of digital assets;
- increased competition from other payment services or other digital assets that exhibit better speed, security, scalability or other characteristics;
- the correlation between the prices of digital assets, including the potential that a crash in one digital asset or widespread defaults on one digital asset exchange or trading venue may cause a crash in the price of other digital assets, or a series of defaults by counterparties on digital asset exchanges or trading venues;

- changes in the regulatory or legislative environment, including regulatory enforcement actions, affecting the blockchain industry participants;
- the characterization of digital assets under the laws of various jurisdictions around the world;
- the maintenance, troubleshooting and development of the blockchain networks underlying digital assets, including by miners, validators and developers worldwide;
- the ability for digital asset networks to attract and retain miners or validators to secure and confirm transactions accurately and efficiently;
- ongoing technological viability and security of digital assets and their associated protocols, smart contracts, cryptography, applications and networks, including vulnerabilities against hacks and scalability;
- fees and speed associated with processing digital asset transactions, including on the underlying blockchain networks and on digital asset platforms;
- financial strength of market participants;
- interruptions in service from, or failures of, major digital asset trading platforms;
- availability of an active derivatives market for various digital assets;
- availability of credit, banking and payment services to support digital asset-related projects;
- level of interest rates and inflation; and
- monetary policies of governments, trade restrictions and fiat currency devaluations.

There is no assurance that any digital asset, including Bitcoin, will maintain its value or that there will be meaningful levels of trading activities to support markets in any digital asset. A decline in the market value of digital assets or in the demand for trading digital assets could lead to a corresponding decline in the value of our cryptocurrency assets, the number of transactions on the relevant blockchain network and, as such, the opportunities to earn block rewards and transaction fees, our returns on investments in mining machines, and could adversely affect our business, operating results and financial condition. Further, to the extent that investors perceive investment in our ADSs as a proxy for exposure to the digital asset industry more generally, volatility in the value of cryptocurrencies could have immediate and substantial effects on the price of our ADSs, irrespective of the actual effect on our business.

Digital assets may be subject to momentum pricing due to speculation regarding future appreciation or depreciation in value, leading to greater volatility. Momentum pricing typically is associated with growth stocks and other assets whose valuation, as determined by the investing public, accounts for future changes in value. It is possible that momentum pricing of digital assets has resulted, and may continue to result, in speculation regarding future changes in the value of digital assets, making digital assets' prices more volatile. As a result, digital assets may be more likely to fluctuate in value due to changing investor confidence, which could impact future appreciation or depreciation in digital asset prices. As a result, our business, operating results and financial condition could be adversely affected.

The market value of digital assets may also be affected by the activities of "professionalized" mining operations. Since Bitcoin was launched, digital asset mining operations have evolved from individual users mining with computer processors, graphics processing units and first-generation ASIC mining machines to businesses with sophisticated operations using the latest ASIC technology, particularly operations mining Bitcoin. These professionalized mining operations are of a greater scale than individual and casual miners and have more defined and regular expenses and liabilities. These regular expenses and liabilities require professionalized mining operations to maintain profit margins on the sale of mined digital assets, including Bitcoin. To the extent the price of digital assets decline and such profit margin is constrained, professionalized miners may be incentivized to more immediately sell any digital assets, including Bitcoin, earned from mining operations, whereas it is believed that individual miners in past years were more likely to hold newly mined digital assets for more extended periods. If professional mining operations were to collectively implement strategies to immediately sell newly mined digital assets, including Bitcoin, it would greatly increase the available trading supply of such digital assets, creating downward pressure on the market price.

Digital assets remain subject to an uncertain and evolving regulatory environment. The federal banking agencies have announced they are actively considering if additional regulation or guidance is warranted, and recent actions reflect a conservative approach to permitting regulated entities to engage in digital asset activities. An adverse change in the regulatory environment for participation by the legacy financial industry in digital assets activities may impact the demand for digital assets and related services, access to traditional financial services for digital asset industry participants and/or the market value of digital assets.

A majority of our revenue is currently derived from mining Bitcoin. If demand for Bitcoin declines and is not replaced by new demand for cryptocurrencies we are able to mine, our business, operating results and financial condition could be adversely affected.

For the year ended December 31, 2021 and December 31, 2020, we derived the majority of our net revenue from transaction fees and cryptocurrency rewards generated in connection with mining Bitcoin. As such, in addition to the factors impacting the broader blockchain ecosystem and the prices of digital assets described in this section, our business may be adversely affected if the market for Bitcoin deteriorates or if its price declines, including as a result of the following factors:

- the reduction in mining rewards of Bitcoin, including block reward halving events, which are events that occur after a specific period of time which reduce the block rewards earned by miners;
- disruptions, hacks, splits in the underlying network also known as “forks,” attacks by malicious actors who control a significant portion of the network’s hash rate such as “double-spend” or “51% attacks” or other similar incidents affecting the Bitcoin network;
- hard “forks” resulting in the creation of, and divergence into, multiple separate networks, such as Bitcoin Cash;
- the informal governance of the Bitcoin network, which evolves over time largely based on self-determined participation, which may result in revisions to the underlying source code or inaction, that affects the Bitcoin network’s speed, scalability, security, usability or value;
- the ability for the Bitcoin network to resolve significant scaling challenges and increase the volume and speed of transactions;
- the ability to attract and retain developers to maintain and update the Bitcoin network;
- the ability to attract and retain market participants to use Bitcoin for payment, store of value, unit of accounting and other intended uses;
- transaction congestion and fees associated with processing transactions on the Bitcoin network;
- the identification of Satoshi Nakamoto, the pseudonymous person or persons who developed Bitcoin, or the transfer of Bitcoin controlled by Satoshi Nakamoto;
- negative perception of Bitcoin, including with respect to the power consumption of its proof-of-work consensus mechanism;
- developments in mathematics or technology, including in digital computing, algebraic geometry and quantum computing, that could result in the cryptography being used by Bitcoin becoming insecure or ineffective; and
- laws and regulations affecting the Bitcoin network or access to this network, including a determination that Bitcoin constitutes a security or other regulated financial instrument under the laws of any jurisdiction.

In addition to Bitcoin, we derive revenue from transaction fees and cryptocurrency rewards generated in connection with the mining of Zcash. The market for Zcash could be affected by many of the same factors, as well as by regulatory concerns regarding Zcash privacy features that cause it to be delisted on exchanges or otherwise directly or indirectly impact the value or utility of Zcash, which could adversely affect our business.

In addition to mining Bitcoin and Zcash, we plan to expand our mining business to include mining on other blockchain networks which may be subject to similar risks. For example, we may derive revenue from transaction fees and cryptocurrency rewards generated in connection with the mining of Ethereum. The market for Ethereum and other digital assets may be affected by many of the same factors as those listed above. Ethereum and other digital assets may also be subject to varying risks related to future regulation of such networks or DeFi applications more broadly, as well as technological risks related to smart contracts and other software used by the relevant network. These risks could cause a decline in the popularity of such blockchain networks (e.g., Ethereum) or otherwise directly or indirectly impact the value or utility of the relevant digital assets (e.g., ETH), which could adversely affect our business. In addition, various blockchain networks are being developed with smart contract capabilities that are competitors to Ethereum and each other, which may drive transaction volume away from the blockchain networks we mine and may adversely affect our business.

We have in the past, and may in the future, seek to reduce the risk of holding Bitcoin and other cryptocurrencies on our balance sheet by engaging in hedging transactions, such as trading Bitcoin for alternative digital assets or stablecoins or purchasing Bitcoin futures contracts; such efforts may be unsuccessful, and could adversely impact our business, operating results and financial condition.

We may at times employ various risk mitigation strategies, such as trading Bitcoin for alternative digital assets or stablecoins or purchasing Bitcoin futures contracts, designed to minimize the impact of volatility in the Bitcoin market and other cryptocurrencies on our balance sheet. Such techniques will not always be possible to implement and when possible will not always be effective in limiting losses and may also result in additional counterparty risk, costs, and potentially losses. Hedging against a decline in the value of a particular cryptocurrency does not eliminate fluctuations in the values of positions we hold or prevent losses if the values of such positions decline, but may moderate the decline in value. However, such hedge transactions also limit the opportunity for gain if the value of the hedged cryptocurrency should increase. Moreover, it may not be possible to hedge against a fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at a price sufficient to protect from the anticipated decline in value of the cryptocurrency anticipated as a result of such a fluctuation. We may choose not to engage in a hedging transaction for a number of reasons, including if the expense associated with such hedging transaction is perceived as being too costly or other factors. The successes of our hedging transactions are subject to our ability to correctly predict market fluctuations and movements and our ability to monitor any hedging transactions that we enter into. Therefore, while we may enter into such transactions to seek to reduce risks, unanticipated market movements and fluctuations may result in a poorer overall performance than if we had not engaged in any such hedging transactions.

Cyberattacks and security breaches of our own or our third-party service providers or partner’s cryptocurrency operations, or those impacting underlying digital asset networks, could adversely impact our business, operating results and financial condition.

Digital assets, the wallets in which they are stored and the networks and exchanges on which they are traded are based on software code which has generally been written, maintained and updated by third parties. Flaws in this software code have been exposed by certain actors, sometimes for malicious ends. Most of our sensitive and valuable data, including digital assets are stored with third-party custodians and service providers. We also rely on the digital asset community and our third-party service providers to optimize and protect sensitive and valuable data, confidential information and identify vulnerabilities of blockchain networks. The digital asset community will often identify and correct errors and defects in the code underlying digital asset networks, including those that may disable some functionalities of our systems or expose data. For example, in 2018, a vulnerability in the Bitcoin network source code that could in certain circumstances allow miners to double-spend Bitcoin and thereby increase the supply of Bitcoin was discovered. Additionally, in 2016, an anonymous hacker exploited a smart contract running on the Ethereum network to steal approximately $60 million of ETH; the Ethereum community responded by adopting a “fork” that effectively reversed the hack. However, a minority of Ethereum users have continued to develop and use the original blockchain reflecting the theft, now referred to as “Ethereum Classic” with the digital asset on that blockchain referred to as Ether Classic (“ETC”), which continues to be used and traded independently from ETH. There can be no guarantee that the measures intended to safeguard digital assets and related software, and the work of the digital asset developer community, will identify or resolve all vulnerabilities, errors and defects prior to a malicious actor being able to exploit them. Any actual or perceived data security breach we experience, or of our third-party partners or any underlying digital asset network, may:

- lead to theft or irretrievable loss of our fiat currencies or digital assets;
- harm our reputation and brand;
- result in our systems or services being unavailable and interrupt our operations;
- result in improper disclosure of data and violations of applicable data privacy and other laws;
- result in significant regulatory scrutiny, investigations, fines, penalties, and other legal, regulatory, contractual and financial exposure;
- cause us to incur significant remediation costs;
- divert the attention of management from the operation of our business; and
- adversely affect our business, operating results and financial condition.

Further, any actual or perceived data security breach or cybersecurity attack directed at other digital asset companies or underlying digital asset networks, whether or not we are directly impacted, could lead to a general loss of confidence in the broader blockchain ecosystem or in the use of digital asset networks to conduct financial transactions, which could negatively impact us, including the market perception of the effectiveness of our security measures and technology infrastructure.

Attacks upon systems across a variety of industries, including industries related to digital assets, are increasing in frequency, persistence, and sophistication, and, in many cases, are being conducted by sophisticated, well-funded and organized groups and individuals, including state actors. The techniques used to obtain unauthorized, improper or illegal access to systems and information (including personal data and digital assets), disable or degrade services, or sabotage systems are constantly evolving, may be difficult to detect quickly, and often are not recognized or detected until after they have been launched against a target. These attacks may occur on our systems or those of our third-party service providers or partners. We may experience breaches of our security measures due to human error, malfeasance, insider threats, system errors or vulnerabilities or other irregularities. In particular, unauthorized parties have attempted, and we expect that they will continue to attempt, to gain access to our systems and facilities, as well as those of our partners and third-party service providers, through various means, such as hacking, social engineering, phishing and fraud. In the past, hackers have successfully employed a social engineering attack against one of our service providers and misappropriated our digital assets, although, to date, such events have not been material to our financial condition or operating results. If and as our assets grow, we may become a more appealing target for these threats. Threats can come from a variety of sources, including criminal hackers, hacktivists, state-sponsored intrusions, industrial espionage, and insiders. In addition, certain types of attacks could harm us even if our systems are left undisturbed. For example, certain threats are designed to remain dormant or undetectable, sometimes for extended periods of time, or until launched against a target and we may not be able to implement adequate preventative measures.

Further, there has been an increase in such activities as a result of the COVID-19 pandemic. Any future breach of our operations or those of others in the digital asset industry, including third-party services on which we rely, could materially and adversely affect our business, and we expect that our costs and the resources we devote to protecting against these advanced threats and their consequences will continue to increase over time. In addition, some insurers are currently reluctant to provide cybersecurity insurance for cryptocurrency and digital assets. In the event of any attacks, our costs and any impacted assets may not be partially or fully recoverable.

We operate in a highly competitive industry, we compete against companies with greater resources and experience, and our business, operating results and financial condition may be adversely affected if we are unable to respond to our competitors effectively.

The blockchain ecosystem is highly innovative, rapidly evolving and characterized by intense competition, experimentation and frequent introductions of new products and services, and is subject to uncertain and evolving industry and regulatory requirements. We expect competition to increase in the future as existing and new competitors introduce new products or enhance existing products. We compete against a number of companies operating both within the United States and abroad that focus on digital asset-based services, including mining digital assets.

Our existing competitors have, and our potential competitors are expected to have, various competitive advantages over us, such as:

- greater name recognition, longer operating histories and larger market shares;
- more established marketing, banking and compliance relationships;
- greater mining capabilities and mining software;
- more timely introduction of new technologies;
- preferred relationships with suppliers of mining machines and other equipment;
- access to more competitively priced or subsidized power;
- greater financial resources to make acquisitions;
- lower labor, compliance, risk mitigation and research and development costs;
- larger and more mature intellectual property portfolios;
- greater number of applicable licenses or similar authorizations;
- established core business models outside of the mining or trading of digital assets, allowing them to operate on lesser margins or at a loss;
- operations in certain jurisdictions with lower compliance costs and greater flexibility to explore new product offerings; and
- substantially greater financial, technical and other resources.

If we are unable to compete successfully, or if competing successfully requires us to take costly actions in response to the actions of our competitors, our business, operating results and financial condition could be adversely affected.

The emergence or growth of other digital assets, including those with significant private or public sector backing, could have a negative impact on the price of Bitcoin and adversely affect our business.

Our business strategy is substantially dependent on the market price of Bitcoin. As of January 1, 2021, Bitcoin was the largest digital asset by market capitalization and had the largest user base and largest combined mining power. Despite this first to market advantage, as of January 1, 2021, there were more than 17,000 alternative digital assets tracked by CoinMarketCap.com, having a total market capitalization of approximately $2.2 trillion (including the approximately $0.9 trillion market cap of Bitcoin), as calculated using market prices and total available supply of each digital asset.

Many entities, including consortiums and financial institutions are also researching and investing resources into private or permissioned blockchain platforms rather than open platforms like the Bitcoin network. At the same time, central banks have introduced digital forms of legal tender ("CBDCs"). China's CBDC project, known as Digital Currency Electronic Payment, has reportedly been tested in a live pilot program conducted in multiple cities in China. A recent study published by the Bank for International Settlements estimated that at least 36 central banks have published retail or wholesale CBDC work ranging from research to pilot projects. Whether or not they incorporate blockchain or similar technology, CBDCs, as legal tender in the issuing jurisdiction, could have an advantage in competing with, or replace, Bitcoin and other cryptocurrencies as a medium of exchange or store of value.

The emergence or growth of alternative digital assets could have a negative impact on the demand for, and price of, Bitcoin. If we are unable to transition our mining operations to a replacement digital asset, the reduction in the popularity of Bitcoin could have an adverse impact on our operations and thereby adversely affect an investment in our ADSs.

We may be subject to material litigation, including individual and class action lawsuits, as well as investigations and enforcement actions by regulators and governmental authorities.

We may from time to time become subject to claims, arbitrations, individual and class action lawsuits, government and regulatory investigations, inquiries, actions or requests, including with respect to both consumer and employment matters, and other proceedings alleging violations of laws, rules and regulations, both foreign and domestic. The scope, determination and impact of claims, lawsuits, government and regulatory investigations, enforcement actions, disputes and proceedings to which we are subject cannot be predicted with certainty, and may result in:

- substantial payments to satisfy judgments, fines or penalties;
- substantial outside counsel legal fees and costs;
- additional compliance and licensure requirements;
- loss or non-renewal of existing licenses or authorizations, or prohibition from or delays in obtaining additional licenses or authorizations, required for our business;
- loss of productivity and high demands on employee time;
- criminal sanctions or consent decrees;
- termination of certain employees, including members of our executive team;
- barring of certain employees from participating in our business in whole or in part;
- orders that restrict our business or prevent us from offering certain products or services;
- changes to our business model and practices;
- delays to planned transactions, product launches or improvements; and
- damage to our brand and reputation.

Any such matters can have an adverse impact, which may be material, on our business, operating results or financial condition because of legal costs, diversion of management resources, reputational damage and other factors.

We plan to continue to make acquisitions and investments, which could require significant management attention, disrupt our business, result in dilution to our ADS holders, increase our debt or cause us to incur significant expenses and adversely affect our financial results.

We are actively considering strategic opportunities with the support of our external advisors. However, we cannot offer any assurance that acquisitions of businesses, assets and/or entering into strategic alliances or joint ventures will be made or, if made, will be successful. We may not be able to find suitable partners or acquisition candidates and may not be able to complete such transactions on favorable terms, if at all. If we make any acquisitions, we may not be able to integrate these acquisitions successfully into the existing business and could assume unknown or contingent liabilities. Any future acquisitions also could result in liabilities or future write-offs of intangible assets or goodwill, any of which could have a negative impact on our cash flows, financial condition and results of operations. Integration of an acquired company may also disrupt ongoing operations and require management resources that otherwise would be focused on developing and expanding our existing business. We may experience losses related to potential investments in other companies, which could harm our financial condition and results of operations. Further, we may not realize the anticipated benefits of any acquisition, strategic alliance or joint venture if such investments do not materialize. To finance any acquisitions or joint ventures, we may choose to issue ordinary shares, preferred shares or a combination of debt and equity as consideration, which could significantly dilute the ownership of our existing ADS holders or provide rights to such preferred shareholders in priority over our ADS holders. Additional funds may not be available on terms that are favorable to us, or at all. If the price of our ADSs is low or volatile, we may not be able to acquire other companies or fund a joint venture project using ordinary shares as consideration.

COVID-19 or any pandemic, epidemic or outbreak of an infectious disease in the United States or elsewhere may adversely affect our business.

The COVID-19 pandemic has had unpredictable and unprecedented impacts in the United Kingdom, Canada, the United States and elsewhere around the world. The extent to which the COVID-19 pandemic impacts our business will depend on future developments, which are highly uncertain and unpredictable, including new information which may emerge concerning the severity of the outbreak and the actions to contain the outbreak or treat its impact, among others. We may incur expenses or delays relating to such events outside of our control, which could have a material adverse impact on the our business, operating results and financial condition. As the COVID-19 pandemic continues to develop, governments (at national, provincial and local levels), corporations and other authorities may continue to implement restrictions or policies that could adversely affect global capital markets, the global economy, Bitcoin and other cryptocurrency prices, and our ADS price.

As of the date of this report, we have not been declared an essential business. As a result, we may be required to substantially reduce or cease operations in response to governmental action or decree as a result of the COVID-19 pandemic. We are still assessing the effect on our business from the COVID-19 pandemic and any actions implemented by the governments in jurisdictions in which we operate. We have implemented safety protocols to protect our personnel, but we cannot offer any assurance that the COVID-19 pandemic or any other pandemic, epidemic or outbreak of an infectious disease in the United Kingdom, Canada, the United States or elsewhere, will not materially and adversely affect our business.

Risks Related to Digital Assets

Acceptance and/or widespread use of digital assets is uncertain.

Currently, there is a relatively limited use for digital assets in retail and commercial marketplaces, which we believe has contributed to price volatility and could therefore adversely affect an investment in our ADSs. Banks and other established financial institutions may, and do, refuse to process funds for digital asset transactions, process wire transfers to or from digital asset trading platforms, cryptocurrency-related companies or service providers, and maintain accounts for persons or entities transacting in digital assets. Conversely, a significant portion of digital asset demand is generated by investors seeking a long-term store of value or speculators seeking to profit from the short- or long-term holding of the asset. Price volatility undermines digital assets' role as a medium of exchange, as retailers are much less likely to accept it as a form of payment. Use of digital assets as a medium of exchange and payment method may never achieve widespread adoption. Any such failure or a decline in acceptance and adoption could have an adverse effect on the value of Bitcoin, Zcash, Ethereum or any other digital assets we mine or otherwise acquire or hold for our own account, which in turn could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations.

The future development and growth of digital assets is subject to a variety of factors that are difficult to predict and evaluate. If the adoption and development of digital assets does not grow as we expect, our business, operating results and financial condition could be adversely affected.

