We are liable to pay tax in a number of jurisdictions, including the United Kingdom, Canada and the United States. Our effective tax rate represents the weighted average of the tax rates for which we are liable in those jurisdictions. We did not occur any income tax expense in any of the jurisdictions that we operate.

Results of Operations

The following table sets forth our results of operations for the years ended December 31, 2023, 2022 and 2021:

(in $'000's)	2023	2022	2021
Revenues	50,558	58,583	98,748
Power and hosting costs	(35,964)	(26,759)	(15,185)
Power credits	7,163	—	—
Change in fair value of digital currencies	738	(53,978)	2,167
Depreciation of mining equipment	(18,656)	(20,469)	(14,339)
Gross profit (loss)	**3,839**	**(42,623)**	**71,391**
Operating expenses	(19,345)	(34,057)	(11,743)
Gain on hedging	—	2,097	—
Share based payment charge	(3,892)	(6,096)	(2,579)
Operating profit (loss)	**(19,398)**	**(80,679)**	**57,069**
Gain/(loss) on sale of investments	36	—	(837)
Loss on sale of subsidiary	—	(55,418)	—
Write off of investment	(2,236)	—	—
Loss on disposal of fixed assets	—	(23,228)	—
Investment fair value movement	—	(406)	244
Finance costs	(11,556)	(22,661)	(2,935)
Other income	346	3,726	—
Impairment of tangible fixed assets	(855)	(55,838)	—
Gain on disposal of Intangible Assets	428	—	—
Impairment of intangible fixed assets	(1,082)	(5,155)	—
Equity accounted loss from associate	(716)	(6,027)	(1,594)
Revaluation of contingent consideration	—	4,994	314
Profit (loss) before taxation	**(35,033)**	**(240,692)**	**52,261**
Income tax expense (recovery)	—	11,731	(11,319)
Profit (loss) after taxation	**(35,033)**	**(228,961)**	**40,942**
Other comprehensive income-currency translation reserve	(779)	(20,639)	(8,834)
Other comprehensive income-equity accounted OCI from associate	—	(8,744)	8,744
Other comprehensive income-fair value reserve	—	(551)	551
Total comprehensive income (loss)	**(35,812)**	**(258,895)**	**41,403**

Comparison of the years ended December 31, 2023 and 2022 (in '000's)

Total revenue

Total revenue decreased by $8,026 to $50,558 for the year ended December 31, 2023 from $58,583 for the year ended December 31, 2022. This decrease was primarily driven by the increase in the global network hashrate and the associated 71% increase in average network difficulty in 2023 compared to 2022, which resulted in a 40% decrease in hashprice. In 2023 we mined 1,760 bitcoin and realized $28,723 per bitcoin as compared to 2,156 and $27,117 in 2022, respectively.

Power and hosting costs

Power and hosting costs increased by $9,205 to $35,964 for the year ended December 31, 2023 from $26,759 for the year ended December 31, 2022. This increase was primarily driven by higher power and hosting costs in Texas due to a full year's production at in 2023 compared to a partial year of production in 2022.

Power credits

The hosting agreement with Galaxy allows Argo to share in the proceeds from economic curtailment, which occurs when Helios monetizes its fixed-price PPA during periods of high power prices. During the year, Argo generated approximately $7.2 million in power credits, with $3.8 million generated in the month of August during a state-wide heat wave. Not only does the ability to curtail operations benefit Argo economically, but it greatly enhances the stability of the Texas grid.

Change in fair value of digital currencies and realized loss on sale of digital currencies

Change in fair value of digital currencies resulted in a gain of $84 for the year ended December 31, 2023, compared to a loss of $53,978 for the year ended December 31, 2022. In 2023, our treasury management strategy was to sell our mined Bitcoin on a weekly basis in order to fund our operating expenses and for working capital needs. This resulted in reduced changes in fair value of digital currencies and reduced realized losses on sale of digital of digital currencies.

Depreciation of mining equipment

Depreciation of mining equipment decreased by $1,813 to $18,656 for the year ended December 31, 2023 from $20,469 for the year ended December 31, 2022. This decrease was primarily driven by the lower book value of our machines in 2023 after accounting for impairments in 2022, partially offset by new mining machines energized in 2023.

Operating expenses

Operating expenses decreased by $15,226 to $18,831 for the year ended December 31, 2023 from $34,057 for the year ended December 31, 2022. Note 8 of our consolidated financial statements details our operating expenses for 2023 and 2022. The decrease over 2022 was primarily driven by the sale of the Helios facility in December 2022, which significantly decreased the Company’s headcount and salary costs, and reduced other non-mining operating expenses such as restructuring costs, depreciation and amortization, and insurance fees.

Share based payment

Share based payment decreased to $3,892 for the year ended December 31, 2023 from $6,096 for the year ended December 31, 2022. This decrease was driven by the large number of options that lapsed early in 2023 with the reduction in work force and the higher share price associated with options granted in 2021 and 2022 as compared to the restricted and performance share units granted in 2023.

