**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the quarterly period ended September 30, 2020**

OR

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the transition period from __________ to __________**

Commission file number: 001-33675

**Riot Blockchain, Inc.**
(Exact name of registrant as specified in its charter)

| **Nevada** | **84-1553387** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**202 6th Street, Suite 401, Castle Rock, CO 80104**
(Address of principal executive offices) (Zip Code)

**(303) 794-2000**
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐;

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large Accelerated Filer | ☐ | Accelerated Filer | ☒ |
| Non-accelerated Filer | ☐ | Smaller Reporting Company | ☒ |
| Emerging growth company | ☐ | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes☐ No ☒

The number of shares of no par value common stock outstanding as of November 6, 2020 was50,927,171.

| **Title of each class:** | **Trading Symbol** | **Name of each exchange on which registered:** |
|---|---|---|
| Common Stock, no par value | RIOT | Nasdaq Capital Market |

**RIOT BLOCKCHAIN, INC.**

**RIOT BLOCKCHAIN, INC.**

As used in this Quarterly Report on Form 10-Q (this “Quarterly Report”), the terms “we,” “us,” “our,” the “Company,” the “Registrant,” “Riot Blockchain, Inc.,” and “Riot” mean Riot Blockchain, Inc. and its consolidated subsidiaries, unless otherwise indicated.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Quarterly Report, including in Management's Discussion and Analysis of Financial Condition and Results of Operations, contains certain statements that are, or may be deemed to be, “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and are subject to the safe harbor created thereby. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. These statements relate to future events or the Company's future performance and include statements regarding expectations, beliefs, plans, intentions and strategies of the Company. In some cases, forward-looking statements can be identified by terminology such as “may,” “will,” “could,” “would,” “should,” “expect,” “plan,” “anticipate,” “intend,” “believe,” “estimate,” “predict,” “potential” or other comparable terminology. These forward-looking statements are made based on management's expectations and beliefs concerning future events affecting the Company as of the date of the filing of this Quarterly Report and are subject to uncertainties and factors relating to operations and the business environment, all of which are difficult to predict and many of which are beyond management's control. We make certain assumptions when making forward-looking statements, any of which could prove inaccurate, including assumptions about our future operating results and business plans. Therefore, we can give no assurance that the results implied by these forward-looking statements will be realized. Furthermore, the inclusion of forward-looking information should not be regarded as a representation by the Company or any other person that future events, plans or expectations contemplated by the Company will be achieved. Accordingly, you should not place undue reliance on these forward-looking statements, as actual results, performance and achievements could differ materially from those expressed in, or implied by, these forward-looking statements due to a variety of risks, uncertainties and other factors, including, but not limited to, the following:

- our history of operating losses and our ability to achieve or sustain profitability;
- our shift to a new business and our ability to succeed in this new business;
- our recent transition to a co-location arrangement for operating our miners;
- intense competition;
- general economic conditions in the U.S. and globally;
- our ability to maintain the value and reputation of our brand;
- our ability to attract and retain senior management and other qualified personnel;
- cryptocurrency-related risks, including regulatory changes or actions and uncertainty regarding acceptance and/or widespread use of virtual currency;
- risks relating to our virtual currency mining operations, including among others, risks associated with the need for significant electrical power, cybersecurity risks and risk of increased world-wide competition for a fixed number of bitcoin reward levels;

- our dependence in large part upon the value of virtual currencies, especially bitcoin, which have historically been subject to significant volatility in their market prices;
- our ability to protect our intellectual property rights;
- volatility in the trading price of our common stock;
- our ability to maintain the Nasdaq listing of our common stock;
- our investments in other virtual currency and blockchain focused companies may not be realizable;
- our expectation regarding the impact of a novel strain of coronavirus ("COVID-19");
- our strategic decision to concentrate on and make capital investments in cryptocurrency mining; and
- legal proceedings and/or regulatory action to which we are subject, or associated with, including actions by private plaintiffs and the U.S. Securities and Exchange Commission ("SEC"), for which we may face significant potential liability that may not be adequately covered by insurance or indemnity.