Digital assets built on blockchain technology were only introduced in 2008 and remain in the early stages of development. In addition, different digital assets are designed for different purposes. Bitcoin, for instance, was designed to serve as a peer-to-peer electronic cash system, while Zcash was designed to expand upon Bitcoin by enhancing privacy, and Ethereum and other blockchain networks are designed to enable the use of smart contracts as decentralized application platforms. Many other digital asset networks with other intended purposes—ranging from cloud computing to tokenized securities networks—have only recently been established. The further growth and development of any digital assets and their underlying networks and other cryptographic and algorithmic protocols governing the creation, transfer, and usage of digital assets represents a new and evolving paradigm that is subject to a variety of factors that are difficult to evaluate, including:

- Many digital asset networks have limited operating histories, have not been validated in production, and are still in the process of developing and making significant decisions that will affect the design, supply, issuance, functionality and governance of their respective digital assets and underlying blockchain networks, any of which could adversely affect their respective digital assets and underlying networks.

- Digital asset networks may implement software upgrades and other changes to their protocols, which could introduce bugs or security risks, or otherwise adversely affect the respective digital assets and underlying networks.

- Several large networks, including the Bitcoin and Ethereum networks, are developing new features to address fundamental speed, scalability and power usage issues. If these issues are not successfully addressed, or such new features are unable to achieve widespread adoption, it could adversely affect the underlying digital assets.

- Security issues, bugs and software errors have been identified with many digital assets and their underlying blockchain networks, some of which have been exploited by malicious actors. There are also inherent security weaknesses in some digital assets, such as when creators of certain digital asset networks use procedures that could allow hackers to counterfeit the respective digital asset. Any weaknesses identified with a digital asset or its underlying network could adversely affect its price, security, liquidity and adoption. If a malicious actor or botnet (a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers) obtains a majority of the computing or staking power on a digital asset network, as has happened in the past, it may be able to manipulate transactions, which could cause financial losses to holders, damage the network’s reputation and security and adversely affect the value of the relevant digital asset.

- The development of new technologies for mining digital assets, such as improved application-specific integrated circuits (commonly referred to as ASICs), or changes in industry patterns, such as the consolidation and concentration of mining power in a small number of large mining farms or mining pools, could reduce the security of digital asset networks, lead to increased liquid supply of digital assets and reduce the value and appeal of digital assets.

- If rewards and transaction fees for miners or validators on any particular digital asset network are not sufficiently high to attract and retain miners or validators, a digital asset network’s security and speed may be adversely affected, increasing the likelihood of a malicious attack that could adversely affect the value of the digital asset, or digital assets broadly.

- Certain digital assets have concentrated ownership or an “admin key,” allowing a small group of holders to have significant unilateral control and influence over key decisions relating to their underlying networks, such as governance decisions and protocol changes, as well as the market price of such digital assets. The governance of many decentralized digital asset networks is by voluntary consensus and open competition with no clear leadership structure or authority, and many developers are not directly compensated for their contributions. As a result, there may be a lack of consensus or clarity on the governance of any particular digital asset network, a lack of incentives for developers to maintain or develop the network and other unforeseen issues, any of which could result in unexpected or undesirable errors, bugs or changes, or stymie such network’s utility and ability to respond to challenges and grow. Additionally, the decentralized nature of the governance of digital asset networks may lead to ineffective decision-making that slows development or prevents a network from overcoming emergent obstacles. The lack of clarity in governance of digital asset networks may lead to ineffective decision-making that slows development and growth of such digital assets.

- Many digital asset networks are in the early stages of developing partnerships and collaborations, all of which may not succeed. Such lack of success could adversely affect the usability and adoption of the respective digital assets.

Various other technical issues with blockchain networks have also been uncovered from time to time that resulted in disabled functionality, exposure of certain users' personal data, theft of users' assets, and other negative consequences, and which required resolution with the attention and efforts of their global miner, user and development communities. If any such risks or other risks materialize, and are not resolved, the development and growth of digital assets may be significantly affected and, as a result, our business, operating results and financial condition could be adversely affected.

The loss or destruction of any private keys required to access our digital assets may be irreversible. If we or any of our custodians are unable to access our private keys (whether due to a security incident or otherwise), it could cause direct financial loss, regulatory scrutiny, and reputational harm.

Digital assets are generally controllable only by the possessor of the unique private key relating to the digital wallet in which the digital assets are held. While blockchain protocols typically require public addresses to be published when used in a transaction, private keys must be safeguarded and kept private in order to prevent a third party from accessing the digital assets held in such a wallet. To the extent that any of the private keys relating to any hot or cold wallets containing our digital assets is lost, destroyed, or otherwise compromised or unavailable, and no backup of the private key is accessible, we will be unable to access the digital assets held in the related wallet and, in most cases, the private key will not be capable of being restored. The loss or destruction of a private key required to access digital assets may be irreversible. Further, we cannot provide assurance that any wallet holding our digital assets, either maintained directly by us or by a custodian on our behalf, will not be hacked or compromised. Digital assets, related technologies, and digital asset service providers such as custodians and trading platforms have been, and may in the future be, subject to security breaches, hacking, or other malicious activities. As such, any loss or misappropriation of the private keys used to control our digital assets due to a hack, employee or service provider misconduct or error, or other compromise by third parties could result in significant losses, hurt our brand and reputation, and potentially the value of any Bitcoin, Zcash or other digital assets we mine or otherwise acquire or hold for our own account, and adversely impact our business.

Incorrect or fraudulent digital asset transactions may be irreversible.

Digital asset transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the digital assets from the transaction. In theory, digital asset transactions may be reversible with the control or consent of a majority of the processing power on the network, however, we do not now, nor is it feasible that we could in the future, possess sufficient processing power to effect this reversal, nor is it likely that sufficient consensus on the relevant network could or would be achieved to enable such a reversal. Once a transaction has been verified and recorded in a block that is added to a blockchain, an incorrect transfer of digital assets or a theft thereof generally will not be reversible, and we may not have sufficient recourse to recover our losses from any such transfer or theft. It is possible that, through computer or human error, or through theft or criminal action, our digital assets could be transferred in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts. In the past, hackers have successfully employed a social engineering attack against one of our service providers and misappropriated our digital assets, although, to date, such events have not been material to our financial condition or operating results. To the extent that we are unable to recover our losses from such action, error or theft, such events could result in significant losses, hurt our brand and reputation, and adversely impact our business.

Digital asset networks, including those underlying cryptocurrencies, face significant scaling obstacles that can lead to high fees or slow transaction settlement times.

Digital asset networks face significant scaling obstacles that can lead to high fees or slow transaction settlement times, and attempts to increase the volume of transactions may not be effective. Scaling digital asset networks is essential to the widespread adoption and acceptance of cryptocurrencies as a means of payment, which, in turn, is necessary to the continued growth and development of our business. Many digital asset networks face significant scaling challenges. For example, digital asset networks are limited with respect to how many transactions can occur per second. There is no guarantee that any of the mechanisms currently in place, or being explored, for increasing the scale of processing and settling cryptocurrency transactions will be effective, or how long they will take to become effective. In addition, as corresponding increases in throughput lag behind growth in the use of digital asset networks, average fees and settlement times may increase considerably. For example, the Bitcoin network has been, at times, at capacity, which has led to increased transaction fees. As of December 31, 2021, Bitcoin transaction fees stood at $3.16 per transaction, on average, however, Bitcoin transaction fees reached a historical average daily high of $62.79 in April 2021. Similarly, the Ethereum Network has also, at times, been at capacity, which has led to increased transaction fees. As of December 31, 2021, ETH transaction fees stood at $2.60 per transaction, on average, however, ETH transaction fees reached a historical average daily high of $71.72 in May 2021. While it is possible that increased transaction fees could result in more revenue for our business, increased fees and decreased settlement speeds could preclude certain uses for cryptocurrencies (e.g., micropayments), and could reduce demand for, and the price of, cryptocurrencies, which could adversely affect an investment in our ADSs.

Open source digital asset networks, such as the Bitcoin and Ethereum networks, may adopt changes to their protocols and software over time which could negatively impact our business and operations.

The governance of decentralized digital asset networks, such as the Bitcoin network, is by voluntary consensus and open competition. As a result, there may be a lack of consensus or clarity on the governance of any particular decentralized digital asset network, which may stymie such network's utility and ability to grow and face challenges. For example, as an open source project, Bitcoin is not represented by an official organization or authority. Since its introduction, Bitcoin has been under active development by a group of uncompensated engineers known as core developers, who work on the reference implementation, Bitcoin Core. The role of core developers may evolve over time, largely based on self-determined participation. These contributors can propose refinements or improvements to the Bitcoin network's source code through one or more software upgrades that alter the protocols and software that govern the Bitcoin network and the properties of Bitcoin. If a significant majority of users and miners adopt amendments to a decentralized network based on the proposals of such core developers, such network will be subject to new protocols. Certain modifications may have an adverse effect on a digital asset network or the value of a digital asset, or may have unintended consequences. For example, development of the Bitcoin software has increasingly focused on modifications of the Bitcoin protocol to enhance speed and scalability. Such projects may have the effect of increasing the data flow on the Bitcoin network and could either "bloat" the size of the blockchain or result in slower confirmation times.

In particular, Ethereum is the subject of ongoing community development efforts to make significant alterations to the Ethereum protocol, which could impact our business as we expect to begin mining Ethereum. In the second half of 2020, Ethereum began the first of several stages of an upgrade to transition to a proof-of-stake consensus mechanism and add data sharding to the network. Proof-of-stake is a type of consensus mechanism where an owner of a cryptocurrency can stake his or her tokens and gain the right to validate new blocks and add them to the blockchain. If the owner successfully adds valid blocks the blockchain, they are rewarded in additional tokens; however, if the owner incorrectly validates a block the staked tokens will be eliminated. The purpose of data sharding is to increase scalability of a database, such as a blockchain, by splitting the data processing responsibility among many nodes, allowing for parallel processing and validation of transactions. These upgrades contrast with the existing Ethereum network, which relies on proof-of-work and requires each node to process and validate every transaction. The current version of Ethereum also contains a "difficulty bomb," under which mining will become extraordinarily difficult over time, thereby encouraging miners to switch to proof-of-stake and support the consensus mechanism update. A series of upgrades have been implemented in order to delay this difficulty bomb as the Ethereum community continues to prepare for the switch to proof-of-stake. In addition, on August 5, 2021, an upgrade referred to as EIP-1559, that governs how transaction fees are paid on the Ethereum network was introduced. Among other things, EIP-1559 results in a portion of transaction fees being removed from circulation, rather than paid to miners. While this could lower revenue to Ethereum miners, improvements to the Ethereum network, coupled with the reduction in supply of Ether could increase miner revenue. These upgrades may result in a fork of the Ethereum network, introduce bugs or flaws into the Ethereum software, or have unintended and unforeseen consequences, each of which may adversely affect the value of Ether.

To the extent modifications to digital asset for digital assets that we mine are adopted that reduce the value of or demand for the digital asset, it would have an adverse effect on our business and investment in our ADSs.

The decentralized governance and open-source nature of digital asset networks may cause them to be slow to react to challenges, which could adversely affect the value of the digital asset, and in turn, adversely affect our business.

The networks underlying several digital assets, such as Bitcoin, operate based on an open-source protocol maintained by a group of uncompensated volunteer developers. Consequently, there may be a lack of financial incentive for developers to maintain or develop the network, and the developers may lack the resources to adequately address emerging issues with the relevant digital asset protocol. There can be no assurance that the core developers of a digital asset network will continue to be involved in the network, or that new volunteer developers will emerge to replace them. To the extent that material issues arise with a digital asset protocol and the developers are unable or unwilling to address the issues adequately or in a timely manner, the digital asset may diminish in value or become worthless. In addition, several digital assets, including Bitcoin and other digital assets we may mine or hold, rely on decentralized participants to operate the digital asset network through verifying transactions in digital assets on an ongoing basis. The failure of decentralized participants to continue to maintain a network by verifying digital asset transactions may result in the relevant digital asset losing value or becoming worthless. The occurrence of any failures or malfunctions above could lead to substantial losses for us and, accordingly, adversely impact an investment in our ADSs.

Proof-of-work digital asset networks rely on decentralized miners for the network to function, and a reduction in the support of miners could adversely affect the value of the digital asset, and in turn, adversely affect our business.

Cryptocurrency mining for proof-of-work networks involves substantial commitments of physical resources, such as space and purpose-built hardware, and involves substantial ongoing commitments in power to run the network that is performing the mining. If at any time the rewards provided for mining become less valuable than the costs and expenses of running a mining operation, it can be expected that mining of such digital asset would greatly decline or even cease. For example, around the time of the Bitcoin reward halving in May 2020, the total network hash rate on the Bitcoin network declined by approximately 30%. Other external factors, such as a government taking action to prohibit or otherwise regulate mining activity could also result in a reduction in miners, as seen in China during June and July 2021. The cessation of mining operations would materially harm, if not shut down completely, the ability of the distributed network to verify transactions in such digital asset. A significant reduction in the number of miners may expose a digital asset network’s verification process to deliberate manipulation by malicious actors that come to control the verification process.

If the awards and fees paid for maintenance of a digital asset network are not sufficiently high to incentivize miners, miners may respond in a way that reduces confidence in the network. For example, Bitcoin miners collect fees for each transaction they confirm. Miners validate unconfirmed transactions by adding the previously unconfirmed transactions to new blocks in the blockchain. Miners are not forced to confirm any specific transaction, but they are economically incentivized to confirm valid transactions as a means of collecting fees. To the extent that any miners cease to record transactions in solved blocks, such transactions will not be recorded on the blockchain. Historically, miners have accepted relatively low transaction fees and have not typically elected to exclude the recording of transactions in solved blocks; however, to the extent that any such incentives arise (e.g., a collective movement among miners or one or more mining pools to reject low transaction fees), actions of miners solving a significant number of blocks could delay the recording and confirmation of transactions on the blockchain.

Any systemic delays in the recording and confirmation of transactions on a digital asset network could result in greater exposure to double-spending transactions and a loss of confidence in certain or all digital asset networks, or conversely, higher transaction fees on such digital asset networks, either of which could have a material adverse effect on our business, prospects, financial condition, and operating results.

The transition of digital asset networks from proof-of-work mining algorithms to proof-of-stake validation may significantly impact the value of our capital expenditures and investments in machines and real property to support proof-of-work mining, which could make us less competitive and ultimately adversely affect our business and the value of our ADSs.

Proof-of-stake is an alternative method of confirming digital asset transactions. Proof-of-stake algorithms do not rely on resource intensive calculations to validate transactions and create new blocks in a blockchain; instead, the validator of the next block is determined by reference to the amount of digital assets a user has “staked” and the amount of time it has been “staked,” which typically generates payments to such user in additional digital assets. Should a digital asset network shift from a proof-of-work consensus mechanism to a proof-of-stake consensus mechanism, the transaction confirmation process would require less power and may render any company that maintains advantages in the current climate with respect to proof-of-work mining (for example, from lower-priced electricity, processing, real estate, or hosting) less competitive. For example, the Ethereum blockchain is currently undergoing a transition from proof-of-work to proof-of-stake and, if successful, Ethereum mining equipment and other investments in Ethereum mining operations could become obsolete or be repurposed for mining other cryptocurrencies, which may be less profitable. If any of the cryptocurrencies we mine shift to proof-of-stake validation, we may lose the benefit of our capital investments and the competitive advantage we hope to gain from these capital investments, which were intended to improve the efficiency of our digital asset mining operations only with respect to proof-of-work networks. Such events could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects, financial condition, and operating results.

Growth in the popularity and use of proof-of-stake blockchain networks may adversely affect our business.

Currently, proof-of-work digital asset networks, such as Bitcoin, enjoy a first-to-market advantage over proof-of-stake networks and dominate the cryptocurrency markets. As the digital asset community continues to develop and advance proof-of-stake technologies, proof-of-stake networks may offer actual or perceived advantages over proof-of-work networks. If preferences in the cryptocurrency markets shift away from proof-of work networks and proof-of-stake networks achieve widespread adoption, it could attract users away from Bitcoin and the other proof-of-work cryptocurrencies we mine, which could have a material adverse effect on our business, our prospects or operations and potentially the value of cryptocurrencies we may mine or otherwise acquire or hold for our own account.

We have exposure to proof-of-stake networks through certain digital asset holdings and plan to increase such exposure in the future through Argo Labs. Such networks are generally not as widely adopted as proof-of-work networks and may be untested at scale. If proof-of-stake networks do not function as intended, our investments could be negatively affected, which may in turn adversely affect our business.

While a primary advantage of a proof-of-stake system is that it is far less power intensive than a proof-of-work system, this may result in lower barriers for entry, which may allow for increased participation by malicious actors with small stakes that attempt to manipulate the blockchain, or increase the risk that the digital asset will experience one or more forks, which could impact its value.

Some proof-of-stake networks require customer assets to be transferred into smart contracts on the underlying blockchain networks, which are not under our or anyone’s control. If the validators or delegators staking digital assets, any third-party service providers, or smart contracts fail to behave as expected, suffer cybersecurity attacks, experience security issues, or encounter other problems, such digital assets may be irretrievably lost. In addition, certain proof-of-stake networks dictate requirements for participation in the relevant decentralized governance activity, and may impose penalties, or “slashing,” if the relevant activities are not performed correctly, such as if the staker, delegator, or validator acts maliciously on the network, “double signs” any transactions, or experiences extended downtimes. If we or any projects we are invested in are slashed by the underlying blockchain network, we may experience losses. Furthermore, certain types of staking require the payment of transaction fees on the underlying blockchain network and such fees can become significant as the amount and complexity of the transaction grows, depending on the degree of network congestion and the price of the underlying digital asset. Any penalties or slashing events, or technological errors or vulnerabilities associated with staking activities could result in the loss of digital assets, and adversely impact our business.

Founders of digital assets or digital asset networks may also retain large amounts of a generated digital asset, which may result in such founders having an effective veto or ability to control the digital asset or its associated proof-of-stake blockchain network. As returns associated with staking are connected to the amount of the wealth staked, proof-of-stake systems may encourage hoarding of the digital asset. While there are advantages to having users “buy in” to a digital asset and support its development, excessive hoarding reduces the “decentralized” nature of verification of the blockchain and may impair the spread of such digital asset, including interfering with the widespread adoption of such digital assets for use in transactions.

Proof-of-stake networks are newer and generally not as widely used as proof-of-work networks, and may be untested at scale. As a result, proof-of-stake networks may not work as intended. If proof-of-stake networks do not function as intended, or fail to gain adoption, the value of digital assets relying on proof-of-stake consensus may be negatively affected, which could adversely affect the value of our investments and our business.

If the smart contract-based digital assets and decentralized technologies in which we are or become invested in, such as Ethereum, DeFi applications and Non-Fungible Tokens ("NFTs"), suffer from errors or attacks, or become subject to regulatory oversight or enforcement action, our investments could be negatively affected, which may have an adverse effect on our business.

Smart contracts are programs that run on certain digital asset networks, such as the Ethereum network and others, that execute automatically when certain conditions are met. Since smart contracts deployed on a blockchain typically cannot be stopped or reversed once the conditions are met, vulnerabilities in their programming can have damaging effects. For example, in June 2016, a vulnerability in the smart contracts underlying "The DAO," a distributed autonomous organization for venture capital funding, allowed an attack by a hacker to steal approximately $60 million worth of Ethereum from The DAO's Ethereum wallets. In the aftermath of the theft, certain developers and core contributors pursued a "hard fork" of the Ethereum Network in order to erase any record of the theft. Despite these efforts, the price of Ethereum dropped approximately 35% in the aftermath of the attack and subsequent hard fork. Similarly, in March 2020, a design flaw in the MakerDAO smart contract on Ethereum caused forced liquidations of digital assets at significantly discounted prices, resulting in millions of dollars of losses to users who had deposited crypto assets into the smart contract. More recently, a DeFi protocol, known as the Poly Network, that facilitates peer-to-peer transactions across different blockchain networks was subject to a hack that resulted in the theft of over $600 million worth of digital assets. Any such vulnerabilities or flaws that emerge or are discovered in the future could cause smart contract-based digital assets, including those we directly hold or have exposure to through our investments, to suffer negative publicity, be exposed to security vulnerabilities, decline significantly in value, or lose liquidity, all of which could adversely impact our business.

In limited cases, smart contracts can be controlled by one or more "admin keys" or users with special privileges ("super users"). These users have the ability to unilaterally make changes to the smart contract, enable or disable features on the smart contract, change how the smart contract receives external inputs and data, and make other changes to the smart contract. For smart contracts that hold a pool of reserves, these users may also be able to extract funds from the pool, liquidate assets held in the pool, or take other actions that decrease the value of the assets held by the smart contract in reserves. Even for digital assets that have adopted a decentralized governance mechanism, such as smart contracts that are governed by the holders of a governance token, such governance tokens can be concentrated in the hands of a small group of core community members, who would be able to make similar changes unilaterally to the smart contract. If any such super user or group of core members unilaterally makes adverse changes to a smart contract, the design, functionality, features and value of the smart contract and its related digital assets may be harmed. In addition, digital assets held by the smart contract in reserves may be stolen, misused, burnt, locked up or otherwise become unusable and irrecoverable. These super users can also become targets of hackers and malicious attackers. If an attacker is able to access or obtain the super user privileges of a smart contract, or if a smart contract's super-users or core community members take actions that adversely affects the smart contract, the affected digital assets may experience significant losses in functionality or value.