Interest expense

Interest expense decreased by $11,105 to $11,556 for the year ended December 31, 2023 from $22,661 for the year ended December 31, 2022. This decrease was primarily driven by the significant reduction of debt that occurred in conjunction with the sale of the Helios facility to Galaxy in December 2022.

Comparison of the years ended December 31, 2022 and 2021 (in ‘000’s)

Total revenue

Total revenue decreased by $40,165 to $58,583 for the year ended December 31, 2022 from $98,748 for the year ended December 31, 2021. This decrease was primarily driven by the overall decrease in the price of Bitcoin (average for Q4 2021 of $54,804 per Bitcoin and average of Q4 2022 of $18,066).

Power and hosting costs

Power costs increased by $11,574 to $26,759 for the year ended December 31, 2022 from $15,185 for the year ended December 31, 2021. This increase was primarily driven by higher power costs in Texas due to the opening of the Helios facility during 2022.

Change in fair value of digital currencies and realized loss on sale of digital currencies

Change in fair value of digital currencies resulted in a loss of $53,978 for the year ended December 31, 2022, compared to a gain of $2,167 for year ended December 31, 2021. This change was primarily driven by the realization of losses from the sale of Bitcoin held at December 31, 2021.

Depreciation of mining equipment

Depreciation of mining equipment increased by $6,130 to $20,469 for the year ended December 31, 2022 from $14,339 for the year ended December 31, 2021. This increase was primarily driven by continued investment in the expansion of our mining fleet and the resulting depreciation of those capital investments.

Operating expenses

Operating expenses increased by $22,314 to $34,057 for the year ended December 31, 2022 from $11,743 for the year ended December 31, 2021. This increase was primarily driven by increased salary costs and other non-mining operating expenses such as insurance and depreciation and amortization as the Group energized its Helios facility. Operating expenses such as legal and directors and officers insurance also increased as a result of operating as a public company listed in the U.S.

Share based payment

Share based payment increased to $6,096 for the year ended December 31, 2022 from $2,579 for the year ended December 31, 2021. This increase was driven by the increase in options granted during the year, the increase in share price, and the material nature of the charge calculated thereon.

Interest expense

Interest expense increased by $19,726 to $22,661 for the year ended December 31, 2022 from $2,935 for the year ended December 31, 2021. This increase was primarily driven by the lease costs related to the S19 and S19 Pro machine purchase where payment began in January 2021, interest on the Galaxy Term Loan, bond interest, and interest resulting from prepaying loans during the year.

B. Liquidity and Capital Resources

Since our inception, we have financed our operations primarily through cash generated by sales of cryptocurrency, sales of equity securities, issuing bonds and incurring debt. In 2022, the rapid decline in Bitcoin price adversely affected our revenue, financial condition and operating results, and required us to divest a substantial portion of our Bitcoin as well as our Helios mining facility in Texas in order to meet operating expenses and avoid default under our credit facilities. In 2023, Bitcoin mining economics improved, allowing us to significantly reduce our debt, deploy additional hashrate capacity in Quebec, and strengthen our balance sheet. Our primary requirements for liquidity and capital are to finance working capital, capital expenditures and general corporate purposes. We believe that our sources of liquidity and capital resources will be sufficient to meet our existing business needs for at least the next 12 months. However, our recurring losses from operations, our debt service obligations, and the volatility in Bitcoin prices do raise substantial doubt about our ability to continue as a going concern. As a result, management has included disclosures in Note 3 of the financial statements and our independent registered public accounting firm included an explanatory paragraph in its report on our financial statements for the year ended December 31, 2023 with respect to this uncertainty. From time to time, we may raise additional capital through the issuance of debt or equity securities or additional borrowings to the extent required, or to the extent that we believe such capital is available on favorable terms. Our primary sources of liquidity are our cash and cash equivalents and cryptocurrency held in treasury.

During the course of 2023, our treasury management strategy was to sell our mined cryptocurrency assets on a weekly basis in order to fund our operating expenses and for working capital needs. In the future, as with any business which mines a commodity, we expect to sell Bitcoin to satisfy our fiat cash requirements.

In March 2022, we entered into an equipment financing agreement (the “Financing Agreement”) with NYDIG, a wholly owned subsidiary of New York Digital Investment Group LLC. As part of the Financing Agreement, NYDIG loaned Argo an aggregate principal amount of $27 million to recapitalize the purchase of electrical infrastructure equipment for the Helios facility in Dickens County, Texas. Outstanding borrowings under the Financing Agreement were secured by the infrastructure financed equipment and the contracts to acquire the infrastructure financed equipment. In April 2022, we entered into additional equipment financing with NYDIG under which NYDIG agreed to loan to Argo, in a series of loans from April to September 2022, an aggregate principal amount of up to $71 million to recapitalize the purchase of digital asset mining equipment for the Helios facility. Additional borrowings under the Financing Agreement were secured by the mining financed equipment and the contracts to acquire the mining financed equipment. The equipment financing agreements entered into with NYDIG were repaid in full in December 2022.