For a further list and description of the various risks, factors and uncertainties that could cause future results to differ materially from those express or implied in our forward-looking statements, see Part II, Item 1A. "Risk Factors" included in this Quarterly Report and Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019, as amended (the "2019 Annual Report"), and any subsequent reports on Form 10-Q and Form 8-K, and other filings we make with the SEC.

Accordingly, you should read this Quarterly Report completely and with the understanding that our actual future results may be materially different from what we expect. Additional risks and uncertainties not known to us or that we currently believe not to be material may adversely impact our business, financial condition, results of operations and cash flows. Should any risks or uncertainties develop into actual events, these developments could have a material adverse effect on our business, financial condition, results of operations and cash flows. The forward-looking statements contained in this Quarterly Report speak only as of the date of filing of this Quarterly Report and, unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

**PART I — FINANCIAL INFORMATION**
**Item 1. Condensed Interim Consolidated Financial Statements (Unaudited)**

**Riot Blockchain, Inc. and Subsidiaries**
**Condensed Consolidated Balance Sheets**
**(in thousands, except for share and per share amounts)**

| | September 30, 2020 (Unaudited) | December 31, 2019 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | $ 30,086 | $ 7,440 |
| Prepaid expenses and other current assets | 1,516 | 1,349 |
| Cryptocurrencies | 8,987 | 3,839 |
| Total current assets | 40,589 | 12,628 |
| Property and equipment, net | 8,568 | 5,051 |
| Right of use assets | - | 367 |
| Deposits on equipment | 12,803 | 1,449 |
| Long-term investments | 310 | 9,723 |
| Security deposits | - | 703 |
| Patents, net | 361 | 459 |
| **Total assets** | **$ 62,631** | **$ 30,380** |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities | | |
| Accounts payable | $ 780 | $ 717 |
| Accrued expenses | 383 | 2,187 |
| Operating lease liability, current portion | - | 368 |
| Deferred revenue, current portion | 97 | 97 |
| Total current liabilities | 1,260 | 3,369 |
| | | |
| Deferred revenue, less current portion | 703 | 776 |
| **Total liabilities** | **1,963** | **4,145** |
| | | |
| **Commitments and contingencies - Note 10** | | |
| | | |
| **Stockholders' equity** | | |
| Preferred stock, no par value, 15,000,000 shares authorized: | | |
| 2% Series A Convertible stock, 2,000,000 shares authorized; no shares issued and outstanding as of September 30, 2020 and December 31, 2019 | - | - |
| 0% Series B Convertible stock, 1,750,001 shares authorized; 4,199 shares issued and outstanding as of September 30, 2020 and December 31, 2019, respectively, liquidation preference over common stock, equal to carrying value | 22 | 22 |
| Common stock, no par value; 170,000,000 shares authorized; 48,922,790 and 25,082,872 shares issued and outstanding as of September 30, 2020 and December 31, 2019, respectively | 294,475 | 243,458 |
| Accumulated deficit | (233,822) | (217,238) |
| Total Riot Blockchain stockholders' equity | 60,675 | 26,242 |
| Non-controlling interest | (7) | (7) |
| Total stockholders' equity | 60,668 | 26,235 |
| **Total liabilities and stockholders' equity** | **$ 62,631** | **$ 30,380** |

See Accompanying Notes to Unaudited Condensed Interim Consolidated Financial Statements