DeFi refers to a variety of blockchain-based applications or protocols that provide for peer-to-peer financial services using smart contracts and other technology rather than such services being offered by central intermediaries. Common DeFi applications include borrowing/lending digital assets, and providing liquidity or market making in digital assets. Because DeFi applications and protocols generally rely on the same types of underlying technologies as digital assets, most risks applicable to digital assets (including phishing, hacking, and risks related to blockchain networks) are also applicable to DeFi protocols and hence any investment by us into DeFi protocols and related digital assets will be subject to these same risks. Similarly, because DeFi applications rely on smart contracts, any errors, bugs or vulnerabilities in smart contracts used in connection with DeFi activities may adversely affect such activities. In addition, a malicious actor can exploit the structure of one or a series of smart contracts or applications in ways that do not technically constitute exploitation of a "bug" or flaw in the smart contract or application. For example, such an exploit has occurred repeatedly in the Ethereum DeFi ecosystem, whereby a decentralized exchange or lending application is designed to reference an external pricing source for a particular digital asset to determine when to liquidate collateral. By manipulating the price of the particular digital asset on a third-party platform (such as digital asset exchange), the pricing source used by the decentralized exchange or application is consequently manipulated, which then leads to uneconomic collateral liquidations on the decentralized exchange or application. Such errors or manipulation could undermine confidence in

DeFi projects or otherwise negatively affect the value of our investments in DeFi projects, which could negatively impact our business. Participating in DeFi ecosystems may require or involve the use of various third-party technology services. In the event of a material business disruption or security breach with any such service providers, or in the broader DeFi ecosystem in general, our investments in DeFi projects could be negatively affected.

In parallel with the wider digital assets sector, DeFi applications and protocols are subject to an uncertain regulatory environment. In part due to its early stage nature, DeFi is subjected to intense scrutiny from financial regulators and governments, who, for the most part, find the complexities in the technology, and the idea of a lack of identifiable regulated intermediaries, extremely challenging. Recently, the SEC has indicated it may be increasing its focus on DeFi projects. Certain SEC officials have made various public statements reflecting their belief that certain DeFi projects may implicate securities, commodities, and banking laws, and in August 2021, the SEC brought what the agency described as its first enforcement action "involving securities using DeFi technology." Accordingly, the use of DeFi applications may be subject to more risks than engaging in similar activities through regulated financial intermediaries. In November 2021, the President's Working Group ("PWG") on Financial Markets, along with the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency released a report calling for "urgent" congressional action with respect to stablecoins. Although the focus of the report was on stablecoins, the PWG commented extensively on DeFi, and cited a number of perceived risks of particular concern to the SEC and CFTC.

In addition, in certain decentralized protocols, it may be difficult or impossible to verify the identity of a transaction counterparty as necessary to comply with any applicable anti-money laundering, countering the financing of terrorism, or sanctions regulations or controls.

As DeFi applications and Proof-of-Stake networks become more popular and gain adoption, the response of regulators to DeFi and staking products will become an increasing risk. If DeFi or staking projects become subject to new regulatory oversight or are the subject of future regulatory enforcement actions, our investments could be adversely affected which may have a negative impact on our business.

NFTs are unique, one-of-a-kind digital assets made possible by certain digital network protocols. Because of their non-fungible nature, NFTs are able to introduce digital scarcity and have become popular as online "collectibles," similar to physical rare collectible items, such as trading cards or art. Like real world collectibles, the value of NFTs may be prone to "boom and bust" cycles as popularity increases and subsequently subsides. Certain metadata pertaining to NFTs may be stored "off-chain," i.e., not on a decentralized digital network. If an entity controlling an NFT project's external references ceases hosting relevant metadata relating to the NFTs, such NFTs may become worthless. If any of these events were to occur, it could adversely affect our NFT investments.

NFTs may be used in a variety of applications beyond collectibles, as with digital assets generally. For example, NFTs may be used in financial applications to represent individualized insurance policies or bespoke derivatives contracts. It is possible that certain NFTs could be deemed "commodity interests" under the Commodity Exchange Act or other regulated financial instruments in jurisdictions outside the United States.

In addition, fractional interests in a single NFT may also be created through a process called "sharding" or similar processes. Such fractional interests in NFTs may be considered securities for purposes of U.S. securities laws. NFTs may also be staked in order to generate new NFTs or other digital assets, and collective pools or schemes may be formed for staking NFTs. Although it is dependent on the specific facts and circumstances, newly created NFTs or Digital Assets generated from such staking activities may also be considered securities for purposes of U.S. federal securities laws.

If certain NFTs are "commodity interests" under the Commodity Exchange Act, "securities" for purposes of U.S. securities laws or regulated financial instruments in other jurisdictions, it may have an adverse effect on the overall value of the NFT or NFTs in general. While our company does not currently intend to invest or trade in NFTs that are regulated as financial instruments, such activities could create litigation or other legal expenses, including potential one-time or recurring registration and compliance costs, that may adversely affect the performance of the company.

Additionally, NFTs are primarily traded on centrally controlled NFT marketplaces, such as OpenSea. Participating in NFT ecosystems may require using such marketplaces to purchase and sell NFTs owned by our company. In the event that some or all NFT marketplaces delist or ban NFTs owned by our company, our investments in NFTs or related projects could be negatively affected. Furthermore, obtaining ownership of an NFT does not guarantee ownership or licensing rights for media associated with an NFT. As a result, our investments in NFTs could be negatively affected if NFTs owned by our company contain plagiarized media or are subject to other intellectual property disputes.

NFTs are typically created by smart contract applications and used to represent ownership of images and other forms of media. Given their reliance on smart contract platforms and applications, the risks described above pertaining to smart contracts (including phishing, hacking, and blockchain risks) apply equally to NFTs and NFT applications. Interacting with smart contracts to create NFTs could result in the loss of our funds if the smart contract malfunctions or is maliciously altered by an adversary.

Digital asset lending and borrowing activities, including activities involving or related to staking and DeFi, may be subject to future regulatory restrictions or enforcement actions and could adversely affect our business.

There are a variety of service providers in the digital asset industry which offer digital asset lending and borrowing services using either centralized financial intermediaries or DeFi smart contract applications. These services allow digital asset holders to deposit digital assets with a third party custodian or smart contract whereby such deposited assets will be lent out to borrowers and a portion of the proceeds from lending activities is repaid to the digital asset depositor. Similarly, staking service providers and smart contracts allow users to deposit digital assets receive additional digital assets as a reward for staking activities.

Recent action by the SEC and state regulatory agencies has signaled that regulators may escalate enforcement efforts regarding violations of federal and state securities laws by digital asset borrowing and lending services. On February 14, 2022, without admitting or denying the SEC’s findings, Blockfi Lending LLC agreed to a cease and desist order and payment of $100 million in fines and civil penalties for issuing and failing to register securities under the Securities Act, making material misrepresentations to investors, and failing to register as an investment company under the Investment Company Act of 1940 in connection with its retail digital asset lending products. Additional enforcement actions may be taken in the future regarding similar products and services offered by both centralized financial intermediaries and smart contract applications, including staking and DeFi.

In the future, we may engage in lending or borrowing digital assets through either a centralized financial intermediary or DeFi smart contract application. We also may deposit digital assets for staking through a staking service provider or smart contract. If the digital asset borrowing, lending or staking activities we engage in are subject to new regulatory restrictions or service providers of such activities are subject to future regulatory enforcement actions, our investments could be adversely affected which may have a negative impact on our business.

A temporary or permanent blockchain “fork” to any digital asset which we mine or otherwise hold could adversely affect our business.

Many digital asset networks, including Bitcoin, are open source. Anyone can download the network software, modify it, and then propose that users and miners adopt the modification. When a modification is introduced and a substantial majority of users and miners consent to the modification, the change is implemented and such digital asset networks may continue to function without disruption. However, if less than a substantial majority of users and miners consent to the proposed modification, and the modification is not compatible with the software prior to its modification, the consequence would be what is known as a “fork” (i.e., a “split”) of the impacted digital asset network and respective blockchain, with one prong running the pre-modified software and the other prong running the modified software. The effect of such a fork would be the existence of two parallel versions of the Bitcoin or other digital asset network, as applicable, running simultaneously, but with each split network’s digital asset lacking interchangeability.

The Bitcoin protocol has been subject to “forks” that resulted in the creation of new networks, including Bitcoin Cash ABC, Bitcoin Cash SV, Bitcoin Diamond, Bitcoin Gold and others. Some of these forks have caused fragmentation among trading platforms as to the correct naming convention for the forked digital assets.

Due to the lack of a central registry or rulemaking body, no single entity has the ability to dictate the nomenclature of forked digital assets, causing disagreements and a lack of uniformity among platforms on the nomenclature of forked digital assets, and which results in further confusion to individuals as to the nature of assets they hold on digital asset trading platforms. In addition, several of these forks were contentious and as a result, participants in certain digital asset user and developer communities may harbor ill will toward other communities. As a result, certain community members may take actions that adversely impact the use, adoption, and price of Bitcoin, Zcash, Ethereum or any of their forked alternatives.

Furthermore, hard forks can lead to new security concerns. For instance, when the Bitcoin Cash and Bitcoin Cash SV network split in November 2018, “replay” attacks, in which transactions from one network were rebroadcast on the other network to achieve “double-spending,” plagued platforms that traded Bitcoin, resulting in significant losses to some digital asset trading platforms. Another possible result of a hard fork is an inherent decrease in the level of security due to the splitting of some mining power across networks, making it easier for a malicious actor to exceed 50% of the mining power of that network, thereby making digital asset networks that rely on proof-of-work more susceptible to attack in the wake of a fork.

Future forks may occur at any time. However, Ethereum is currently in the process of implementing network upgrades to amend its consensus mechanism to include proof-of-stake and sharding. This upgrade may result in a fork of the Ethereum Network. A fork can lead to a disruption of networks and our information technology systems, cybersecurity attacks, replay attacks, or security weaknesses, any of which can further lead to temporary or even permanent loss of our assets. Such disruption and loss could cause us to be exposed to liability, even in circumstances where we have no intention of supporting an asset compromised by a fork.

Digital asset trading platforms may be subject to varying levels of regulation, which exposes our digital asset holdings to risks.

While certain digital assets may be traded through one or more exchanges or trading platforms of varying quality, digital assets as a class do not have a central marketplace for exchange. Digital asset platforms on which digital assets may trade pose special risks, as these platforms are generally new and the rules governing their activities are unsettled and their activities may be largely unregulated or under-regulated, and may therefore be more exposed to theft, fraud, and failure than established, regulated exchanges for other products. Digital asset platforms may be start-up businesses with limited institutional backing, limited operating history, and no publicly available financial information.

Digital assets traded on a blockchain do not rely on a trusted intermediary or depository institution. The participation in trading platforms requires users to take on credit risk by transferring digital assets from a personal account to a third party’s account. Accordingly, we are exposed to credit risk with respect to our counterparties in each transaction, including transactions directly with a counterparty sourced through an exchange or over the counter trading desk, as well as transactions directly with such an exchange. Digital asset exchanges may impose daily, weekly, monthly, or customer-specific transaction or distribution limits or suspend withdrawals entirely, rendering the exchange of digital assets for fiat currency difficult or impossible. Additionally, digital asset prices and valuations on exchanges have been volatile and subject to influence by many factors, including the levels of liquidity on particular platforms and operational interruptions and disruptions. The prices and valuation of digital assets remain subject to any volatility experienced by trading platforms, and any such volatility can adversely affect our digital asset holdings and the value of the digital assets we mine. It is possible that while engaging in transactions with various digital asset platforms located throughout the world, any such platform may cease operations voluntarily or involuntarily due to theft, fraud, security breach, liquidity issues, or government investigation without any recourse available to us.

Digital asset platforms are appealing targets for cybercrime, hackers, and malware and have been shut down or experienced losses of assets placed on the exchange as a result of cybercrime, and any such event is likely to result in the complete loss of assets placed on such a platform. Any governmental or regulatory action against such a digital asset trading platform may cause assets on such exchange to become frozen for a substantial period of time or forfeited, and could result in material opportunity costs or even in the total loss of such assets. In addition, banks may refuse to process or support wire transfers to or from digital asset trading platforms.

There are a limited number of digital asset trading platforms in operation, and many operate in jurisdictions outside of the United States. Trading on digital asset platforms outside of the United States may involve certain risks not applicable to trading on digital asset exchanges that operate in the United States. Foreign markets may be subject to instability, temporary closures due to fraud, business failure, local capital requirements or government-mandated regulations. Digital asset platforms located outside the United States may not be subject to regulatory, investigative, or prosecutorial authority through which an action or complaint regarding missing or stolen digital assets may be brought. Additionally, due to lack of globally consistent treatment and regulation of digital assets, certain platforms located outside the United States may not be currently available to, or may in the future become unavailable to, certain persons or entities based on their country of domicile, including the United States. While we perform diligence on our counterparties and any digital asset trading platforms that we may use, it may be difficult, or even impossible, to sufficiently verify the ultimate ownership and control of a digital asset trading platform and other information for evaluating the risks associated with such counterparty or platform. Any of our digital assets that reside on a trading platform that shuts down may be permanently unrecoverable, misapplied or otherwise lost. Additionally, to the extent that the digital asset platforms representing a substantial portion of the trading volume in particular digital asset are involved in fraud or experience security failures or other operational issues, such failures may result in loss or less favorable prices of the digital assets and may adversely affect our business and our operations, and consequently, an investment in our ADSs.

There may be a lack of liquid markets for digital assets, including Bitcoin, and such markets may be subject to manipulation.

Digital assets may not necessarily benefit from viable trading markets. Traditional securities and derivatives exchanges have listing requirements and vet issuers, requiring them to be subjected to rigorous listing standards and rules and monitoring investors transacting on such platform for fraud and other improprieties. These conditions may not be replicated on a digital asset trading platforms with less regulatory oversight than a traditional exchange’s controls and other policies. Digital asset trading platforms that do not maintain high standards and controls for vetting users that transact on the platform may be exposed to higher risk of fraud or manipulation. These factors may decrease liquidity or volume or may otherwise increase volatility of digital assets on such platforms, which may adversely affect us. Such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue our business strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any Bitcoin or other digital assets we mine or otherwise acquire or hold for our own account, and harm our investors.

We may face risks of internet disruptions, which could have an adverse effect on both the price of digital assets and our ability to operate our business.

Digital asset networks, and our business of mining cryptocurrencies, are dependent upon the internet. A significant disruption in internet connectivity could disrupt a digital asset network’s operations until the disruption is resolved and have an adverse effect on the price of cryptocurrencies and our ability to mine cryptocurrencies. A broadly accepted and widely adopted decentralized network is necessary for most digital assets networks to function as intended. Features of digital asset networks, such as decentralization, open source protocol, and reliance on peer-to-peer connectivity, are essential to preserve the stability of the network and decrease the risk of fraud or cyber-attacks. A disruption of the internet or a digital asset network would affect the ability to transfer digital assets, and consequently, their value, as well as our ability to mine digital assets. A significant disruption of internet connectivity (e.g., affecting large numbers of users or geographic regions) could prevent a digital asset network’s functionality and operations until the internet disruption is resolved.

A disruption of the internet may affect the functioning of digital asset networks and the use of digital assets and subsequently the value of our ADSs.

The impact of geopolitical and economic events on the supply and demand for digital assets is uncertain.

Geopolitical crises may motivate large-scale purchases of Bitcoin and other digital assets, which could increase the price of Bitcoin and other digital assets rapidly. This may increase the likelihood of a subsequent price decrease as crisis-driven purchasing behavior dissipates, adversely affecting the value of our inventory following such downward adjustment. Such risks are similar to the risks of purchasing commodities in general in uncertain times, such as the risk of purchasing, holding or selling gold. Alternatively, as an emerging asset class with limited acceptance as a payment system or commodity, global crises and general economic downturn may discourage investment in digital assets as investors focus their investment on less volatile asset classes as a means of hedging their investment risk.

As an alternative to fiat currencies or CBDCs that are backed by central governments, most digital assets, which are a relatively new type of asset, are subject to supply and demand forces. How such supply and demand will be impacted by geopolitical events is largely uncertain but could be harmful to us and investors in our ADSs. Political or economic crises may motivate large-scale acquisitions or sales of digital assets either globally or locally. Such events could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any Bitcoin or any other digital assets we mine or otherwise acquire or hold for our own account.

Our operations, investment strategies and profitability may be adversely affected by competition from other methods of investing in digital assets or tracking digital asset markets.

We compete with other users and/or companies that are mining digital assets and other potential financial vehicles that seek to provide exposure to digital asset prices, including securities backed by, or linked to, digital assets. Market and financial conditions, and other conditions beyond our control, may make it more attractive to invest in certain financial vehicles, or to invest in digital assets directly, which could limit the market for our ADSs and reduce their liquidity. In addition, the emergence of other financial vehicles and exchange-traded funds that provide exposure to digital asset prices have been scrutinized by regulators and such scrutiny and the negative impressions or conclusions resulting from such scrutiny could be applied to our business and impact our ability to successfully pursue our strategy or operate at all, or to establish or maintain a public market for our ADSs.

The global market for digital assets is generally characterized by supply constraints that may differ from those present in the markets for commodities or other assets such as gold and silver. The mathematical protocols under which certain digital assets are mined permit the creation of a limited, predetermined amount of currency, while others have no limit established on total supply. To the extent that other vehicles investing in digital assets or tracking digital asset markets form and come to represent a significant proportion of the demand for digital assets, large redemptions of the securities of those vehicles and the subsequent sale of digital assets by such vehicles could negatively affect digital assets prices and therefore affect the value of the digital asset inventory we hold.

There has also been a growing number of attempts to list on national securities exchanges the shares of funds that hold Bitcoin and other cryptocurrencies or that have exposures to Bitcoin and other cryptocurrencies through derivatives, such as Bitcoin-based exchange traded funds (“ETFs”). These investment vehicles attempt to provide institutional and retail investors exposure to markets for cryptocurrencies and related products. To date, the SEC has repeatedly denied such requests. The exchange listing of shares of a Bitcoin ETF or other cryptocurrency-based funds would create more opportunities for institutional and retail investors to invest more directly in Bitcoin or other cryptocurrencies that may be more attractive than an investment in our ADSs, and consequently, have a negative impact on the price of our ADSs. Conversely, if exchange-listing requests for an ETF are not approved by the SEC and further requests are ultimately denied by the SEC, increased investment interest by institutional or retail investors could fail to materialize, which could reduce the demand for digital assets generally and therefore adversely affect the price of our ADSs.

Such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue our strategy at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any Bitcoin, Zcash or other cryptocurrencies we mine or otherwise acquire or hold for our own account, and harm investors in our ADSs.

The nature of our business requires the application of complex financial accounting rules, and there is limited guidance from accounting standard setting bodies. If financial accounting standards undergo significant changes, our operating results could be adversely affected.

The accounting rules and regulations that we must comply with are complex and subject to interpretation by the IFRS Foundation, International Accounting Standards Board, or the IASB, the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and may even affect the reporting of transactions completed before the announcement or effectiveness of a change. Recent actions and public comments from the IASB and the SEC have focused on the integrity of financial reporting and internal controls. In addition, many companies’ accounting policies are being subject to heightened scrutiny by regulators and the public. Further, there has been limited precedents for the financial accounting of cryptocurrencies and related valuation and revenue recognition, and no official guidance has been provided by the IASB or the SEC. As such, there remains significant uncertainty on how companies can account for cryptocurrencies transactions, cryptocurrencies, and related revenue. Uncertainties in or changes to regulatory or financial accounting standards could result in the need to change our accounting methods and restate our financial statements and impair our ability to provide timely and accurate financial information, which could adversely affect our financial statements, result in a loss of investor confidence, and more generally impact our business, operating results and financial condition.

Risks Related to Third Parties

We rely on a third-party custodian for the long-term holding of our digital assets, and actual or perceived security threats could result in the loss of our assets, which would have an adverse impact on our ADSs.