On December 28, 2022, we announced a series of transactions with Galaxy that strengthened our balance sheet, improved our liquidity position, and enabled us to continue mining operations. As part of the transactions, we sold the Helios facility and real property in Dickens County, Texas to Galaxy for $65 million and refinanced existing asset-backed loans via a new $35 million, three-year asset-backed loan with Galaxy (the “Galaxy ABS Loan”). The Galaxy ABS Loan also includes events of default, which are customary for facilities of this type (with customary grace periods, as applicable), including provisions under which, upon the occurrence of an event of default, all amounts outstanding under the Galaxy ABS Loan may be accelerated. The Galaxy ABS Loan contains usual and customary limitations on indebtedness, liens, restricted payments, acquisitions and asset sales in the form of affirmative, negative and financial covenants, which are customary for financings of this type. The Galaxy ABS Loan is secured by a collateral package that includes 23,619 Bitmain S19J Pro mining machines currently operating at the Helios facility and certain machines located at Argo’s Canadian data centers. The term of the Galaxy ABS Loan is 18 months with an option to extend for another 18 months if certain financial thresholds are met. The interest rate is SOFR plus 11% with a 1.5% renewal fee in the event the maturity is extended. The cash proceeds received from the sale of the Helios facility, along with a portion of the borrowings under the Galaxy ABS Loan, were used to repay all existing indebtedness, prepayment interest, and other fees of approximately $84 million owed to NYDIG and other existing indebtedness. The transactions reduced total indebtedness by $41 million and allowed us to simplify our operating structure.

On July 19, 2023, the Company raised $7.5 million of gross proceeds via a non-preemptive placing of 57,500,000 new ordinary shares to both institutional and retail investors in the UK. The proceeds were used for general corporate purposes and to repay a portion of the Galaxy ABS Loan.

On January 8, 2024, the Company raised $9.9 million of gross proceeds via a non-preemptive placing of 38,064,000 new ordinary shares to institutional investors in the UK. The proceeds were used for general corporate purposes and to repay a portion of the Galaxy ABS Loan.

At any time and from time to time, we may repay or redeem our outstanding debt, including purchases of our outstanding bonds in the open market, through privately negotiated transactions or a combination thereof, in each case using cash and cash equivalents, cash from our short-term investments, cash from operating activities, proceeds from the issuance of debt or equity or proceeds from asset divestitures. Any repayment or redemption of our debt will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. In connection with such repurchases or redemptions, we may incur cash and non-cash charges, which could be material in the period in which they are incurred.

The following table summarizes our contractual obligations and other commitments (in thousands) as of December 31, 2023, and the years in which these obligations are due:

	Total	**Less than 1 Year**	**1–3 Years**
(in ’000’s)	**$**	**$**	**$**
Bonds	38,170	—	38,170
Galaxy Term Loan	22,674	13,444	9,230
Mortgages	1,397	600	797
Liabilities Held for Sale	2,090	538	1,552
Other	277	277	—

During the periods presented, we did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Cash Flows

The table below summarizes our cash flows for the periods presented:

(in ’000’s)	2023 $	2022 $	2021 $
Net cash flow from / (used in) operating activities.	3,831	13,409	(41,944)
Net cash from/(used in) investing activities	(1,062)	(97,321)	(178,141)
Net cash generated from / (used in) financing activities	(15,778)	84,177	233,062
Net increase / (decrease) in cash and cash equivalents	(13,009)	265	12,977

Operating Activities

Net cash generated from operating activities of $3,831 in the year ended December 31, 2023 was comprised of our net loss before tax of $35,033 and working capital changes, reduced by non-cash addbacks for finance costs, impairments, depreciation, foreign exchange and investment write offs.

Net cash generated from operating activities of $13,409 in the year ended December 31, 2022 was comprised of our net loss before tax of $240,693 and working capital changes, reduced by non-cash addbacks for impairments, loss on sale of subsidiary, foreign exchange and digital currency revaluations.

Net cash used in operating activities of $41,944 in the year ended December 31, 2021 was comprised of our operating profit of $52,261, reduced by working capital changes.

Investing Activities

Net cash used in investing activities in the year ended December 31, 2023 was $1,062, which was comprised principally $1,112 for the purchase of tangible fixed assets.

Net cash used in investing activities in the year ended December 31, 2022 was $97,321, which was comprised principally of $108 million for the purchase of tangible fixed assets and $12.4 million for the disposal of tangible fixed assets.

Net cash used in investing activities in the year ended December 31, 2021 was $178,141, which was comprised principally of $105.1 million for purchase of mining machines and build out of the Helios facility and $63.1 million in mining equipment prepayment.

Financing Activities

Net cash used in financing activities in the year ended December 31, 2023 was $15,778, which was comprised principally of $14,064 of loan repayments and $10,661 of interest payments, partially offset by $7,518 of proceeds from shares issued.

Net cash generated from financing activities in the year ended December 31, 2022 was $84,177 which was comprised principally of $106,931 in loan proceeds partially offset by $22,661 in interest costs.

Net cash generated from financing activities in the year ended December 31, 2021 was $233,062 and was comprised principally of $179.2 million of proceeds from shares issued and $35.8 million in loan proceeds.