**Riot Blockchain, Inc. and Subsidiaries**
**Condensed Interim Consolidated Statements of Operations**
**(in thousands, except for share and per share amounts)**
**(Unaudited)**

| | Three Months Ended September 30, 2020 | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2020 | Nine Months Ended September 30, 2019 |
|---|---|---|---|---|
| Revenue: | | | | |
| Revenue, net - cryptocurrency mining | $ 2,437 | $ 1,715 | $ 6,717 | $ 5,564 |
| License fees | 25 | 25 | 73 | 73 |
| Total Revenue | 2,462 | 1,740 | 6,790 | 5,637 |
| Costs and expenses: | | | | |
| Cost of revenues (exclusive of depreciation and amortization shown below) | 1,302 | 1,476 | 4,149 | 4,535 |
| Selling, general and administrative | 2,000 | 1,762 | 7,964 | 7,140 |
| Depreciation and amortization | 1,267 | 24 | 2,761 | 71 |
| Impairment of long-term investment | - | - | 9,413 | - |
| Impairment of cryptocurrencies | - | 372 | 989 | 372 |
| Total costs and expenses | 4,569 | 3,634 | 25,276 | 12,118 |
| Operating loss | (2,107) | (1,894) | (18,486) | (6,481) |
| Other income (expense): | | | | |
| Loss on issuance of convertible notes, common stock and warrants | - | - | - | (6,155) |
| Change in fair value of warrant liability | - | - | - | (2,870) |
| Change in fair value of convertible notes | - | - | - | (3,895) |
| Reversal of registration rights penalty | - | - | 1,358 | - |
| Gain on deconsolidation of Tess | - | - | - | 1,139 |
| Gain (loss) on sale of equipment | (5) | - | 31 | - |
| Interest income | 12 | - | 27 | - |
| Interest expense | - | (4) | - | (119) |
| Other income | (2) | 40 | (5) | 854 |
| Realized gain on exchange of cryptocurrencies | 385 | 24 | 491 | 665 |
| Total other income (expense) | 390 | 60 | 1,902 | (10,381) |
| Net loss | (1,717) | (1,834) | (16,584) | (16,862) |
| Net loss attributable to non-controlling interest | - | - | - | 221 |
| Net loss attributable to Riot Blockchain | $ (1,717) | $ (1,834) | $ (16,584) | $ (16,641) |
| Basic and diluted net loss per share: | $ (0.04) | $ (0.08) | $ (0.46) | $ (0.93) |
| Basic and diluted weighted average number of shares outstanding | 44,773,870 | 23,371,856 | 36,017,927 | 17,971,541 |

See Accompanying Notes to Unaudited Condensed Interim Consolidated Financial Statements

**Riot Blockchain, Inc. and Subsidiaries**
**Condensed Interim Consolidated Statements of Stockholders' Equity**
**Three Months Ended September 30,**
**2020 and 2019**
**(in thousands, except for share and per share amounts)**
**(Unaudited)**

| | Preferred Stock Shares | Preferred Stock Amount | Common Stock Shares | Common Stock Amount | Accumulated deficit | Total Riot Blockchain stockholders' equity | Non-controlling interest | Total stockholders' equity |
|---|---|---|---|---|---|---|---|---|
| **Balance as of July 1, 2020** | **4,199** | **$ 22** | **36,559,279** | **$ 259,899** | **$ (232,105)** | **$ 27,816** | **$ (7)** | **$ 27,809** |
| Delivery of common stock underlying restricted stock units, net of tax withholding settlement | - | - | 93,913 | (130) | - | (130) | - | (130) |
| Delivery of common stock underlying restricted stock units for consulting and advisory services | - | - | 40,634 | - | - | - | - | - |
| Issuance of common stock, net of offering costs/At-the-market offering | - | - | 12,028,964 | 33,851 | - | 33,851 | - | 33,851 |
| Issuance of common stock related to exercise of warrant | - | - | 200,000 | 388 | - | 388 | - | 388 |
| Stock-based compensation | - | - | - | 467 | - | 467 | - | 467 |
| Net loss | - | - | - | - | (1,717) | (1,717) | - | (1,717) |
| **Balance as of September 30, 2020** | **4,199** | **$ 22** | **48,922,790** | **$ 294,475** | **$ (233,822)** | **$ 60,675** | **$ (7)** | **$ 60,668** |