We rely on third parties to safeguard our digital assets from theft, loss, destruction or other issues relating to hackers and technological attack, including Gemini Custody, a product of the Gemini Trust Company, LLC (the "Custodian") for our long-term Bitcoin holdings. Such parties are responsible for taking such steps as they determine, in their sole judgment, to be required to maintain access to the private keys controlling our digital assets and prevent their exposure from hacking, malware and general security threats, including the use of "cold storage," of our long-term holdings. These safeguards may be breached due to the actions of outside parties, our third-party service providers or partners, error or malfeasance of an employee of ours, the Custodian or otherwise, and, as a result, an unauthorized party may obtain access to our assets held with the Custodian, our private keys (and therefore the digital assets) or other data. Additionally, threat actors may attempt to fraudulently induce our employees or those of the Custodian to disclose sensitive information (including personal data) in order to gain access to our or the Custodian's infrastructure. As the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, or may be designed to remain dormant until a predetermined event and often are not recognized until launched against a target, either or both of the Company and the Custodian or other service providers may be unable to anticipate these techniques or implement adequate preventative measures. In addition, these third parties, including the Custodian, may become insolvent, in which case we may have difficulty accessing digital assets held by those third parties and may even lose all or a portion of the digital assets held by such parties. Financial difficulty, fraud or misrepresentation at one of these institutions could also impair our operational capabilities or capital position. An actual or perceived security breach (including data, cyber and physical) at the Custodian could harm our ability to operate, result in loss of our assets, damage our reputation and negatively affect the market perception of our effectiveness, all of which could in turn adversely affect the value of our ADSs.

The limited rights of legal recourse against the custodians of our digital assets available to us and our lack of insurance protection for risk of loss of our digital assets exposes us to the risk of loss of our digital assets for which no person may ultimately be held liable and we may not be able to recover our losses.

We do not insure the digital assets that we hold against loss, including losses due to theft, destruction, inability to access digital assets or loss in value. While the Custodian holding our long-term digital asset holdings has indicated to us that it has insurance coverage of up to $200 million that covers losses of the digital assets it custodies on behalf of its clients, including our digital assets, resulting from theft, we cannot be assured that the Custodian will maintain adequate insurance or that such coverage will cover all theft-related losses with respect to our digital assets. For example, if the Custodian suffered a theft resulting in losses greater than $200 million, claims would be distributed pro rata among affected clients. Furthermore, under the custodian agreement, the Custodian is not liable to us for any lost profits or any direct, special, incidental, indirect, intangible, or consequential damages, whether based in contract, tort, or negligence, and whether or not the Custodian has been advised of such losses or the Custodian knew or should have known of the possibility of such damages. In addition, our digital assets held by the Custodian and the digital asset trading platforms we use are not deposits insured by the Federal Deposit Insurance Corporation and are not protected by the Securities Investor Protection Corporation. In the UK, the digital assets held by the Custodian and the digital asset trading platforms we use are not protected by the Financial Services Compensation Scheme. In Canada, our digital assets held by the Custodian and the digital asset trading platforms we use are not insured by the Canadian Deposit Insurance Corporation and are not protected by the Canadian Investor Protection Fund. Therefore, a theft-related loss may be suffered with respect to our digital assets which is not covered by insurance and we may not be able to recover any of the value in these digital assets if they are lost or stolen. Certain of the digital asset trading platforms we use are located outside of Western Europe and North America, and we may also have difficulty in successfully pursuing claims in the courts of such countries or enforcing in the courts of such countries a judgment obtained by us in another country. In general, certain less developed countries lack fully developed legal systems and bodies of commercial law and practices normally found in countries with more developed market economies, and even in more developed market economies, digital assets can present novel challenges with potential uncertainties in applying existing case law or legislation to new or novel scenarios.

If we are not otherwise able to recover losses and damages arising from the loss or theft of our digital assets, our business and results of operations may suffer, which may have a material negative impact on our ADS price.

We may store our digital assets on digital asset trading platforms that are less secure than that of our Custodian, which could subject our digital assets to the risk of loss or access.

Although we rely on the Custodian to secure our long-term digital asset holdings, we also store our digital assets on various digital asset trading platforms, including through “hot” wallets, which requires us to rely on the security protocols of these trading platforms to safeguard our digital assets. No security system is perfect and other trading platforms have been subject to hacks resulting in the loss of businesses’ and customers’ digital assets in the past. Such trading platforms may not be as well capitalized as the Custodian and (i) may have different or less adequate security procedures and operational infrastructure than the Custodian, (ii) may not have insurance to a level necessary to cover any loss or (iii) may not recompensate for loss where permitted under the laws of the relevant jurisdiction. In addition, malicious actors may be able to intercept our digital assets when we transact in or otherwise transfer our digital assets, such as moving our digital assets from long-term cold storage with the Custodian to our accounts at a trading platform or other “hot” wallets. Malicious actors may also be able to intercept our digital assets while we are in the process of selling them via such trading platforms. Digital asset trading platforms have been an appealing target for malicious actors in the past, and given the growth in their size and their relatively unregulated nature, we believe these trading platforms will become a more appealing target for malicious actors. An actual or perceived security breach at the digital asset trading platforms with which we have accounts could harm our ability to operate, result in loss of our assets, damage our reputation and negatively affect the market perception of our effectiveness, all of which could adversely affect the value of our ADSs.

Disruptions at over-the-counter (“OTC”) trading desks and potential consequences of an OTC trading desk’s failure could adversely affect our business.

There are a limited number of over-the-counter (i.e., non-exchange) traders with which we intend to transact in digital assets to convert our digital assets to fiat currencies. A disruption at or withdrawal from the market by any such OTC trading desk may adversely affect our ability to purchase or sell digital assets, which may negatively impact our business and operations. A disruption at one or more OTC trading desks will reduce liquidity in the market and may negatively impact our ability to value our Bitcoin. If our preferred OTC trading desks are unavailable to us, we may not be able to liquidate our Bitcoin at favorable prices, or we may be subject to unfavorable trading fees and associated costs.

Banks and financial institutions may not provide banking services, or may cut off services, to businesses that engage in digital asset-related activities or that accept digital assets as payment, including financial institutions of investors in our ADSs.

In the future, we may be unable to find banks or financial institutions that are willing to provide us with bank accounts and other services or such service may be interrupted by government action, as has happened to other companies in our industry. This could occur as a result of compliance risk, cost, government regulation or public pressure. The risk applies to securities firms, clearance and settlement firms, national stock and derivatives on commodities exchanges, the over-the-counter market, and the Depository Trust Company. A decision by any such entity to adopt or implement such policies, rules or regulations, could negatively affect our relationships with such financial institutions and impede our ability to convert digital assets to fiat currencies. Such factors could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all, which could have a material adverse effect on our business, prospects or operations and harm investors.

We are exposed to risk of nonperformance by counterparties in our power supply arrangements, including our counterparties under the planned power arrangements.

We are exposed to risk of nonperformance by counterparties in our power supply arrangements, whether contractual or otherwise. Risk of nonperformance includes inability or refusal of a counterparty to perform because of a counterparty’s financial condition and liquidity or for any other reason. For example, our counterparties under the planned power arrangements may be unable to deliver the required amount of power for a variety of technical or economic reasons. Furthermore, there is a risk that during a period of power price fluctuations or prolonged or sharp power price increases on the market, our counterparties may find it economically preferable to refuse to supply power to us, despite the contractual arrangements. Any significant nonperformance by counterparties could have a material adverse effect on our business, prospects, financial condition, and operating results.

Risks Related to Cryptocurrency Mining

There are risks related to technological obsolescence, the vulnerability of the global supply chain for cryptocurrency mining hardware to disruption, and difficulty in obtaining new hardware which may have a negative effect on our business.

Our mining operations can only be successful and ultimately profitable if the costs, including hardware and electricity costs, associated with mining cryptocurrencies, including Bitcoin, are lower than the revenue we are able earn from mining such cryptocurrencies. Over the course of our mining operations, our mining machines experience ordinary wear and tear, and may also face more significant malfunctions caused by a number of extraneous factors beyond our control. In addition, advances in mining technology will require us to, over time, replace those mining machines which are no longer profitable. These repair and upgrading processes require substantial and continuous capital investment, and we may face challenges in doing so on a timely and cost-effective basis. In addition, there is no guarantee that our mining machines will be free from defect or failure, and any such failures or defects could require us to seek replacements for newly acquired mining machines.

For example, we purchased more than 15,000 Bitmain Antminer 17 series mining machines in 2019 and 2020. Since deployment, our Antminer 17 series fleet has experienced a failure rate of 38%. While we are currently taking steps to mitigate such issues, there can be no assurance that we will be successful in doing so, or that we will be able to successfully replace such machines, if necessary, in a timely manner or at all. As new technological innovations occur, including in quantum computing, there are no assurances that we will be able to adopt or effect such new innovations, or that we will be able to acquire new and improved equipment to stay competitive or that our existing software or other equipment will not become obsolete, uncompetitive or inefficient. Disruption to our supply chain could prevent us from acquiring this software and any other equipment required to operate our business and remain competitive, which could have a material adverse effect on our business, results of operations and financial condition.

We face competition in acquiring mining machines from major manufacturers, and at a given time, mining machines may only be available for pre-order months in advance. For example, the lead time for new mining hardware from our manufacturers varies from three to 12 months depending on a number of factors, including: the manufacturer, type of hardware and technology, and market conditions. When mining conditions are favorable, the lead time usually increases from all suppliers and manufacturers in the industry and tends to be between six to 12 months. If we are unable to acquire new mining machines, or if our cost for new mining machines is excessively high, we may not be able to keep up with our competitors, which may materially and adversely affect our business and results of operations. In some periods, the industry has experienced, and we expect may experience again in the future, a scarcity of advanced mining machines, as few manufacturers are capable of producing a sufficient number of mining machines of adequate quality to meet demand. We have acquired, and may continue to acquire in the future, mining machines through our third-party hosting providers that have relationships with equipment suppliers. Such orders are typically in “bulk” and therefore there is no guarantee that we will receive our full allocation of mining machines if the supplier does not deliver the full order. Furthermore, as we transition to operating our own facilities, we will be required to establish and maintain relationships with mining machine manufacturers directly, and we may face competition from larger or other preferred customer relationships. As a result of intense competition for the latest generation mining machines, or if we unexpectedly need to replace our mining machines due to a faulty shipment or other failure, we may not be able to secure replacement machines at reasonable costs on a timely basis.

Various COVID-19-related restrictions on travel, work, and movement of goods and supplies, as well as the cumulative impact of the mounting number of lost working days as a result of COVID-19, have already put strain on our manufacturing partners and suppliers to produce and deliver a sufficient number of products needed to meet the global demand for mining machines. This has had a particularly strong impact on the global supply chain and availability of semiconductors, which are used in the manufacture of the ASIC chips used in the mining machines we operate. The strain on the global supply of semiconductors, largely stemming from manufacturing interruptions due to COVID-19-related disruptions, has resulted in decreased production across many industrial sectors. Should similar outbreaks or other disruptions to the global supply chain for cryptocurrency hardware occur, we may not be able to obtain adequate replacement parts for our existing mining machines or to obtain or to lease additional mining machines from manufacturers or other third parties on a timely basis. Such events could have a material adverse effect on our ability to pursue our business strategy, which could have a material adverse effect on our business and the value of our ADSs.

Our mining facilities and mining equipment may experience damages, including damages that are not covered by insurance.

Our current mining operations in Canada and the United States are, and any future mining facilities we establish or which we mine from will be, subject to a variety of risks relating to physical condition and operation, including:

- the presence of construction or repair defects or other structural or building damage;
- any noncompliance with, or liabilities under, applicable environmental, health or safety regulations or requirements or building permit requirements;
- any damage resulting from natural disasters, such as hurricanes, earthquakes, fires, floods and windstorms; and
- claims by employees and others for injuries sustained at our properties.

For example, our facilities could be rendered inoperable, temporarily or permanently, as a result of a fire or other natural disaster or by a terrorist or other attack on the facility or infrastructure on which it relies. The security and other measures we take to protect against these risks may not be sufficient or may be outside of our control. Additionally, our hosted and owned facilities could be materially adversely affected by local or regional failures in infrastructure, a power outage or loss of access to the electrical grid or loss by the grid of cost-effective sources of electrical power generating capacity (including but not limited to increased charges or costs applicable to specific sectors in line with national or regional policies). Given the power requirement, it would not be feasible to run our mining machines on back-up power generators in the event of a power outage. We cannot control the supply of electricity used by its operations nor do we have alternate sources of off-grid supply.

The potential physical impacts of climate change on our operations are highly uncertain and would be particular to the geographic circumstances in areas in which we operate. These may include changes in rainfall and storm patterns and intensities, water shortages, changing sea levels and changing temperatures. The impacts of climate change may materially and adversely impact the cost, production and financial performance of our operations. Further, any impacts to our business and financial condition as a result of climate change are likely to occur over a sustained period of time and are therefore difficult to quantify with any degree of specificity. For example, extreme weather events may result in adverse physical effects on portions of our infrastructure, which could disrupt our supply chain and ultimately our business operations. In addition, disruption of transportation and distribution systems could result in reduced operational efficiency. Climate related events have the potential to disrupt our business and may cause us to experience higher attrition, losses and additional costs to resume operations.

The performance and reliability of our mining technology will also be critical to our reputation and our operations. If there are any technological issues with our mining equipment, our entire fleet could be affected. In particular, any error or failure may significantly delay response times or even cause our mining operations to fail. For example, we purchased more than 15,000 Bitmain Antminer 17 series mining machines in 2019 and 2020. Since deployment, our Antminer 17 series fleet has experienced a failure rate of 38%. A majority of the failures occurred due to manufacturing defects and flaws, and primarily involved hash boards overheating and burning out, which we understand have been experienced across the industry with the model. While we are currently taking steps to mitigate such issues, such as the implementation of new technologies and processes like immersion cooling technology, there can be no assurance that we will be successful in doing so. Any disruption in our ability to continue mining could result in lower yields and harm our reputation and business. Any exploitable weakness, flaw, or error common to our mining equipment may affect our ability to mine, and if a defect other flaw is exploited, our entire mining operation could go offline simultaneously. Any interruption, delay or system failure could have a material adverse effect on our business, prospects, financial condition, and operating results.

In the event of an uninsured loss, including a loss in excess of insured limits, at any of the hosted or owned facilities in our network, such mining machines may not be adequately repaired in a timely manner or at all and we may lose some or all of the future revenues anticipated to be derived from such mining machines.

We rely on third-party mining pool operators to pay us mining rewards, the failure of which would have a negative impact on our operations.

We currently participate in mining pools organized by third parties to receive our mining rewards. Mining pools allow miners to combine their processing power, increasing their chances of solving a block and getting paid by the network, as well as provide ancillary services such as dashboard and other monitoring software. The rewards are collected by the pool operator and then distributed by the pool operator to each miner in the pool, proportionally to a miner’s contribution to the pool’s overall mining power, used to generate each block.

If the pool operator’s system suffers downtime due to a cyberattack, software malfunction or other similar issue, it will negatively impact our ability to mine and receive revenue. Furthermore, we are dependent on the accuracy of the mining pool operator’s record keeping to accurately record the total processing power provided to the pool for a given Bitcoin or other cryptocurrency mining application in order to assess the proportion of that total processing power we provided. While we have internal methods of tracking both our power provided and the total power used by the pool, the mining pool operator uses its own record-keeping to determine our proportion of a given reward. We may have little means of recourse against the mining pool operator if we fail to receive a payout or determine the proportion of the reward paid out to us by the mining pool operator is incorrect, other than leaving the pool. If we are unable to consistently obtain accurate proportionate rewards from our mining pool operators, we may experience reduced reward for these efforts, which would have an adverse effect on our business and operations. In addition, our proportion of mining rewards are temporarily held by the operator of the pool until they are distributed to us. During this time, our cryptocurrency may be subject to risk of loss due to theft or loss, among other things, and distributions of our cryptocurrency from the pool operator to our Custodian or other wallets may be intercepted by malicious actors.

If the pool operator ceases to provide services (whether related to a cyberattack, software malfunction or other similar issue) or discovers a shortfall in the digital assets held by the pool, the revenue generated by us from the pool may never be paid to us, and we may have little means of recourse against the mining pool operator.

The primary cryptocurrencies for which we currently mine, Bitcoin and Zcash, are subject to halving; the cryptocurrency reward for successfully uncovering a block will halve several times in the future and the cryptocurrency’s value may not adjust to compensate us for the reduction in the rewards we receive from our mining efforts.

Halving is a process designed to control the overall supply and reduce the risk of inflation in cryptocurrencies using a proof-of-work consensus algorithm. At a predetermined block, the mining reward is cut in half, hence the term “halving.” For Bitcoin, the reward was initially set at 50 Bitcoin currency rewards per block and this was cut in half to 25 on November 28, 2012 at block 210,000, again to 12.5 on July 9, 2016 at block 420,000 and again to 6.25 on May 11, 2020 at block 630,000. The next halving for Bitcoin is expected in 2024 at block 840,000, when the reward will reduce to 3.125. This process will reoccur until the total amount of Bitcoin currency rewards issued reaches 21 million, which is expected around 2140. Currently, the total number of Bitcoin currency rewards issued is approximately 18 million. Similarly, Zcash first halved on November 18, 2020 at block 1,046,400 from 6.25 to 3.125. Zcash will halve every 840,000 blocks. While Bitcoin and Zcash prices have had a history of price fluctuations around the halving of their respective cryptocurrency rewards, there is no guarantee that the price change will be favorable or would compensate for the reduction in mining reward. If a corresponding and proportionate increase in the trading price of these cryptocurrencies does not follow these anticipated halving events, the revenue we earn from our mining operations would see a corresponding decrease, which would have a material adverse effect on our business and operations.

We may not be able to secure access to electricity on a sufficiently firm and unrestricted basis or at a price that we are willing to pay.

Cryptocurrency mining is dependent on access to stable and reliable electricity supply. There has been a substantial increase in the demand for electricity for cryptocurrency mining, and this has had varying impacts on local electricity supply. Additionally, we currently rely on renewable sources of power and plan to increase our reliance on renewable sources of power in the future. Renewable power is generally an intermittent and variable source of electricity, which may not always be available. Because the electrical grid has very little storage capacity, the balance between electricity supply and demand must be maintained at all times to avoid a blackout or other cascading problem. Intermittent sources of renewable power are challenging because they disrupt the conventional methods for planning the daily operation of the electrical grid. Their power fluctuates over multiple time horizons, forcing the grid operator to adjust its day-ahead, hour-ahead, and real-time operating procedures.

Should our operations require more electricity than can be supplied in the areas where our mining facilities are located or should the electrical transmission grid and distribution systems be unable to provide the continuous, steady supply of electricity required, we may have to limit or suspend activities or reduce the speed of our proposed expansion, either voluntarily or as a result of either quotas imposed by energy companies or governments, or increased prices for certain users (such as us). If we are unable to procure electricity at a suitable price, we may have to shut down our operations in that particular jurisdiction either temporarily or permanently. Additionally, our cryptocurrency mining machines would be materially adversely affected by a power outage. Given the power requirement, it would not be feasible to run mining machines on back-up power generators in the event of a government restriction on electricity or a power outage, which may be caused by weather, acts of God, wild fires, pandemics, falling trees, falling distribution poles and transmission towers, transmission and distribution cable cuts, other force majeure events in the electricity and natural gas markets and/or the negligence or malfeasance of others. If we are unable to receive adequate power supply and are forced to reduce our operations due to the availability or cost of electrical power, our business would experience materially negative impacts.

Certain government actors have begun to intervene with the supply of electrical energy to cryptocurrency miners. For example, in the Canadian province of Québec, Hydro-Québec (a Crown entity which manages the generation, transmission and distribution of electricity throughout the province) has set rates and service conditions specifically for enterprises involved in cryptocurrency mining as a result of increased electricity demand from cryptocurrency miners. On July 19, 2018, the Régie de l'Énergie (the "Régie", a provincial administrative tribunal which sets the price of electricity supplied directly by Hydro-Québec) approved a provisional tariff of CA$0.15/kWh on cryptocurrency mining facilities built after that date. On April 29, 2019, the Régie rendered a decision to create a new class of energy consumers called "Electricity consumer class for cryptographic use applied to blockchain." The Régie decided to allocate to this new class an aggregate supply of 300 megawatts of electricity, with the requirement to curtail electricity use during peak hours at Hydro-Québec's request (up to a maximum of 300 hours a year). Cryptocurrency mining projects will be required to submit tenders to consume electricity from the 300 megawatts block based exclusively on economic development and environmental criteria. On January 28, 2021, the Régie decided that the existing subscriptions on the Hydro-Québec network will be subject to non-firm service, starting in Winter 2021/2022. The non-firm service will apply for a maximum of 300 hours/year, without any monetary compensation. Consequently, cryptocurrency mining entities in Québec are now subject to non-firm service with a restriction on supply and provisional tariffs.

If we are unable to receive adequate power supply and are forced to reduce our operations due to the availability or cost of electrical power, our business would experience materially negative impacts.

Our mining activities for digital assets other than Bitcoin are subject to unique risks, may not be as profitable as mining Bitcoin, and may negatively impact our financial condition.