| | Preferred Stock Shares | Preferred Stock Amount | Common Stock Shares | Common Stock Amount | Accumulated deficit | Total Riot Blockchain stockholders' equity | Non-controlling interest | Total stockholders' equity (deficit) |
|---|---|---|---|---|---|---|---|---|
| **Balance as of July 1, 2019** | **4,999** | **$ 26** | **22,625,111** | **$ 238,083** | **$ (212,006)** | **$ 26,103** | **$ 35** | **$ 26,138** |
| Preferred stock converted to common stock | (800) | (4) | 800 | 4 | - | - | - | - |
| Stock-based compensation | - | - | - | 81 | - | 81 | - | 81 |
| Issuance of common stock, net of offering costs/At-the-market offering | - | - | 1,580,484 | 3,806 | - | 3,806 | - | 3,806 |
| Net loss | - | - | - | - | (1,834) | (1,834) | - | (1,834) |
| **Balance as of September 30, 2019** | **4,199** | **$ 22** | **24,206,395** | **$ 241,974** | **$ (213,840)** | **$ 28,156** | **$ 35** | **$ 28,191** |

See Accompanying Notes to Unaudited Condensed Interim Consolidated Financial Statements

**Riot Blockchain, Inc. and Subsidiaries**
**Condensed Interim Consolidated Statements of Stockholders' Equity - Continued**
**Nine Months Ended September 30,**
**2020 and 2019**
**(in thousands, except for share and per share amounts)**
**(Unaudited)**

| | Preferred Stock | | Common Stock | | Accumulated | Total Riot Blockchain stockholders' | Non-controlling | Total stockholders' |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | deficit | equity | interest | equity |
| **Balance as of January 1, 2020** | **4,199** | **$ 22** | **25,082,872** | **$ 243,458** | **$ (217,238)** | **$ 26,242** | **$ (7)** | **$ 26,235** |
| Issuance of common stock to settle executive compensation | - | - | 122,377 | 175 | - | 175 | - | 175 |
| Delivery of common stock underlying restricted stock units to settle executive compensation | - | - | 5,000 | - | - | - | - | - |
| Delivery of common stock underlying restricted stock units, net of tax withholding settlement | - | - | 1,461,812 | (352) | - | (352) | - | (352) |
| Delivery of common stock underlying restricted stock units for consulting and advisory services | - | - | 40,634 | - | - | - | - | - |
| Issuance of common stock, net of offering costs/At-the-market offering | - | - | 22,210,095 | 47,958 | - | 47,958 | - | 47,958 |
| Issuance of common stock related to exercise of warrant | - | - | 200,000 | 388 | - | 388 | - | 388 |
| Cancellation of Prive Escrow shares | - | - | (200,000) | - | - | - | - | - |
| Stock-based compensation | - | - | - | 2,848 | - | 2,848 | - | 2,848 |
| Net loss | - | - | - | - | (16,584) | (16,584) | - | (16,584) |
| **Balance as of September 30, 2020** | **4,199** | **$ 22** | **48,922,790** | **$ 294,475** | **$ (233,822)** | **$ 60,675** | **$ (7)** | **$ 60,668** |