We opportunistically mine digital assets other than Bitcoin, such as Zcash and other cryptocurrencies, and plan to mine other alternative digital assets, including potentially Ethereum, in the future. While these alternative digital assets broadly are subject to the same types of risks as Bitcoin (See Item 3. D. "Risk Factors—Risks Related to Digital Assets"), such risks may impact particular digital assets differently, or not at all. For example, the alternative digital assets we mine may have a variety of intended use cases, be subject to different consumer preferences and face different security risks, among other differences, all of which could negatively affect the value and use or adoption of such digital assets. Furthermore, because such alternative digital assets generally do not have the same popularity or operating history as Bitcoin, any actual or perceived risks or adverse events affecting alternative digital assets could result in a greater loss of confidence in such assets than if the same adverse events occurred with respect to Bitcoin.

Our mining operations generally involve asset-specific capital expenditures. For example, the equihash mining machines we use for mining Zcash cannot be used to mine Bitcoin, and our Bitcoin mining machines cannot be used to mine Zcash. We may in the future order mining machines that are purpose-built for mining certain digital assets that use different hashing algorithms. To the extent we make capital investments or purchases related to mining alternative digital assets that decline in value or adoption, or fail to increase in value or adoption according to our expectations, the profitability of such investments or purchases would be adversely affected, which may in turn adversely affect our financial condition and operating results.

As a result of the Federal Power Act and the U.S. Federal Energy Regulatory Commission's regulations over public utilities and reliability of the interstate transmission grid, suppliers of electricity that are required for our operation may be required to curtail or discontinue the supply of electricity to our cryptocurrency mining operations, including regulations seeking to limit carbon dioxide emissions from power generation.

Under the Federal Power Act (the "FPA"), the Federal Energy Regulatory Commission ("FERC") has jurisdiction over certain facilities used in the generation and transmission of electricity, including transmission facilities, certain generation interconnection facilities, power plant change in control, operation of the transmission grid, and various "paper" facilities, such as wholesale power sales contracts and market-based rate tariffs. The FPA requires FERC to establish and maintain reliability standards, and FERC has designated the National Electric Reliability Coordinator to effectuate this obligation. Operation of the transmission grid in several regions in which we may locate our cryptocurrency mining facility are governed by Independent System Operators ("ISO") or Regional Transmission Organizations ("RTO"), all which are public utilities subject to FERC jurisdiction. To effectuate the continuous, firm supply electricity necessary for productive operation of our crypto-mining operation, it is expected to be necessary to co-locate our facilities with power generation facilities and have such power generation facilities obtain approval from relevant ISO/RTO and other authorities to derate their generation resource for ISO/RTO purposes in favor of supplying electricity to our mining operations.

Such approvals may not be forthcoming on terms that are economic or practicable. Federal authorities may also pursue and implement legislation and regulation that seeks to limit the amount of carbon dioxide produced from electric generation, which would affect our ability to source electricity from fossil fuel-fired electric generation in a potentially material adverse manner. The bankruptcy or insolvency of any power generator or wholesale market supplier from whom we expect to obtain supply for our mining operations could also result in a curtailment or loss of supply, which would have a material adverse effect on ability to continue mining operations.

We may be affected by price fluctuations in the wholesale and retail power markets.

While we anticipate that the majority of our power arrangements will contain fixed power prices, we expect that they may contain certain price adjustment mechanisms in case of certain events. Furthermore, some portion of our power arrangements is expected to be priced by reference to published index prices and, thus, reflect market movements.

Market prices for power, generation capacity and ancillary services, are unpredictable. Depending upon the effectiveness of any price risk management activity undertaken by us, an increase in market prices for power, generation capacity, and ancillary services may adversely affect our business, prospects, financial condition, and operating results. Long- and short-term power prices may fluctuate substantially due to a variety of factors outside of our control, including, but not limited to:

- changes in power transmission or fuel transportation capacity constraints or inefficiencies;
- volatile weather conditions, particularly unusually hot or mild summers or unusually cold or warm winters;
- technological shifts resulting in changes in the demand for power or in patterns of power usage, including the potential development of demand-side management tools, expansion and technological advancements in power storage capability and the development of new fuels or new technologies for the production or storage of power;
- federal and state power, market and environmental regulation and legislation; and
- changes in capacity prices and capacity markets.

If we are unable to secure power supply at prices or on terms acceptable to us, it would have a material adverse effect on our business, prospects, financial condition, and operating results.

As a result of state and local regulations over electric distribution utilities and retail electricity suppliers, we may not be able to obtain electricity on terms and conditions that are economic and practicable.

To the extent that our consumption of electricity is viewed as a retail sale of electricity, then state and local authorities will have jurisdiction over such retail sale and the distribution of electricity to our retail use. Such regulation and costs as required by state and local authorities may not be economic or practicable for our mining operations. State and local authorities may also pursue and implement legislation and regulation that seeks to limit the amount of carbon dioxide produced from electric generation, which would affect our ability to source electricity from fossil fuel-fired electric generation in a potentially material adverse manner. There may also be other utility services required for the productive, efficient operation of our mining facilities, such as use of water. Obtaining the regulatory approvals and terms of service for any needed supply of water may not be forthcoming on terms that are economic and practicable to our mining operations. The bankruptcy or insolvency of any electric distribution utility or retail electric supplier from whom we expect to obtain supply for our mining operations could also result in a curtailment or loss of supply, which would have a material adverse effect on ability to continue mining operations.

We may have difficulty finding suitable mining facilities.

We currently operate our cryptocurrency mining machines from two owned facilities in Canada and four hosted facilities in the United States. On February 2, 2021, our wholly owned subsidiary, Argo Innovations Labs Inc., signed a share purchase agreement with GPU.one to acquire two facilities where its mining machines are currently hosted in Baie Comeau, Canada and Mirabel, Canada. Additionally, in March 2021, we acquired 160 acres of land, as well as an option to acquire an additional 157 acres of adjacent land in Texas, where we are building a new 200-megawatt mining facility. Any mining facilities we establish can only be successful if we can obtain sufficient electrical power to support mining on a cost-effective basis, and our establishment of new mining facilities requires us to find locations where that is the case. There may be significant competition for suitable mining facility locations, and government regulators may potentially restrict the ability of electricity suppliers to provide electricity to mining operations in times of electricity shortage, or may otherwise potentially restrict or prohibit the provision or electricity to mining operations.

Our hosting agreements are subject to renegotiation and cost volatility. In the future, we may not be able to renew our hosting agreements on acceptable terms, in which case we would need to relocate our established mining operations. Relocating any mining operation will require incurrence of costs to transition to a new facility including, but not limited to, transportation expenses and insurance, downtime while we are unable to mine, legal fees to negotiate the new hosting agreements, de-installation at our current facility and, ultimately, installation at any new facility we identify. These costs may be substantial, and we cannot guarantee that we will be successful in transitioning our mining machines to a new facility. Such circumstances could have a material adverse effect on our business, prospects, financial condition, and operating results. In addition, we may have difficulty locating sites which satisfy our requirements at a cost we are willing to pay. If we are unable to find suitable mining facility locations this may have a material impact on our financial position, opportunities and prospects, and by extension, on our share price.

Risks Related to Government Regulation

We are subject to an extensive and rapidly-evolving regulatory landscape and any adverse changes to, or our failure to comply with, any laws and regulations could adversely affect our brand, reputation, business, operating results and financial condition.

Our business may be or may become subject to extensive laws, rules, regulations, policies, orders, determinations, directives, treaties, and legal and regulatory interpretations and guidance in the markets in which we operate or in the United Kingdom, the jurisdiction of our incorporation, including those typically applied to financial services and banking, securities, commodities, the exchange, and transfer of digital assets, cross-border and domestic money and cryptocurrency transmission businesses, as well as those governing data privacy, data governance, data protection, cybersecurity, fraud detection, payment services (including payment processing and settlement services), consumer protection, antitrust and competition, bankruptcy, tax, anti-bribery, economic and trade sanctions, anti-money laundering, and counter-terrorist financing. Many of these legal and regulatory regimes were adopted prior to the advent of the internet, mobile technologies, digital assets, and related technologies. As a result, they often do not contemplate or address unique issues associated with digital assets, are subject to significant uncertainty, and vary widely across U.S. federal, state, and local and international jurisdictions. These legal and regulatory regimes, including the laws, rules, and regulations thereunder, evolve frequently and may be modified, interpreted, and applied in an inconsistent manner from one jurisdiction to another, and may conflict with one another. Moreover, the relative novelty and evolving nature of our business and the significant uncertainty surrounding the regulation of digital assets requires us to exercise our judgment as to whether certain laws, rules, and regulations apply to us, and it is possible that governmental bodies and regulators may disagree with our conclusions. To the extent we have not complied with such laws, rules, and regulations, we could be subject to significant fines, limitations on our business, reputational harm, and other regulatory consequences, as well as criminal penalties, each of which may be significant and could adversely affect our business, operating results and financial condition.

Our activities are not currently regulated in the United Kingdom as we do not engage in any regulated activities for the purposes of the UK Financial Services and Markets Act 2000 and we are not subject to any registration requirement with the UK Financial Conduct Authority in relation to anti-money laundering rules under The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 as we are not a crypto asset exchange or custodian wallet provider. We do not offer crypto asset derivatives nor do we engage with or advertise to retail consumers. Our business is to mine crypto assets as principal, and we bear the risks and rewards of such endeavors. We have no current plans to engage in the offering of crypto asset derivatives or engage with retail consumers.

In addition to existing laws and regulations, various governmental and regulatory bodies, including legislative and executive bodies, in the United States and in other countries may adopt new laws and regulations, or new interpretations of existing laws and regulations may be issued by such bodies or the judiciary, which may adversely impact the development and use of digital assets as a whole, cryptocurrency mining operations, and our legal and regulatory status in particular by changing how we operate our business, how our operations are regulated, and what products or services we and our competitors can offer, requiring changes to our compliance and risk mitigation measures, imposing new licensing requirements or new costs of doing business, or imposing a total ban on certain activities or transactions with respect to digital assets, as has occurred in certain jurisdictions in the past.

Due to our business activities, if laws or regulations or their respective interpretation change, we may become subject to ongoing examinations, oversight, and reviews by U.S. federal and state regulators and foreign financial service regulators, including the UK Financial Conduct Authority, which would have broad discretion to audit and examine our business if we become subject to their oversight. Adverse changes to, or our failure to comply with, any laws and regulations have had, and may continue to have, an adverse effect on our reputation and brand and our business, operating results and financial condition.

We are subject to governmental regulation and other legal obligations related to data privacy, data protection and information security. If we are unable to comply with these, we may be subject to governmental enforcement actions, litigation, fines and penalties or adverse publicity.

We collect and process data, including personal, financial and confidential information about individuals, including our employees and business partners. The collection, use and processing of such data about individuals are governed by data privacy laws and regulations enacted in the UK, EU, U.S. (federal and state), and other jurisdictions around the world. These data privacy laws and regulations are complex, continue to evolve, and on occasion may be inconsistent between jurisdictions leading to uncertainty in interpreting such laws and it is possible that these laws, regulations and requirements may be interpreted and applied in a manner that is inconsistent with our existing information processing practices, and many of these laws are significantly litigated and/or subject to regulatory enforcement. The implication of this includes that various federal, state and foreign legislative or regulatory bodies may enact or adopt new or additional laws and regulations concerning data privacy, data retention, data transfer, and data protection. Such laws may continue to restrict or dictate how we collect, maintain, combine and disseminate information and could have a material adverse effect on our business, results of operations, financial condition and prospects.

In the United States, there are numerous federal and state laws and regulations that could apply to our operations or the operations of our partners, including data breach notification laws, financial information and other data privacy laws, and consumer protection laws and regulations (e.g., Section 5 of the FTC Act), that govern the collection, use, disclosure, and protection of personal information.

The General Data Protection Regulation (the “GDPR”), which went into effect in the European Union on May 25, 2018, applies to the collection, use, retention, security, processing, and transfer of personal data of individuals in the European Economic Area (“EEA”) and the United Kingdom, which could further add to our compliance costs and limit how we process information. It is possible that the GDPR may be interpreted or applied in a manner that is adverse to us or otherwise inconsistent with our practices; or that the European Union or national supervisory authorities may hold that we are not in full compliance with the GDPR’s requirements. In addition, the GDPR increases the scrutiny of transfers of personal data from the EEA to the United States and other jurisdictions that the European Commission does not recognize as having “adequate” data protection laws; in July 2020, the Court of Justice of the European Union limited how organizations could lawfully transfer personal data from the EEA to the United States by invalidating the EU-US Privacy Shield and imposing further restrictions on use of the standard contractual clauses, which could increase our costs and our ability to efficiently process personal data from the EEA. Following the withdrawal of the United Kingdom from the European Union and the expiry of the transition period, from January 1, 2021, we have to comply with the GDPR and separately the GDPR as implemented in the United Kingdom, each regime having the ability to fine up to the greater of €20 million/£17 million or 4% of global turnover. The relationship between the United Kingdom and the European Union in relation to certain aspects of data protection law remains unclear, including how data transfers between European Union member states and the United Kingdom will be treated. These changes may lead to additional compliance costs and could increase our overall risk. Failure to comply with the requirements of the GDPR and the applicable national data protection laws of the EEA member states may result in fines and other administrative penalties. Government enforcement actions can be costly and interrupt the regular operation of our business, and data breaches or violations of data privacy laws can result in fines, reputational damage and civil lawsuits, any of which may adversely affect our business, financial condition, and results of operations. Also, like many websites, we use cookies and other tracking technologies on our website. In recent years, European lawmakers and regulators have expressed concern over electronic marketing and the use of nonessential cookies, web beacons and similar technology for online behavioral advertising, or tracking technologies, leading to an effort to replace the current rules on e-marketing (currently set out in the ePrivacy Directive and national implementing laws) with a new ePrivacy Regulation. When implemented, the new ePrivacy Regulation is expected to alter rules on tracking technologies and significantly increase fining powers to the same levels as the GDPR.

We are subject to extensive environmental, health and safety laws and regulations that may expose us to significant liabilities for penalties, damages or costs of remediation or compliance.

Our operations and properties are subject to extensive laws and regulations governing occupational health and safety, the discharge of pollutants into the environment or otherwise relating to health, safety and environmental protection requirements in the United Kingdom, the United States and every other country and locality in which we operate. These laws and regulations may impose numerous obligations that are applicable to our operations, including acquisition of a permit or other approval before conducting construction or regulated activities; restrictions on the types, quantities and concentration of materials that can be released into the environment; limitation or prohibition of construction and operating activities in environmentally sensitive areas, such as wetlands; imposing specific health and safety standards addressing worker protection; and imposition of significant liabilities for pollution resulting from our operations, including investigation, remedial and clean-up costs. Failure to comply with these requirements may expose us to fines, penalties and/or interruptions in our operations that could have a material adverse effect on our financial position, results of operations and cash flows. Certain environmental laws may impose strict, joint and several liability for costs required to clean up and restore sites where hazardous substances have been disposed or otherwise released into the environment, even under circumstances where the hazardous substances were released by prior owners or operators or the activities conducted and from which a release emanated complied with applicable law. Moreover, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by noise or the release of hazardous substances into the environment.

The trend in environmental regulation has been to place more restrictions and limitations on activities that may be perceived to impact the environment, and thus there can be no assurance as to the amount or timing of future expenditures for environmental regulation compliance or remediation. New or revised regulations that result in increased compliance costs or additional operating restrictions could have a material adverse effect on our financial position, results of operations and cash flows.

The regulatory and legislative developments related to climate change, may materially adversely affect our brand, reputation, business, operating results and financial condition.

A number of governments or governmental bodies have introduced or are contemplating legislative and regulatory changes in response to various climate change interest groups and the potential impact of climate change. Given the very significant amount of electrical power required to operate cryptocurrency mining machines, as well the environmental impact of mining for the rare earth metals used in the production of mining servers, the cryptocurrency mining industry may become a target for future environmental and energy regulation. For example, in June and July of 2021, the Chinese government prohibited the operation of mining machines and supply of energy to mining businesses, citing concerns regarding high levels of energy consumption, which resulted in a large scale shut down of mining operations. Legislation and increased regulation regarding climate change could impose significant costs on us and our suppliers, including costs related to increased energy requirements, capital equipment, environmental monitoring and reporting, and other costs to comply with such regulations. Specifically, imposition of a carbon tax or other regulatory fee in a jurisdiction where we operate or on electricity that we purchase could result in substantially higher energy costs, and due to the significant amount of electrical power required to operate cryptocurrency mining machines, could in turn put our facilities at a competitive disadvantage. Any future climate change regulations could also negatively impact our ability to compete with companies situated in areas not subject to such limitations. Given the political significance and uncertainty around the impact of climate change and how it should be addressed, we cannot predict how legislation and regulation will affect our financial condition, operating performance and ability to compete. Furthermore, even without such regulation, increased awareness and any adverse publicity in the global marketplace about potential impacts on climate change by us or other companies in our industry could harm our reputation. Any of the foregoing could have a material adverse effect on our financial position, results of operations and cash flows.

Our transactions in digital assets may expose us to countries, territories, regimes, entities, organizations and individuals that are subject to sanctions and other restrictive laws and regulations.

The Office of Foreign Assets Control of the U.S. Department of the Treasury (“OFAC”) and the U.S. Department of State administer and enforce economic sanctions programs based on foreign policy and national security goals against targeted countries, territories, regimes, entities, organizations and individuals. In the UK: the Foreign, Commonwealth and Development Office is responsible for the UK’s international sanctions policy, including all international sanctions regimes and designations; the Office of Financial Sanctions Implementation (“OFSI”), which is a part of HM Treasury, is responsible for ensuring that financial sanctions are properly understood, implemented and enforced (as well as maintaining OFSI’s Consolidated List of Financial Sanctions Targets); the Department for International Trade is responsible for implementing trade sanctions and embargoes, HM Revenue & Customs is responsible for enforcing breaches of trade sanctions; and the National Crime Agency is responsible for investigating and enforcing breaches of financial sanctions. In Canada, Global Affairs Canada, Public Safety Canada and the Department of Justice administer and enforce Canada’s sanctions regime. These laws and regulations may be implicated by a number of activities, including investing or trading. For example, in September 2021, OFAC designated a Russia-based digital assets exchange as a Specially Designated National (“SDN”) for alleged activities linked to ransomware attacks, and in October 2021, OFAC published updated sanctions compliance guidance for the virtual currency industry. Because of the pseudonymous nature of blockchain transactions, we may not be able to determine the ultimate identity of the individuals with whom we transact with respect to buying or selling digital assets or of other members in mining pools in which we participate. We participate in mining pools that operate in jurisdictions that are not subject to the same regulatory regimes as we are, which creates the risk that we may inadvertently engage in transactions with, or contribute processing power to, a mining pool which involves persons, entities, or territories that are the target of sanctions or other restrictions. Moreover, U.S. federal law prohibits any U.S. person from knowingly or unknowingly possessing any visual depiction commonly known as child pornography. Recent media reports have suggested that persons have imbedded such depictions on one or more blockchains. Because our business requires us to download and retain one or more blockchains to effectuate our ongoing business, it is possible that such blockchains contain prohibited depictions without our knowledge or consent. To the extent government enforcement authorities enforce these and other laws and regulations that are impacted by blockchain technology, we may be subject to investigation, administrative or court proceedings, and civil or criminal monetary fines and penalties, all of which could harm our reputation and affect the value of our ADSs.

Failure to comply with anti-corruption and anti-money laundering laws, including the FCPA and similar laws associated with our activities outside of the United States could subject us to penalties and other adverse consequences.

We operate an international business and may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We are subject to the FCPA, the UK Bribery Act, and other applicable anti-corruption and anti-money laundering laws in certain countries in which we conduct activities. The FCPA prohibits providing, offering, promising, or authorizing, directly or indirectly, anything of value to government officials, political parties, or political candidates for the purpose of obtaining or retaining business or securing any improper business advantage. The provisions of the UK Bribery Act extend beyond bribery of government officials and create offenses in relation to commercial bribery including private sector recipients. The provisions of the UK Bribery Act also create offenses for accepting bribes in addition to bribing another person. In addition, U.S. public companies are required to maintain records that accurately and fairly represent their transactions and have an adequate system of internal accounting controls.

In many foreign countries, including countries in which we may conduct business, it may be a local custom that businesses engage in practices that are prohibited by the FCPA, UK Bribery Act, or other applicable laws and regulations. We face significant risks if we or any of our directors, officers, employees, contractors, agents or other partners or representatives fail to comply with these laws and governmental authorities in the United States, UK and elsewhere could seek to impose substantial civil and/or criminal fines and penalties which could have a material adverse effect on our business, reputation, operating results, prospects and financial condition.

Any violation of the FCPA, UK Bribery Act, other applicable anti-corruption laws, or anti-money laundering laws could result in whistleblower complaints, adverse media coverage, investigations, loss of export privileges, severe criminal or civil sanctions and, in the case of the FCPA, suspension or debarment from U.S. government contracts, any of which could have a materially adverse effect on our reputation, business, operating results, prospects and financial condition. In addition, responding to any enforcement action or internal investigation related to alleged misconduct may result in a significant diversion of management’s attention and resources and significant defense costs and other professional fees.