| | Preferred Stock | | Common Stock | | Accumulated | Total Riot Blockchain stockholders' | Non-controlling | Total stockholders' |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | deficit | equity | interest | equity |
| **Balance as of January 1, 2019** | **13,000** | **$ 69** | **14,519,058** | **$ 202,917** | **$ (197,199)** | **$ 5,787** | **$ (1,296)** | **$ (4,491)** |
| Delivery of common stock underlying restricted stock units | - | - | 106,251 | - | - | - | - | - |
| Common stock issued with convertible notes | - | - | 150,000 | 255 | - | 255 | - | 255 |
| Common stock issued in connection with conversion of notes payable | - | - | 1,813,500 | 10,226 | - | 10,226 | - | 10,226 |
| Reclassification of warrant liability to equity | - | - | - | 5,439 | - | 5,439 | - | 5,439 |
| Preferred stock converted to common stock | (8,801) | (47) | 8,801 | 47 | - | - | - | - |
| Stock-based compensation | - | - | - | 431 | - | 431 | - | 431 |
| Issuance of common stock, net of offering costs/At-the-market offering | - | - | 7,608,785 | 22,659 | - | 22,659 | - | 22,659 |
| Net loss attributable to non-controlling interest | - | - | - | - | - | - | (221) | (221) |
| Deconsolidation of Tess | - | - | - | - | - | - | 1,552 | 1,552 |
| Net loss | - | - | - | - | (16,641) | (16,641) | - | (16,641) |
| **Balance as of September 30, 2019** | **4,199** | **$ 22** | **24,206,395** | **$ 241,974** | **$ (213,840)** | **$ 28,156** | **$ 35** | **$ 28,191** |

See Accompanying Notes to Unaudited Condensed Interim Consolidated Financial Statements

**Riot Blockchain, Inc. and Subsidiaries**
**Condensed Interim Consolidated Statements of Cash Flows**
**(in thousands)**
**(Unaudited)**

| | Nine Months Ended June 30, 2020 | 2019 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net loss | $ (16,584) | $ (16,862) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Stock-based compensation | 2,848 | 431 |
| Depreciation and amortization | 2,761 | 70 |
| Amortization of license fee revenue | (73) | (73) |
| Amortization of right of use assets | 367 | 1,727 |
| Impairment of long-term investment | 9,413 | - |
| Impairment of cryptocurrencies | 989 | 372 |
| Loss on issuance of convertible notes, common stock and warrants | - | 6,155 |
| Change in fair value of convertible notes | - | 3,895 |
| Change in fair value of warrant liability | - | 2,870 |
| Gain on deconsolidation of Tess | - | (1,139) |
| Reversal of registration rights penalty | (1,358) | - |
| Gain on extinguishment of accounts payable, other liabilities and accrued expenses | - | (843) |
| Realized gain on exchange of cryptocurrencies | (491) | (665) |
| Gain on sale of equipment | (31) | - |
| Accrued interest on Verady investment | - | (20) |
| Changes in assets and liabilities: | | |
| Prepaid expenses and other current assets | 536 | (756) |
| Cryptocurrencies - mining, net of mining pool operating fees | (6,623) | (5,453) |
| Accounts payable | 63 | (1,798) |
| Accrued expenses | (271) | 882 |
| Lease liability | (368) | (1,725) |
| Net cash used in operating activities | (8,822) | (12,932) |
| | | |
| Cash flows from investing activities | | |
| Proceeds from sale of cryptocurrencies | 1,029 | 3,196 |
| Proceeds from sale of equipment | 96 | - |
| Deposits on equipment | (11,354) | - |
| Purchases of property and equipment | (6,265) | (9) |
| Patent costs incurred | (31) | (26) |
| Net cash (used in) provided by investing activities | (16,525) | 3,161 |
| | | |
| Cash flows from financing activities | | |
| Proceeds from issuance of convertible notes | - | 3,000 |
| Repayment of notes payable and other obligations | - | (950) |
| Proceeds from the issuance of common stock / At-the-market offering | 49,551 | 23,611 |
| Offering costs for the issuance of common stock / At-the-market offering | (1,594) | (952) |
| Proceeds from exercise of common stock warrants | 388 | - |
| Repurchase of common shares to pay employee withholding taxes | (352) | - |
| Net cash provided by financing activities | 47,993 | 24,709 |
| | | |
| Net increase in cash and cash equivalents | 22,646 | 14,938 |
| Cash and cash equivalents at beginning of period | 7,440 | 225 |
| Cash and cash equivalents at end of period | $ 30,086 | $ 15,163 |
| | | |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest | $ - | $ - |
| Cash paid for taxes | $ - | $ - |
| | | |
| Supplemental disclosure of noncash investing and financing activities: | | |
| Issuance of common stock to settle previously accrued executive compensation | $ 175 | - |
| Cryptocurrencies received from sale of equipment | $ 52 | - |
| Conversion of notes payable to common stock | $ - | $ 10,226 |
| Reclassification of warrant liability to equity | $ - | $ 5,439 |
| Conversion of preferred stock to common stock | $ - | $ 47 |
| Common stock issued in connection with conversion of notes payable | $ - | 255 |
| Cryptocurrencies used to purchase miners | $ - | $ 99 |