If regulatory changes or interpretations of our activities require our registration or licensure as a money services business (“MSB”) under the regulations promulgated by FinCEN under the authority of the U.S. Bank Secrecy Act, or otherwise under state laws, we may incur significant penalties and on-going compliance costs, which could be substantial or cost-prohibitive. If we become subject to these regulations, our costs in complying with them may have a material negative effect on our business and the results of our operations.

To the extent that our activities cause us to be deemed an MSB under the regulations promulgated by FinCEN under the authority of the U.S. Bank Secrecy Act, we may be required to comply with FinCEN regulations, including those that would mandate us to implement an effective anti-money laundering program, make certain reports to FinCEN and maintain certain records. To the extent that our activities cause us to be deemed a money transmitter under applicable state laws, we may be required to comply with state licensure requirements, including those that would mandate us to implement varying degrees of safety and soundness, consumer protection and law enforcement requirements.

We are not presently registered as an MSB with FinCEN or licensed as a money transmitter or similar business in any state. If an applicable governmental agency determines that we have failed to register or obtain a license, we could be subject to substantial financial penalties and may be ordered to suspend or terminate operations with respect to the affected jurisdictions.

We operate Terra Pool, a mining pool on behalf of pool participants, which exposes us to regulatory uncertainty and risk that could result in significant compliance expenses or penalties.

Together with DMG Blockchain solutions, we operate Terra Pool, a Bitcoin mining pool. FinCEN has released guidance stating that participating in or leading a mining pool, by itself, does not constitute money transmission. However, the guidance also stated that where a person or group responsible for distributing mining awards to pool members combines its services with the service of hosting “convertible virtual currency” wallets (that is, wallets for digital assets that have an equivalent value in fiat currency or that act as a substitute for fiat currency) on behalf of pool members, the person or group will fall within FinCEN’s definition of money transmitter. Although we do not intend to host convertible virtual currency wallets on behalf of pool members in connection with Terra Pool, providing such services in the future would require us to comply with FinCEN regulations, including those that would mandate us to implement an effective anti-money laundering program, make certain reports to FinCEN and maintain certain records. To the extent that our activities with respect to Terra Pool cause us to be deemed a money transmitter under applicable state laws, we may be required to comply with state licensure requirements, including those that would mandate us to implement varying degrees of safety and soundness, consumer protection and law enforcement requirements.

Further, as noted above, operating or participating in mining pools in which fellow members are unknown raises risks of inadvertently assisting or engaging in transactions with persons, entities, or territories that are the target of U.S., UK, Canadian, or other economic sanctions or that are otherwise engaged in activities in breach of AML and CTF legislation. In operating Terra Pool, we plan to conduct KYC diligence and IP address screening on prospective members, but there can be no guarantee that such measures will be successful in preventing sanctioned parties from participating in the pool.

We do not intend to sell contracts or shares in Terra Pool, but the operation of a mining pool on behalf of third parties could subject us to regulatory scrutiny from the SEC. We could be subject to judicial or administrative sanctions for failing to offer or sell interests or participation in Terra Pool in compliance with the registration requirements of the federal and state securities laws. Such a determination could result in injunctions, cease and desist orders, as well as civil monetary penalties, fines, and disgorgement, criminal liability, and reputational harm. In addition, we cannot be certain as to how future regulatory developments will impact the treatment of operating a mining pool under the law. Any requirements imposed by the SEC related to our mining pool activities would cause us to incur recurring reporting expenses as well as additional extraordinary, non-recurring expenses, thereby materially and adversely impacting an investment in our ADSs.

The future of anonymity-enhanced cryptocurrencies such as Zcash is particularly uncertain.

Anonymity-enhanced cryptocurrencies such as Zcash are under increasing regulatory scrutiny. A portion of our current mining capacity is assigned to mining Zcash. We convert the Zcash we mine into Bitcoin in the ordinary course of business via transactions that do not use privacy-enhancing features. Nonetheless, anti-money laundering regulators, such as FinCEN, have raised concerns regarding the potential use of anonymity-enhanced cryptocurrencies like Zcash by criminals and other threat actors in ways that limit the ability of investigators to follow transaction flows on a public blockchain. In response to regulatory concerns, some digital asset exchanges have removed Zcash from their menu of digital assets available for exchange. Although no regulatory action has been taken to treat anonymity-enhanced cryptocurrencies differently, this may change in the future. Regulatory action could be taken in the future to limit or even prevent the mining or use of Zcash, which may adversely affect our ability to mine or convert Zcash. Restrictions on our ability to mine or convert Zcash may have a negative impact on our results of operation, which may in turn adversely affect the value of our ADSs.

As we continue to expand and localize our international activities, our obligations to comply with the laws, rules, regulations, and policies of a variety of jurisdictions will increase and we may be subject to investigations and enforcement actions by U.S. and non-U.S. regulators and governmental authorities.

As we expand and localize our international activities, we have become increasingly obligated to comply with the laws, rules, regulations, policies, and legal interpretations both of the jurisdictions in which we operate and those into which we offer services on a cross-border basis. Laws regulating financial services, the internet, mobile technologies, digital assets, and related technologies in the United Kingdom, Canada, the United States and other jurisdictions often impose different, more specific, or even conflicting obligations on us, as well as broader liability. For example, we are subject to laws and regulations related to sanctions and export controls enforced by OFAC and the Department of Commerce Bureau of Industry and Security, and may in the future be required to comply with U.S. anti-money laundering and counter-terrorist financing laws and regulations, enforced by FinCEN and certain state financial services regulators.

Regulators worldwide frequently study each other’s approaches to the regulation of the digital assets. Consequently, developments in any jurisdiction may influence other jurisdictions. New developments in one jurisdiction may be extended to additional services and other jurisdictions. As a result, the risks created by any new law or regulation in one jurisdiction are magnified by the potential that they may be replicated, affecting our business in another place or involving another service. Conversely, if regulations diverge worldwide, we may face difficulty adjusting our products, services, and other aspects of our business with the same effect. These risks are heightened as we face increased competitive pressure from other similarly situated businesses that engage in regulatory arbitrage to avoid the compliance costs associated with regulatory changes.

The complexity of U.S. federal and state, UK, Canadian and other international regulatory and enforcement regimes, coupled with the global scope of our operations and the evolving global regulatory environment, could result in a single event prompting a large number of overlapping investigations and legal and regulatory proceedings by multiple government authorities in different jurisdictions. Any of the foregoing could, individually or in the aggregate, harm our reputation and adversely affect our operating results and financial condition. Due to the uncertain application of existing laws and regulations, it may be that, despite our regulatory and legal analysis concluding that certain products and services are currently unregulated, such products or services may indeed be subject to financial regulation, licensing, or authorization obligations that we have not obtained or with which we have not complied. As a result, we are at a heightened risk of enforcement action, litigation, regulatory, and legal scrutiny which could lead to sanctions, cease, and desist orders, or other penalties and censures which could significantly and adversely affect our continued operations and financial condition.

A particular digital asset's status as a "security" in any relevant jurisdiction is subject to a high degree of uncertainty and if a regulator disagrees with our characterization of a digital asset, we may be subject to regulatory scrutiny, investigations, fines, and other penalties, which may adversely affect our business, operating results and financial condition. Furthermore, a determination that Bitcoin or any other digital asset that we own or mine is a "security" may adversely affect the value of Bitcoin and our business.

The SEC and its staff have taken the position that certain digital assets fall within the definition of a "security" under the U.S. federal securities laws. The legal test for determining whether any given digital asset is a security is a highly complex, fact-driven analysis that may evolve over time, and the outcome is difficult to predict. The SEC generally does not provide advance guidance or confirmation on the status of any particular digital asset as a security. Furthermore, the SEC's views in this area have evolved over time and it is difficult to predict the direction or timing of any continuing evolution. It is also possible that a change in the governing administration or the appointment of new SEC commissioners could substantially impact the views of the SEC and its staff. Public statements made by senior officials at the SEC indicate that the SEC does not intend to take the position that Bitcoin and Ethereum are securities (as currently offered and sold). However, such statements are not official policy statements by the SEC and reflect only the speakers' views, which are not binding on the SEC or any other agency or court and cannot be generalized to any other digital asset. As of the date of this report, with the exception of certain centrally issued digital assets that have received "no-action" letters from the SEC staff, Bitcoin and Ethereum are the only digital assets which senior officials at the SEC have publicly stated are unlikely to be considered securities. With respect to all other digital assets, there is no certainty under the applicable legal test that such assets are not securities, notwithstanding the conclusions we may draw based on our risk-based assessment regarding the likelihood that a particular digital asset could be deemed a "security" under applicable laws.

The SEC has brought enforcement actions against the promoters of several digital assets on the basis that the digital assets in question are securities. Such an enforcement action by the SEC or a state securities regulator, or a similar court decision, with respect to Bitcoin and the other digital assets we mine or trade would be expected to have an immediate material adverse impact on the trading value of such digital assets. This is because the business models behind most digital assets are incompatible with regulations applying to transactions in securities. If a digital asset is determined or asserted to be a security, it is likely to become difficult or impossible for the digital asset to be traded, cleared or custodied in the United States through the same channels used by non-security digital assets, which in addition to materially and adversely affecting the trading value of the digital asset is likely to significantly impact its liquidity and market participants' ability to convert the digital asset into U.S. dollars. For example, in 2020 the SEC filed a complaint against the promoters of XRP alleging that they raised more than $1.3 billion through XRP sales that should have been registered under U.S. federal securities laws, but were not. In the years prior to the SEC's action, XRP's market capitalization at times exceeded $140 billion. However, in the weeks following the SEC's complaint, XRP's market capitalization fell to less than $10 billion, which was less than half of its market capitalization in the days prior to the complaint. The SEC's action against XRP's promoters underscores the continuing uncertainty around which digital assets are securities, and demonstrates that factors such as how long a digital asset has been in existence, how widely held it is, how large its market capitalization is and that it has actual usefulness in commercial transactions, ultimately may have no bearing on whether the SEC or a court will find it to be a security.

Under the Investment Company Act of 1940, as amended (the “Investment Company Act”), a company may fall within the definition of an investment company under section 3(c)(1)(A) thereof if it is or holds itself out as being engaged primarily, or proposes to engage primarily in the business of investing, reinvesting or trading in securities, or under section 3(a)(1)(C) thereof if it is engaged or proposes to engage in business of investing, reinvesting, owning, holding, or trading in securities, and owns or proposes to acquire “investment securities” (as defined) having a value exceeding 40% of its total assets (exclusive of government securities and cash items) on an unconsolidated basis. There is no authoritative law, rule or binding guidance published by the SEC regarding the status of digital assets as “securities” or “investment securities” under the Investment Company Act. Although we believe that we are not engaged in the business of investing, reinvesting, or trading in investment securities, and we do not hold ourselves out as being primarily engaged, or proposing to engage primarily, in the business of investing, reinvesting or trading in securities, to the extent the digital assets which we mine, own, or otherwise acquire may be deemed “securities” or “ investment securities” by the SEC or a court of competent jurisdiction, we may meet the definition of an investment company. If we fall within the definition of an investment company under the Investment Company Act, we would be required to register with the SEC. If an investment company fails to register, it likely would have to stop doing almost all business, and its contracts could become voidable. As a practical matter, non-U.S. issuers cannot register as an investment company with the SEC.

Several foreign jurisdictions have taken a broad-based approach to classifying digital assets as “securities,” while other foreign jurisdictions, such as Switzerland, Malta, and Singapore, have adopted a narrower approach. As a result, certain digital assets may be deemed to be a “security” under the laws of some jurisdictions but not others. Various foreign jurisdictions may, in the future, adopt additional laws, regulations, or directives that affect the characterization of digital assets as “securities.” The classification of a digital asset as a security under applicable law has wide-ranging implications for the regulatory obligations that flow from the mining, sale and trading of such assets. For example, a digital asset that is a security in the United States may generally only be offered or sold in the United States pursuant to a registration statement filed with the SEC or in an offering that qualifies for an exemption from registration. Persons that effect transactions in digital assets that are securities in the United States may be subject to registration with the SEC as a “broker” or “dealer.” Foreign jurisdictions may have similar licensing, registration, and qualification requirements.

There can be no assurances that we will properly characterize any given digital asset as a security or non-security for purposes of determining which digital assets to mine, hold and trade, or that the SEC, foreign regulatory authority, or a court, if the question was presented to it, would agree with our assessment. We could be subject to judicial or administrative sanctions for failing to offer or sell digital assets in compliance with the registration requirements, or for acting as a broker or dealer without appropriate registration. Such an action could result in injunctions, cease and desist orders, as well as civil monetary penalties, fines, and disgorgement, criminal liability, and reputational harm. Further, if Bitcoin or any other digital asset that we mine, hold and trade is deemed to be a security under the laws of any U.S. federal, state, or foreign jurisdiction, or in a proceeding in a court of law or otherwise, it may have adverse consequences for such cryptocurrency. For instance, all transactions in such supported digital asset would have to be registered with the SEC or other foreign authority, or conducted in accordance with an exemption from registration, which could severely limit its liquidity, usability and transactability. Further, it could draw negative publicity and a decline in the general acceptance of the digital asset. Also, it may make it difficult for such cryptocurrency to be traded, cleared, and custodied as compared to other cryptocurrencies that are not considered to be securities.

Future developments regarding the treatment of cryptocurrencies for U.S. federal income and foreign tax purposes could adversely impact our business.

Due to the new and evolving nature of cryptocurrencies and the absence of comprehensive legal guidance with respect to cryptocurrency products and transactions, many significant aspects of the U.S. federal income and foreign tax treatment of transactions involving cryptocurrencies are uncertain, and it is unclear what guidance may be issued in the future on the treatment of cryptocurrency transactions for U.S. federal income and foreign tax purposes.

In 2014, the Internal Revenue Service (“IRS”) released a notice, or “IRS Notice,” discussing certain aspects of “convertible virtual currency” (that is, digital currency that has an equivalent value in fiat currency or that acts as a substitute for fiat currency) for U.S. federal income tax purposes and, in particular, stating that such digital currency (i) is “property” (ii) is not “currency” for purposes of the rules relating to foreign currency gain or loss and (iii) may be held as a capital asset. In 2019, the IRS released a revenue ruling and a set of “Frequently Asked Questions”, or the “Ruling & FAQs,” that provide some additional guidance, including guidance to the effect that, under certain circumstances, hard forks of digital currencies are taxable events giving rise to ordinary income and guidance with respect to the determination of the tax basis of digital currency. However, the IRS Notice and the Ruling & FAQs do not address other significant aspects of the U.S. federal income tax treatment of cryptocurrencies and related transactions.

The UK tax authorities have issued published guidance which covers similar issues to those covered in the IRS guidance mentioned above. Some guidance has also been provided on other topics including, in particular, regarding the Value Added Tax ("VAT") treatment of transactions involving cryptocurrencies, and the availability of certain exemptions from VAT.

There can be no assurance that the IRS or other foreign tax authority will not alter its existing position with respect to cryptocurrencies in the future or that a court would uphold the treatment set forth in the IRS Notice and the Ruling & FAQs, or in the UK published guidance. It is also unclear what additional guidance may be issued in the future on the treatment of existing cryptocurrency transactions and future cryptocurrency innovations for purposes of U.S. federal income tax or other foreign tax regulations. Any such alteration of existing IRS and foreign tax authority positions or additional guidance regarding cryptocurrency products and transactions could result in adverse tax consequences for our business and could have an adverse effect on the value of cryptocurrencies and the broader cryptocurrencies markets. Future technological and operational developments that may arise with respect to digital currencies may increase the uncertainty with respect to the treatment of digital currencies for U.S. federal income and foreign tax purposes. The uncertainty regarding tax treatment of cryptocurrency transactions could impact our business, both in the U.S. and abroad. It is likely that new rules for reporting crypto assets under the "common reporting standard" will be implemented on our international operations, creating new obligations and a need to invest in new onboarding and reporting infrastructure.

The application of the Commodity Exchange Act to our business is unclear and may be subject to change and therefore difficult to predict; to the extent we become subject to regulation by the CFTC in connection with our business activities, we may incur additional compliance costs, which may be significant.

The Commodity Exchange Act, as amended (the "CEA"), does not currently impose any direct obligations on us related to the mining or exchange of digital assets. However, the Commodity Futures Trading Commission ("CFTC"), the federal agency that administers the CEA, generally regards Bitcoin and other digital assets as commodities. This position has been supported by decisions of federal courts.

The CEA imposes requirements relative to certain transactions involving Bitcoin and other digital assets that constitute a contract of sale of a commodity for future delivery (or an option on such a contract), a swap, or a transaction involving margin, financing or leverage that does not result in actual delivery of the commodity within 28 days to persons not defined as "eligible contract participants" or "eligible commercial entities" under the CEA (e.g., retail persons). Changes in the CEA or the regulations promulgated by the CFTC thereunder, as well as interpretations thereof and official statements by the CFTC may impact the classification of digital assets and subject them to additional regulatory oversight by the CFTC. Although the CFTC to date has not enacted regulations governing non-derivative or non-financed, margined or leveraged transactions in Bitcoin and other digital assets, it has authority to commence enforcement actions against persons who violate certain prohibitions under the CEA related to transactions in any contract of sale of any commodity, including digital assets, in interstate commerce (e.g., manipulation and engaging in certain deceptive practices).

While no provision of the CEA, or CFTC rules, orders or rulings (except as noted herein) appears to be currently applicable to our business, this is subject to change. We cannot be certain as to how future regulatory developments will impact the treatment of digital assets under the law. Any requirements imposed by the CFTC related to our mining activities or our transactions in Bitcoin and digital assets would cause us to incur additional extraordinary, non-recurring expenses, thereby materially and adversely impacting an investment in our ADSs.

Moreover, if our mining activities or transactions in Bitcoin and other digital assets were deemed by the CFTC to constitute a collective investment in derivatives for our shareholders, we may be required to register as a commodity pool operator with the CFTC through the National Futures Association. Such additional registrations may result in extraordinary, non-recurring expenses, thereby materially and adversely impacting an investment in our ADSs. If we determine not to comply with such additional regulatory and registration requirements, we may seek to cease certain of our operations. Any such action may adversely affect an investment in us.

Regulatory actions in one or more countries could severely affect the right to acquire, own, hold, sell or use certain cryptocurrencies or to exchange them for fiat currency.

One or more countries, such as China or Russia, may take regulatory actions in the future that could severely restrict the right to acquire, own, hold, sell or use cryptocurrencies or to exchange them for fiat currency. In some nations, it is illegal to accept payment in Bitcoin and other cryptocurrencies for consumer transactions and banking institutions are barred from accepting deposits of cryptocurrencies. Such restrictions may adversely affect us as the large-scale use of cryptocurrencies as a means of exchange is presently confined to certain regions.

Furthermore, in the future, foreign governments may decide to subsidize or in some other way support certain large-scale cryptocurrency mining projects, thus adding hash rate to the overall network. Such circumstances could have a material adverse effect on the amount of Bitcoin we may be able to mine, the value of Bitcoin and any other cryptocurrencies we may potentially acquire or hold in the future and, consequently, our business, prospects, financial condition and operating results.

Our compliance and risk management methods might not be effective and may result in outcomes that could adversely affect our reputation, operating results and financial condition.

Our ability to comply with applicable complex and evolving laws, regulations, and rules is largely dependent on the establishment and maintenance of our compliance, audit, and reporting systems, as well as our ability to attract and retain qualified compliance and other risk management personnel. We cannot assure you that our policies and procedures will be effective or that we will be successful in monitoring or evaluating the risks to which we are or may be exposed in all market environments or against all types of risks, including unidentified or unanticipated risks. Our risk management policies and procedures rely on a combination of technical and human controls and supervision that are subject to error and failure. Some of our methods for managing risk are discretionary by nature and are based on internally developed controls and observed historical market behavior, and also involve reliance on standard industry practices. These methods may not adequately prevent losses, particularly as they relate to extreme market movements, which may be significantly greater than historical fluctuations in the market. Our risk management policies and procedures also may not adequately prevent losses due to technical errors if our testing and quality control practices are not effective in preventing failures. In addition, we may elect to adjust our risk management policies and procedures to allow for an increase in risk tolerance, which could expose us to the risk of greater losses.

We cannot be certain as to how future regulatory developments will impact our business and any such additional regulatory requirements, or changes in how existing requirements are interpreted and applied, may cause us to cease all or certain of our operations or change our business model.

We cannot be certain as to how future regulatory developments will impact the treatment of cryptocurrencies, including Bitcoin, and other digital assets under the law. For example, if regulatory changes or interpretations require the regulation of Bitcoin or other digital assets under certain laws and regulatory regimes in the United States such as those administered by the SEC, the CFTC, the IRS, Department of Treasury or other agencies or authorities or similar laws and regulations of other jurisdictions, including if our digital asset activities cause us to be deemed a “money transmitter,” “money services business” or equivalent designation under U.S. federal law, the law of any U.S. state, or foreign jurisdiction in which the Company operates, we may be required to register, seek licensure and comply with such regulations, including at a federal, state or local level, and implement an anti-money laundering program, reporting and recordkeeping regimes, consumer protective safeguards, and other operational requirements. To the extent that we decide to continue operations, the required registrations and regulatory compliance steps may result in extraordinary, non-recurring expenses or burdens to us, as well as on-going recurring compliance costs, possibly affecting an investment in the ADSs or our net income in a material and adverse manner. We may also decide to cease some or all operations. Any termination or disruption of our operations in response to the changed regulatory circumstances may be at a time that is disadvantageous to investors. Furthermore, we and our service providers may not be capable of complying with certain federal or state regulatory obligations applicable to money services businesses or state money transmitters. If we are deemed to be subject to and determine not to comply with such additional regulatory and registration requirements, we may act to dissolve and liquidate the Company. Any such action may adversely affect an investment in us.

If we fail to comply with such additional regulatory, licensure and registration compliance requirements, we may seek to cease all or certain of our operations or be subjected to fines, penalties and other governmental action. Such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue our business model at all, which could have a material adverse effect on our business, prospects or operations and potentially the value of any cryptocurrencies or digital assets we plan to hold or expect to acquire for our own account.

Risks Related to Intellectual Property

If we are unable to protect the confidentiality of our trade secrets, our business and competitive position could be harmed.

Our ability to conduct our business in a profitable manner relies on our proprietary mining methods, which we protect as a trade secret. We rely upon trade secret laws, physical and technological security measures and contractual commitments to protect our trade secrets, including entering into non-disclosure agreements with employees, consultants and third parties with access to our trade secrets. However, such measures may not provide adequate protection and the value of our trade secrets could be lost through misappropriation or breach of our confidentiality agreements. For example, an employee with authorized access may misappropriate our trade secrets and provide them to a competitor, and the recourse we take against such misconduct may not provide an adequate remedy to protect our interests fully, because enforcing a claim that a party illegally disclosed or misappropriated a trade secret can be difficult, expensive and time consuming, and the outcome is unpredictable. Thus, if any of our trade secrets were to be disclosed or misappropriated our competitive position could be harmed. In addition to the risk of misappropriation and unauthorized disclosure, our competitors may develop similar or better methods independently in a manner that could prevent legal recourse by us. Thus, there can be no assurance that our trade secrets will be sufficient to protect against competitors operating their business in a manner that is substantially similar to ours.

Third parties may claim that we are infringing upon their intellectual property rights, which may prevent or inhibit our operations and cause us to suffer significant litigation expense even if these claims have no merit.

Our commercial success depends on our ability to operate without undue cost and distraction of claims that we are infringing the intellectual property rights of third parties. However, third parties, may own patents (or have pending patent applications that later result in patents) that our operations may infringe. In addition, third parties may purchase patents for the purpose of asserting claims of infringement and attempting to extract license fees via settlements from us. There also could be patents that we believe we do not infringe, but that we may ultimately be found to infringe. Further, because patents can take many years to issue, there may be currently pending applications of which we are unaware that may later result in issued patents that our operations infringe.

Finally, third parties could accuse us of misappropriating their trade secrets. Any claims of patent infringement or trade secret misappropriation, even claims without merit, could be costly and time-consuming to defend and could require us to divert resources away from operations. In addition, if any third party has a meritorious or successful claim that we are infringing, we may be forced to redesign our operations or secure a license from such third parties, which may be costly or impractical. We also may be subject to significant damages or injunctions that may cause a material adverse effect to our business and operations, if we cannot license or develop an alternative for any infringing aspect of our business, and may result in a material loss in revenue, which could adversely affect the trading price of our ADSs and harm our investors.

Risks Related to Our Employees and Other Service Providers

The loss of one or more of our key management personnel, or our failure to attract and retain other highly qualified personnel in the future, could adversely impact our business, operating results and financial condition.

We operate in a relatively new industry that is not widely understood and requires highly skilled and technical personnel. We believe that our future success is highly dependent on the talents and contributions of a small number of key management personnel. Our future success depends on our ability to attract, develop, motivate, and retain highly qualified and skilled employees. Furthermore, if we fail to execute an effective contingency or succession plan with the loss of any member of management, the loss of such management personnel may significantly disrupt our business. Due to the nascent nature of the blockchain ecosystem, the pool of qualified talent is extremely limited, particularly with respect to executive talent, engineering, risk management, and financial regulatory expertise. We face intense competition for qualified individuals from numerous software and other technology companies. To attract and retain key personnel, we incur significant costs, including salaries and benefits and equity incentives. These costs may be further exacerbated by inflation. Even so, these measures may not be enough to attract and retain the personnel we require to operate our business effectively. The loss of even a few qualified employees, or an inability to attract, retain and motivate additional highly skilled employees required for the planned expansion of our business could adversely impact our operating results and impair our ability to grow.

Our culture emphasizes innovation, and if we cannot maintain this culture as we grow, our business and operating results could be adversely impacted.

We believe that our entrepreneurial and innovative corporate culture has been a key contributor to our success. We encourage and empower our employees to develop and launch new and innovative products and services, which we believe is essential to attracting high quality talent, partners, and developers, as well as serving the best, long-term interests of our company. If we cannot maintain this culture as we grow, we could lose the innovation, creativity and teamwork that has been integral to our business, in which case our products and services may suffer and our business, operating results and financial condition could be adversely impacted.

Our officers, directors, employees, and large shareholders may encounter potential conflicts of interests with respect to their positions or interests in certain digital assets, entities, and other initiatives, which could adversely affect our business and reputation.

We frequently engage in a wide variety of transactions and maintain relationships with a significant number of digital asset projects, their developers, members of their ecosystem, and investors. These transactions and relationships could create potential conflicts of interests in management decisions that we make. For instance, certain of our officers, directors, and employees are active investors in digital asset projects and technologies themselves, and may make investment decisions that favor projects that they have personally invested in. In addition, our Chief Executive Officer, Mr. Wall, is involved in a number of initiatives related to the blockchain ecosystem and more broadly. This and other initiatives he is involved in could divert Mr. Wall’s time and attention from overseeing our business operations which could have a negative impact on our business.

In addition, certain of our officers, directors and employees may become aware of business opportunities that may be appropriate for presentation to us. In such instances they may decide to present these business opportunities to other entities with which they are or may be affiliated, in addition to, or instead of, presenting them to us. Due to these existing or future affiliations, these officers, directors and employees may have fiduciary obligations to present potential acquisition opportunities to those entities prior to presenting them to us which could cause additional conflicts of interest.

Similarly, certain of our directors, officers, employees, and large shareholders may hold cryptocurrencies that we are considering mining, and may be more supportive of such mining notwithstanding legal, regulatory, and other issues associated with such cryptocurrencies. While we have instituted policies and procedures to limit and mitigate such risks, there is no assurance that such policies and procedures will be effective, or that we will be able to manage such conflicts of interests adequately. If we fail to manage these conflicts of interests, our business may be harmed and the brand, reputation and credibility of our company may be adversely affected.

Our officers, directors and employees will allocate their time to other businesses leading to potential conflicts of interest in their determination as to how much time to devote to our affairs, which could have a negative impact on our ability to execute our business plan.

Our officers, directors and employees are required to commit such time as is necessary for them to fulfil their duties to our affairs, which could create a conflict of interest when allocating their time between our operations and their other commitments. Our officers, directors and employees are engaged in other business endeavors. If our officers’, directors’ or employees’ other business affairs require them to devote more substantial amounts of time to such affairs, it could limit their ability to devote time to our affairs and could have a negative impact on our ability to deliver the business plan.

Our officers, directors, employees, and large shareholders may in the future enter into related party transactions with us, which may give rise to conflicts of interest between us and these officers, directors, employees and large shareholders.

Our officers, directors, employees and large shareholders and one or more of their respective affiliates may in the future enter into other agreements with us that are not currently under contemplation. It is possible that the entering into of such an agreement might raise conflicts of interest between us and such officers, directors, employees and large shareholders. Historical results of prior investments made by, or businesses associated with, our officers, directors, employees and large shareholders and their respective affiliates may not be indicative of future performance of an investment in us.

General Risk Factors

We may be subject to foreign investment and exchange risks.

Our functional and presentational currency is sterling. As a result, our consolidated financial statements will carry our assets in sterling. Any business we carry out may require the conduct of operations or make sales in currencies other than sterling. Due to the foregoing, changes in exchange rates between sterling and other currencies could lead to significant changes in our reported financial results from period to period. Among the factors that may affect currency values are trade balances, levels of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political or regulatory developments. Although we may seek to manage our foreign exchange exposure, including by active use of hedging and derivative instruments, there is no assurance that such arrangements will be entered into or available at all times when we wish to use them or that they will be sufficient to cover the risk. If there was a material adverse movement in such currency, it may have adverse consequences on our financial condition.

Risks Related to Our ADSs and Ordinary Shares

The market price of our ADSs may be highly volatile, and you may not be able to resell your ADSs at or above the initial public offering price.

The market price of our ADSs has been and is likely to continue to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, including the performance and fluctuation of the market prices of other companies with business operations similar to ours as well as the fluctuation in the market price of Bitcoin and other cryptocurrencies. In addition, technology stocks have historically experienced high levels of volatility. As a result of this volatility, you may not be able to sell your ADSs at or above the initial public offering price. The market price for our ADSs may be influenced by many factors, including:

- actual or anticipated fluctuations in our financial and operating results;
- the trading price of cryptocurrencies, in particular Bitcoin;
- changes in the market valuations of our competitors;
- rumors, publicity, and market speculation involving us, our management, our competitors, or our industry;
- announcements of new investments, acquisitions, strategic partnerships, joint ventures, capital commitments, integrations or capabilities, technologies, or innovations by us or our competitors;
- changes in financial estimates or recommendations by securities analysts;
- changes in laws or regulations applicable to us or our industry;
- the perception of our industry by the public, legislatures, regulators and the investment community;
- additions or departures of key personnel;

- potential litigation or regulatory investigations;
- general economic, industry, political and market conditions and overall market volatility in the United States or the United Kingdom, including resulting from COVID-19, war, incidents of terrorism, or responses to these events;
- sales of our ADSs or ordinary shares by us, our directors and officers, holders of our ADSs or our shareholders in the future or the anticipation that such sales may occur in the future; and
- the trading volume of our ADSs on the Nasdaq.

Broad market and industry factors may negatively affect the market price of our ADSs, regardless of our actual operating performance. Further, a decline in the financial markets and related factors beyond our control may cause the price of our ADSs to decline rapidly and unexpectedly.

Investing in our ADSs could be subject to greater volatility than investing directly in Bitcoin or other digital assets.

The price of our securities and our competitors securities are generally correlated to the price of Bitcoin and other digital assets. However, our business is subject to capital costs, which also affect the price of our securities, such as hardware expenses, power expenses and other factors that are not directly reflected in the prices of digital assets we mine. For example, when the price of Bitcoin rises, mining machines may become scarce and more costly to acquire, making our existing operations more attractive. However, when the price of Bitcoin declines, our mining revenues may not exceed our operating costs. As a result, the price of our ADSs could be subject to greater volatility than direct investments in digital assets and an investment in our ADSs may result in losses.

The volatility in the trading price of our ordinary shares and the large proportion held by retail investors may make our ordinary shares and ADSs a target of online campaigns to artificially influence their trading price, which may trigger markets or trading platforms to impose restrictions on the trading of our securities; as a result, investors in our ordinary shares and ADSs may incur substantial losses.

The trading price of our ordinary shares has experienced, and may continue to experience, significant volatility and trading volume. Further, a significant majority of our issued and outstanding ordinary shares are held by individual, non-institutional investors (i.e. “retail investors”). We are aware of reports surrounding social media sites and online forums influencing the trading price of certain publicly traded securities. Some of these reports indicated that the organizers of these campaigns selected specific securities as a result of, among other factors, significant volatility in their trading price and volume, as well as a perception that their trading prices were undervalued or subject to significant short positions. We are also aware of reports that a number of significant trading platforms catering to retail investors allegedly halted or otherwise restricted trading of a number of securities on their platforms following these reports.

As a significant proportion of our outstanding ordinary shares are held by retail investors who may make use of these trading platforms, if these trading platforms take similar action with respect to shares of our ordinary shares or ADSs, those of our investors who make use of these platforms may be unable to transact in our securities in response to changes in the trading price of our ordinary shares or ADSs. As a result, we cannot guarantee that we have not become subject to such a campaign or that we will not become subject to such a campaign in the future. If we do become subject to such a campaign, we can give no assurances that we will be able to respond to the campaign and the trading price of our ordinary shares and ADSs may, therefore, not be tied to our business or industry. As a result, the trading price of our ordinary shares and ADSs may suffer and investors in our securities may lose part or all of their investment.

If securities or industry analysts cease to publish research or reports about our business, or if they adversely change their recommendations regarding the ADSs, our ADS price and trading volume could decline.

The trading market for our ADSs will likely be influenced by research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If one or more analysts who cover us downgrade our ADSs, or adversely change their recommendations regarding the ADSs, the market price for our ADSs would likely decline. In addition, if no or only a few analysts commence research coverage of us, or if one or more of the analysts who cover us cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the market price or trading volume to decline.

Holders of our ADSs are not treated as holders of our ordinary shares.

Holders of ADSs are not treated as holders of our ordinary shares, unless they withdraw the ordinary shares underlying their ADSs in accordance with the deposit agreement and applicable laws and regulations. The depositary is the holder of the ordinary shares underlying our ADSs. Holders of ADSs therefore do not have any rights as holders of our ordinary shares, other than the rights that they have pursuant to the deposit agreement.

Holders of our ADSs may be subject to limitations on the transfer of their ADSs and the withdrawal of the underlying ordinary shares.

ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems it necessary or advisable by it in good faith in connection with the performance of its duties or at our reasonable written request, subject in all cases to compliance with applicable U.S. securities laws. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary think it is advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason in accordance with the terms of the deposit agreement, subject to the right of ADS holders to cancel their ADSs and withdraw the underlying ordinary shares. Temporary delays in the cancellation of your ADSs and withdrawal of the underlying ordinary shares may arise because the depositary has closed its transfer books or we have closed our transfer books, the transfer of ordinary shares is blocked to permit voting at a shareholders' meeting or we are paying a dividend on our ordinary shares or similar corporate actions. In addition, ADS holders may not be able to cancel their ADSs and withdraw the underlying ordinary shares when they owe money for fees, taxes and similar charges and when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of ordinary shares or other deposited securities. As a result, you may not be able to transfer your ADSs or withdraw the underlying ordinary shares at certain times, which may have an adverse effect on the value of your ADSs.

The depositary for our ADSs is entitled to charge holders fees for various services, including annual service fees.

The depositary for our ADSs is entitled to charge holders fees for various services, including for the issuance of ADSs upon deposit of ordinary shares, cancellation of ADSs, distributions of cash dividends or other cash distributions, distributions of ADSs pursuant to share dividends or other free share distributions, distributions of securities other than ADSs and annual service fees. In the case of ADSs issued by the depositary into The Depository Trust Company, or DTC, the fees will be charged by the DTC participant to the account of the applicable beneficial owner in accordance with the procedures and practices of the DTC participant as in effect at the time. The depositary for our ADSs will not generally be responsible for any United Kingdom stamp duty or stamp duty reserve tax arising upon the issuance or transfer of ADSs.

We are entitled to amend the deposit agreement and to change the rights of ADS holders under the terms of such agreement, or to terminate the deposit agreement, without the prior consent of the ADS holders.

We are entitled to amend the deposit agreement and to change the rights of the ADS holders under the terms of such agreement, without the prior consent of the ADS holders. We and the depositary may agree to amend the deposit agreement in any way we decide is necessary or advantageous to us or to the depositary. Amendments may reflect, among other things, operational changes in the ADS program, legal developments affecting ADSs or changes in the terms of our business relationship with the depositary. In the event that the terms of an amendment imposes or increases any fees or charges on a per ADS basis (other than stock transfer or other taxes and other governmental charges, transfer or registration fees, SWIFT, cable, telex or facsimile transmission costs, delivery costs or other such expenses) or otherwise prejudices any substantial existing right of the ADS holders or beneficial owners of the ADSs, ADS holders will only receive 30 days' advance notice of the amendment, and no prior consent of the ADS holders is required under the deposit agreement. Notwithstanding the foregoing, any amendments or supplements which are reasonably necessary (as agreed by us and the depositary) in order for the ADSs to be registered on Form F-6 under the Securities Act or the ADSs or shares to be traded solely in electronic book-entry form and do not in either such case impose or increase any fees or charges to be borne by ADS holders, such amendments shall be deemed not to prejudice any substantial rights of ADR holders or beneficial owners of ADSs.

We may decide to direct the depositary to terminate the ADS facility at any time for any reason. For example, termination of the ADS facility may occur when we become the subject of a takeover or a going-private transaction. ADS holders will receive at least 30 days' prior notice of the ADS facility terminating, but no prior consent is required from them.

ADSs holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable outcomes to the plaintiff(s) in any such action.

The deposit agreement governing our ADSs provides that owners and holders of ADSs irrevocably waive the right to a trial by jury in any legal proceeding arising out of or relating to the deposit agreement or the ADSs, including claims under U.S. federal securities laws, against us or the depositary to the fullest extent permitted by applicable law. If this jury trial waiver provision is prohibited by applicable law, an action could nevertheless proceed under the terms of the deposit agreement with a jury trial. Although we are not aware of a specific federal decision that addresses the enforceability of a jury trial waiver in the context of U.S. federal securities laws, it is our understanding that jury trial waivers are generally enforceable. Moreover, insofar as the deposit agreement is governed by the laws of the State of New York, New York laws similarly recognize the validity of jury trial waivers in appropriate circumstances. In determining whether to enforce a jury trial waiver provision, New York courts and federal courts will consider whether the visibility of the jury trial waiver provision within the agreement is sufficiently prominent such that a party has knowingly waived any right to trial by jury. We believe that this is the case with respect to the deposit agreement and the ADSs.

In addition, New York courts will not enforce a jury trial waiver provision in order to bar a viable setoff or counterclaim of fraud or one which is based upon a creditor's negligence in failing to liquidate collateral upon a guarantor's demand, or in the case of an intentional tort claim (as opposed to a contract dispute). No condition, stipulation or provision of the deposit agreement or ADSs serves as a waiver by any holder or beneficial owner of ADSs or by us or the depositary of compliance with any provision of U.S. federal securities laws and the rules and regulations promulgated thereunder.

If any owner or holder of our ADSs brings a claim against us or the depositary in connection with matters arising under the deposit agreement or the ADSs, including claims under U.S. federal securities laws, such owner or holder may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us or the depositary. If a lawsuit is brought against us or the depositary under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different results than a trial by jury would have had, including results that could be less favorable to the plaintiff(s) in any such action, depending on, among other things, the nature of the claims, the judge or justice hearing such claims, and the venue of the hearing.

You will not have the same voting rights as the holders of our ordinary shares and may not receive voting materials in time to be able to exercise your right to vote.

Holders of ADSs do not have the same rights as our shareholders who hold our ordinary shares directly and may only exercise their voting rights with respect to the underlying ordinary shares in accordance with the provisions of the deposit agreement. Holders of the ADSs will appoint the depositary or its nominee as their representative to exercise the voting rights attaching to the ordinary shares represented by the ADSs.

When a general meeting is convened, if you hold ADSs, you may not receive sufficient notice of a shareholders' meeting to permit you to withdraw the ordinary shares underlying your ADSs to allow you to vote with respect to any specific matter. We will use commercially reasonable efforts to cause the depositary to extend voting rights to you in a timely manner, but we cannot assure you that you will receive voting materials in time to instruct the depositary to vote, and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

The depositary will not be liable for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, you may not be able to exercise your right to vote and you may lack recourse if your ADSs are not voted as you request. In addition, in your capacity as an ADS holder, you will not be able to call a shareholders' meeting.

You may not receive distributions on our ordinary shares represented by the ADSs or any value for them if it is illegal or impractical to make them available to holders of ADSs.

The depositary for the ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on our ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of our ordinary shares your ADSs represent. However, in accordance with the limitations set forth in the deposit agreement, it may be unlawful or impractical to make a distribution available to holders of ADSs. We have no obligation to register under U.S. securities laws any offering of ADSs, ordinary shares or other securities received through such distributions. We also have no obligation to take any other action to permit distribution on the ADSs, ordinary shares, rights or anything else to holders of the ADSs. This means that you may not receive the distributions we make on our ordinary shares or any value from them if it is unlawful or impractical to make them available to you. These restrictions may have an adverse effect on the value of your ADSs.

Because we do not anticipate paying any cash dividends on our ADSs in the foreseeable future, capital appreciation, if any, will be your sole source of gains and you may never receive a return on your investment.

Under current English law, a company’s accumulated realized profits must exceed its accumulated realized losses (on a non-consolidated basis) before dividends can be declared and paid. Therefore, we must have distributable profits before declaring and paying a dividend. In addition, as a public limited company incorporated in England and Wales, we will only be able to make a distribution if the amount of our net assets is not less than the aggregate of our called-up share capital and undistributable reserves and if, and to the extent that, the distribution does not reduce the amount of those assets to less than that aggregate.

We have not paid dividends in the past on our ordinary shares. We intend to retain earnings, if any, for use in our business and do not anticipate paying any cash dividends in the foreseeable future. As a result, capital appreciation, if any, on our ADSs will be your sole source of gains for the foreseeable future, and you will suffer a loss on your investment if you are unable to sell your ADSs at or above the initial public offering price.

Given our classification as an emerging growth company, we potentially may not be able to maintain effective internal controls over financial reporting.

Pursuant to Section 404 of the Sarbanes-Oxley Act, or Section 404, we will be required to furnish a report by our senior management on our internal control over financial reporting, including an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. However, while we remain an emerging growth company, we will not be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To achieve compliance with Section 404 within the prescribed period, we will be engaged in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. Despite our efforts, there is a risk we will not be able to conclude, within the prescribed timeframe or at all, that our internal control over financial reporting is effective as required by Section 404. If we identify one or more material weaknesses, it could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

Risks Related to Investing in a Foreign Private Issuer or an English Company

As a foreign private issuer, we are exempt from a number of rules under the U.S. securities laws and are permitted to file less information with the SEC than U.S. public companies.

As a foreign private issuer, we will be exempt from a number of requirements under U.S. securities law and, consequently, we are not subject to all of the disclosure requirements applicable to public companies organized in the United States. In particular, we will be exempt from certain rules under the Exchange Act that regulate disclosure obligations and procedural requirements related to the solicitation of proxies, consents or authorizations applicable to a security registered under the Exchange Act. In addition, our officers and directors are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and related rules with respect to their purchases and sales of our securities. Moreover, we will not be required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as public companies organized in the United States. Accordingly, there may be less publicly available information concerning our company than there is for public companies organized in the United States.

As a foreign private issuer, we will file an annual report on Form 20-F within four months of the close of each fiscal year ended December 31 and reports on Form 6-K relating to certain material events promptly after we publicly announce these events. However, because of the above exemptions for foreign private issuers, our shareholders will not be afforded the same protections or information generally available to investors holding shares in public companies organized in the United States.

As a foreign private issuer and as permitted by the listing requirements of Nasdaq, we may follow UK corporate governance rules instead of the corporate governance requirements of Nasdaq.

As a foreign private issuer, we may follow our home country corporate governance rules instead of the corporate governance requirements of Nasdaq. For example, we are exempt from Nasdaq regulations that require a listed U.S. company to:

- have a majority of the board of directors consist of independent directors;
- require non-management directors to meet on a regular basis without management present;
- promptly disclose any waivers of the code for directors or executive officers that should address certain specified items;
- have an independent nominating committee;
- solicit proxies and provide proxy statements for all shareholder meetings; and
- seek shareholder approval for the implementation of certain equity compensation plans and issuances of ordinary shares.

For an overview of our corporate governance principles, including those which comply with certain of the requirements above, see Item 10. B. "Articles of Association."
In accordance with our Nasdaq listing, our Audit Committee is required to comply with the provisions of Section 301 of the Sarbanes-Oxley Act of 2002 and Rule 10A-3 of the Exchange Act, both of which also are applicable to Nasdaq-listed U.S. companies.

To the extent we determine to follow UK corporate governance practices instead of Nasdaq governance requirements, you may not have the same protections afforded to shareholders of companies that are subject to these Nasdaq requirements.

We may lose our foreign private issuer status, which would then require us to comply with the Exchange Act's domestic reporting regime and cause us to incur significant legal, accounting and other expenses.

As a foreign private issuer, we are not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act applicable to public companies organized in the United States. If we were to lose our status as a foreign private issuer, we would be required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act applicable to public companies organized in the United States. In order to maintain our current status as a foreign private issuer, either (a) a majority of our ordinary shares must be either directly or indirectly held of record by non-residents of the United States or (b)(i) a majority of our executive officers or directors cannot be U.S. citizens or residents, (ii) more than 50% of our assets must be located outside the United States, and (iii) our business must be administered principally outside the United States.

If we lose our status as a foreign private issuer, we would be required to comply with the Exchange Act reporting requirements and other requirements applicable to public companies organized in the United States, including the requirement to prepare our financial statements in accordance with U.S. generally accepted accounting principles, which are more detailed and extensive than the requirements for foreign private issuers. We may also be required to make changes in our corporate governance practices in accordance with various SEC and Nasdaq rules. The regulatory and compliance costs to us under U.S. securities laws if we are required to comply with the reporting requirements applicable to public companies organized in the United States may be significantly higher than the cost we would incur as a foreign private issuer. As a result, we expect that a loss of foreign private issuer status would increase our legal and financial compliance costs and would make some activities extremely time consuming and costly. If we lose foreign private issuer status and are unable to comply with the reporting requirements applicable to public companies organized in the United States by the applicable deadlines, we would not be in compliance with applicable SEC rules or the rules of the Nasdaq, which could cause investors to lose confidence in our public reports and could have a material adverse effect on the trading price of our ADSs. We also expect that if we were required to comply with the rules and regulations applicable to public companies organized in the United States, it would make it more difficult and expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These rules and regulations could also make it more difficult for us to attract and retain qualified members of our board of directors and other key management personnel.

We have not yet determined whether our existing internal controls over financial reporting systems are compliant with Section 404 of the Sarbanes-Oxley Act, and we cannot provide any assurance that there are no material weaknesses or significant deficiencies in our existing internal controls.

As an English public company traded on the LSE, we were not required to evaluate our internal control over financial reporting in a manner that meets the standards applicable to publicly traded companies required by Section 404(a) of the Sarbanes-Oxley Act.

As a public company in the United States, we must maintain effective internal control over financial reporting in order to report in an accurate and timely manner the results of our operations and financial condition. In addition, the Sarbanes-Oxley Act will require, among other things, that we assess the effectiveness of our internal control over financial reporting at the end of each fiscal year. This process will require the investment of substantial time and resources, including by our Director of Finance and other members of our management. The process of designing and implementing effective internal controls over financial reporting is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company. If we are unable to establish or maintain appropriate internal financial reporting controls and procedures, it could cause us to fail to meet our reporting obligations on a timely basis, result in material misstatements in our consolidated financial statements and harm our results of operations. In addition, we will be required, pursuant to Section 404(a), to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting in the second annual report following the completion of our U.S. initial public offering. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. The rules governing the standards that must be met for our management to assess our internal control over financial reporting are complex and require significant documentation, testing and possible remediation. Testing and maintaining internal controls may divert our management’s attention from other matters that are important to our business. In addition, it is currently anticipated that our independent registered public accounting firm will be required to issue an audit report on the effectiveness of our internal control over financial reporting in the fifth annual report following the completion of our U.S. initial public offering or the fiscal year following the date upon which we are no longer an emerging growth company, whichever is the sooner.

In connection with the implementation of the necessary procedures and practices related to our internal control over financial reporting, we may identify deficiencies that we may not be able to remediate in time to meet the deadline imposed by the Sarbanes-Oxley Act for compliance with the requirements of Section 404(a). In addition, we may encounter problems or delays in completing the remediation of any deficiencies identified by our independent registered public accounting firm in connection with the issuance of their audit report. The determination and any remedial actions required could result in us incurring additional costs that we did not anticipate.

We may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404(a) or our independent registered public accounting firm may not issue an unqualified opinion. Irrespective of compliance with Section 404(a), any failure of our internal controls could have a material adverse effect on our stated results of operations and harm our reputation. As a result, we may experience higher than anticipated operating expenses, as well as higher independent auditor fees during and after the implementation of these changes. If either we are unable to conclude that we have effective internal control over financial reporting or our independent registered public accounting firm is unable to provide us with an unqualified opinion, investors could lose confidence in our reported financial information, which could have a material adverse effect on the trading price of our ADSs.

Claims of U.S. civil liabilities may not be enforceable against us.

We are incorporated under English law and have our registered office in England. Certain members of our board of directors and senior management are non-residents of the United States, and a portion of our assets and the assets of such persons are located outside the United States. As a result, it may not be possible to serve process on such persons or us in the United States or to enforce judgments obtained in U.S. courts against them or us based on civil liability provisions of the securities laws of the United States.

The United States and the United Kingdom do not currently have a treaty providing for recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment given by a court in the United States, whether or not predicated solely upon U.S. securities laws, would not automatically be recognized or enforceable in the United Kingdom. In addition, uncertainty exists as to whether UK courts would entertain original actions brought in the United Kingdom against us or our directors or senior management predicated upon the securities laws of the United States or any state in the United States. Any final and conclusive monetary judgment for a definite sum obtained against us in U.S. courts would be treated by the courts of the United Kingdom as a cause of action in itself and sued upon as a debt at common law so that no retrial of the issues would be necessary; provided that certain requirements are met. Whether these requirements are met in respect of a judgment based upon the civil liability provisions of the U.S. securities laws, including whether the award of monetary damages under such laws would constitute a penalty, is an issue for the court making such decision. If an English court gives judgment for the sum payable under a U.S. judgment, the English judgment will be enforceable by methods generally available for this purpose. These methods generally permit the English court discretion to prescribe the manner of enforcement.

As a result, U.S. investors may not be able to enforce against us or our senior management, board of directors or certain experts named herein who are residents of the United Kingdom or countries other than the United States any judgments obtained in U.S. courts in civil and commercial matters, including judgments under the U.S. federal securities laws.

Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings.

Under English law, shareholders usually have preemptive rights to subscribe on a pro rata basis in the issuance of new shares for cash. The exercise of preemptive rights by certain shareholders not resident in the United Kingdom may be restricted by applicable law or practice in the United Kingdom and overseas jurisdictions. We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to you in the United States unless we register the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. Also, under the deposit agreement, the depositary bank will not make rights available to you unless either both the rights and any related securities are registered under the Securities Act, or the distribution of them to ADS holders is exempted from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. If the depositary does not distribute the rights, it may, under the deposit agreement, either sell them, if possible, or allow them to lapse. Accordingly, you may be unable to participate in our rights offerings and may experience dilution in your holdings. We are also permitted under English law to disapply preemptive rights (subject to the approval of our shareholders by special resolution or the inclusion in our articles of association of a power to disapply such rights) and thereby exclude certain shareholders, such as overseas shareholders, from participating in a rights offering (usually to avoid a breach of local securities laws).

The rights of our shareholders may differ from the rights typically offered to shareholders of a U.S. corporation.

We are incorporated under English law. The rights of holders of ordinary shares and, therefore, certain of the rights of holders of ADSs, are governed by English law, including the provisions of the UK Companies Act 2006 (the “Companies

Act”), and by our articles of association. These rights differ in certain respects from the rights of shareholders in typical U.S. corporations. See Item 10. B. “Differences in Corporate Law” in this report for a description of the principal differences between the provisions of the Companies Act applicable to us and, for example, the General Corporation Law of the State of Delaware relating to shareholders’ rights and protections.

The principal differences include the following:

- under our articles of association, any resolution put to the vote of a general meeting must be decided exclusively on a poll. Under English law, it would be possible for our articles of association to be amended such that each shareholder present at a general meeting has only one vote unless demand is made for a vote on a poll, in which case each holder gets one vote per share owned. Under U.S. law, each shareholder typically is entitled to one vote per share at all meetings;

- under English law, subject to certain exceptions and disapplications, each shareholder generally has preemptive rights to subscribe on a proportionate basis to any issuance of ordinary shares or rights to subscribe for, or to convert securities into, ordinary shares for cash. Under U.S. law, shareholders generally do not have preemptive rights unless specifically granted in the certificate of incorporation or otherwise;

- under English law and our articles of association, certain matters require the approval of 75% of the shareholders who vote (in person or by proxy) on the relevant resolution (or on a poll of shareholders representing 75% of the ordinary shares voting (in person or by proxy)), including amendments to the articles of association. This may make it more difficult for us to complete corporate transactions deemed advisable by our board of directors. Under U.S. law, generally only majority shareholder approval is required to amend the certificate of incorporation or to approve other significant transactions;

- in the United Kingdom, takeovers may be structured as takeover offers or as schemes of arrangement. Under English law, a bidder seeking to acquire us by means of a takeover offer would need to make an offer for all of our outstanding ordinary shares (including ordinary shares represented by ADSs). If acceptances are not received for 90% or more of the ordinary shares (including ordinary shares represented by ADSs) under the offer, under English law, the bidder cannot complete a “squeeze out” to obtain 100% control of us. Accordingly, acceptances of 90% of our outstanding ordinary shares (including ordinary shares represented by ADSs) will likely be a condition in any takeover offer to acquire us, not 50% as is more common in tender offers for corporations organized under Delaware law. By contrast, a scheme of arrangement, the successful completion of which would result in a bidder obtaining 100% control of us, requires the approval of a majority of shareholders voting at the meeting and representing 75% of the ordinary shares voting for approval;

- under English law and our articles of association, shareholders and other persons, appearing to be interested in our shares may be required to disclose information regarding their interests in our shares upon our request, and the failure to provide the required information could result in the loss or restriction of rights attaching to the shares, including prohibitions on certain transfers of the shares, withholding of dividends and loss of voting rights. Comparable provisions generally do not exist under U.S. law; and

- the quorum requirement for a shareholders’ meeting is a minimum of two shareholders entitled to vote at the meeting and present in person or by proxy or, in the case of a shareholder which is a corporation, represented by a duly authorized representative. Under U.S. law, a majority of the shares eligible to vote must generally be present (in person or by proxy) at a shareholders’ meeting in order to constitute a quorum. The minimum number of shares required for a quorum can be reduced pursuant to a provision in a company’s certificate of incorporation or bylaws, but typically not below one-third of the shares entitled to vote at the meeting.

As an English public limited company, certain capital structure decisions will require shareholder approval, which may limit our flexibility to manage our capital structure.

English law provides that a board of directors may only allot shares (or rights to subscribe for or convert any security into shares) with the prior authorization of shareholders, such authorization stating the aggregate nominal amount of shares that it covers and being valid for a maximum period of five years, each as specified in the articles of association or relevant shareholder resolution.

English law also generally provides shareholders with preemptive rights when new shares are issued for cash. However, it is possible for the articles of association, or for shareholders to pass a special resolution at a general meeting, being a resolution passed by at least 75% of the votes cast, to disapply preemptive rights. Such a disapplication of preemptive rights may be for a maximum period of up to five years from the date of adoption of the articles of association, if the disapplication is contained in the articles of association, or from the date of the shareholder special resolution, if the disapplication is by shareholder special resolution but not longer than the duration of the authority to allot shares to which the disapplication relates. In either case, this disapplication would need to be renewed by our shareholders upon its expiration (i.e., at least every five years).

English law also generally prohibits a public company from repurchasing its own shares without the prior approval of shareholders by ordinary resolution, being a resolution passed by a simple majority of votes cast, and other formalities. Such approval may be for a maximum period of up to five years, though is customarily granted and renewed on a yearly basis. See Item 10. B. “Articles of Association.”

Our articles of association provide that the courts of England and Wales will be the exclusive forum for the resolution of all shareholder complaints other than complaints asserting a cause of action arising under the Securities Act and the Exchange Act, and that the U.S. District Court for the Southern District of New York will be the exclusive forum for the resolution of any shareholder complaint asserting a cause of action arising under the Securities Act or the Exchange Act.

Our articles of association provide that the courts of England and Wales will be the exclusive forum for resolving all shareholder complaints (i.e., any derivative action or proceeding brought on behalf of us, any action or proceeding asserting a claim of breach of fiduciary duty owed by any of our directors, officers or other employees, any action or proceeding asserting a claim arising out of any provision of the Companies Act or our articles of association or any action or proceeding asserting a claim or otherwise related to the affairs of our company) other than shareholder complaints asserting a cause of action arising under the Securities Act or the Exchange Act, and that the U.S. District Court for the Southern District of New York will be the exclusive forum for resolving any shareholder complaint asserting a cause of action arising under the Securities Act or the Exchange Act. In addition, our articles of association provide that any person or entity purchasing or otherwise acquiring any interest in our shares is deemed to have notice of and consented to these provisions. Notwithstanding the foregoing, the exclusive forum provision does not apply to any claim to enforce any liability or duty created by the Exchange Act or the Securities Act and for which the federal courts have exclusive jurisdiction.

This choice of forum provision may limit a shareholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits. The enforceability of similar exclusive forum provisions (including exclusive federal forum provisions for actions, suits or proceedings asserting a cause of action arising under the Securities Act) in other companies’ organizational documents has been challenged in legal proceedings, and there is uncertainty as to whether courts would enforce the exclusive forum provisions in our articles of association. Additionally, our shareholders cannot waive compliance with U.S. federal securities laws and the rules and regulations thereunder. If a court were to find the choice of forum provision contained in our articles of association to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our results of operations and financial condition.

Risks Related to Investing in an Emerging Growth Company

We are an emerging growth company, and we cannot be certain if the reduced reporting requirements applicable to emerging growth companies will make our ADSs less attractive to investors.

We are an emerging growth company, as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404, exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. As an emerging growth company, we are required to report only two years of financial results and selected financial data in our initial public offering registration statement, as compared to three and five years, respectively, for comparable data reported by other public companies. We may take advantage of these exemptions until we are no longer an emerging growth company. We could be an emerging growth company for up to five years, although circumstances could cause us to lose that status earlier, including if the aggregate market value of our ordinary shares held by non-affiliates exceeds $700 million as of any June 30 (the end of our second fiscal quarter) before that time, in which case we would no longer be an emerging growth company as of the following December 31 (our fiscal year-end). We cannot predict if investors will find our ADSs less attractive because we may rely on these exemptions. If some investors find our ADSs less attractive as a result, there may be a less active trading market for our ADSs and the price of our ADSs may be more volatile.

Risks Related to U.S. and UK Tax Regimes

There can be no assurance that we will not be a PFIC for U.S. federal income tax purposes, which could result in adverse U.S. federal income tax consequences to U.S. investors.

Under the Internal Revenue Code of 1986, as amended (the “Code”), we will be a passive foreign investment company (“PFIC”), for any taxable year in which (a) 75% or more of our gross income consists of passive income or (b) 50% or more of the value of our assets (generally determined on the basis of a weighted quarterly average) consists of assets that produce, or are held for the production of, passive income. For purposes of these tests, passive income includes dividends, interest, certain gains from the sale or exchange of property and certain rents and royalties. Cash, cash-equivalents and cryptocurrencies generally are passive assets for these purposes. Goodwill is active to the extent attributable to activities that produce or are intended to produce active income. In addition, for purposes of the above calculations, we will be treated as if we hold our proportionate share of the assets of, and receive directly our proportionate share of the income of, any other corporation in which we directly or indirectly own at least 25%, by value, of the shares. If we are a PFIC for any taxable year during which a U.S. investor holds our shares, the U.S. investor may be subject to adverse tax consequences regardless of whether we continue to qualify as a PFIC, including ineligibility for any preferred tax rates on capital gains or on dividends, interest charges on certain taxes treated as deferred and additional reporting requirements.Based on our analysis of our activities and current estimates of the composition of our income and assets (including goodwill), we do not expect to be a PFIC for the current taxable year or in the foreseeable future. However, because PFIC status is determined on an annual basis, and therefore our PFIC status for the current taxable year and any future taxable year will depend upon the future composition of our income and assets, there can be no assurance that we will not be a PFIC for any taxable year. In particular, the application of the PFIC rules to cryptocurrencies is subject to uncertainty. In addition, the total value of our assets (including goodwill) for PFIC testing purposes may be determined in part by reference to the market price of our ordinary shares or ADSs from time to time, which may fluctuate considerably. Even if we determine that we are not a PFIC for a taxable year, there can be no assurance that the Internal Revenue Service (“IRS”) will agree with our conclusion and that the IRS would not successfully challenge our position.

For further discussion of the PFIC rules and the adverse U.S. federal income tax consequences in the event we are classified as a PFIC, see Item 10. E. “Material Income Tax Considerations—Material United States Federal Income Tax Considerations.”

It is unlikely we will be able to use net operating loss and tax credit carryforwards and certain built-in losses to reduce future tax payments or benefit from favorable UK tax legislation.

As a UK incorporated and tax resident entity, we are subject to UK corporate taxation on tax-adjusted trading profits. As of December 31, 2021, we had cumulative carryforward tax losses of £10,476k. Given we do not, and are not currently expected to, generate significant taxable profit in the UK, it is unlikely that these carryforward tax losses will be utilized against future profits to reduce future tax payments or otherwise benefit from favorable UK tax legislation.

Changes and uncertainties in the tax system in the countries in which we have operations, could materially adversely affect our financial condition and results of operations, and reduce net returns to our shareholders.

Our consolidated effective income tax rate, and the tax treatment of our ADSs and ordinary shares, could be materially adversely affected by several factors, including: changing tax laws, regulations and treaties, or the interpretation thereof; tax policy initiatives and reforms under consideration (such as those related to the ongoing Organisation for Economic Co-operation and Development’s, or OECD, Base Erosion and Profit Shifting, or BEPS, Project, the European Commission’s state aid investigations and other initiatives); the practices of tax authorities in jurisdictions in which we operate (such as in the UK and in Canada); and the resolution of issues arising from tax audits or examinations and any related interest or