See Accompanying Notes to Unaudited Condensed Interim Consolidated Financial Statements

**Riot Blockchain, Inc. and Subsidiaries**
**Notes to Condensed Interim Consolidated Financial Statements**
**(Unaudited)**

**Note 1. Organization**

**Nature of operations:**

Riot Blockchain, Inc. operates a cryptocurrency mining operation, which utilizes specialized computers (also known as “Miners”) that generate cryptocurrency (primarily bitcoin) from the Blockchain. The Company was originally organized on July 24, 2000, as a Colorado corporation. Effective October 19, 2017, the Company's name was changed to Riot Blockchain, Inc., from Bioptix, Inc., and effective October 19, 2017, the Company changed its state of incorporation to Nevada from Colorado.

**Mining equipment:**

The Company’s current focus is on its cryptocurrency mining operation, and during the nine months ended September 30, 2020, it completed a full network upgrade of its Miners with the objective to increase the Company’s operational efficiency and performance. The Company’s Miners are being operated pursuant to a co-location mining services agreement with Coinmint, LLC (“Coinmint”) at Coinmint’s facility in New York (the “Coinmint Facility”).

As previously disclosed the Company has recently entered into four additional purchase agreements with Bitmain for the acquisition of 16,600 model (110 TH/s) S19-Pro Antminers for an aggregate purchase price of $37.2 million, payable in installments. The Company expects delivery of the first 3,500 of these new miners to occur in the fourth quarter 2020, with the remaining 13,100 miners to be delivered in monthly installments starting during the first half of 2021.

**Note 2. Liquidity and Financial Condition**

At September 30, 2020, the Company had approximate balances of cash and cash equivalents of $30.1 million, cryptocurrencies of $9.0 million, working capital of $39.3 million, total stockholders' equity of $60.7 million and an accumulated deficit of $233.8 million. To date, the Company has, in large part, relied on equity and debt financing to fund its operations.

As of September 30, 2020, the Company has executed purchase agreements for the purchase of Miners from Bitmain for a total of 16,600 new S19 Pro miners. The purchase commitment totals $37.2 million, with $12.8 million in deposits paid and the remaining $24.4 million due to be paid over the delivery schedule through the second quarter of 2021.

*2019 ATM Offering*

As disclosed in Note 8, the Company entered into an At-The-Market Sales Agreement with H.C. Wainwright & Co., LLC (“H.C. Wainwright”), dated May 24, 2019 (the “Sales Agreement”), relating to the sale by the Company through its sales agent, H.C. Wainwright, of up to $ 100.0 million in shares of the Company’s common stock from time to time in an at-the-market offering (“2019 ATM Offering”). All sales of the Company’s common stock in the 2019 ATM Offering were made pursuant to the prospectus forming a part of the Company’s shelf registration statement on Form S-3, as amended (Registration No. 333-226111), which was declared effective as of May 8, 2019 (the “2019 Registration Statement”).

The Company received proceeds on sales of 22,210,095 shares of common stock under the Sales Agreement of approximately $49.6 million (excluding commissions and expenses of $1.6 million), at a weighted average price of $2.23 per share, during the nine months ended September 30, 2020. According to the terms of the Sales Agreement, the Company paid H.C. Wainwright a commission of 3.0% of the aggregate gross proceeds the Company received from sales of its common stock in the 2019 ATM Offering.

*2020 ATM Offering*

As of October 15, 2020, the Company and H.C. Wainwright entered into the first amendment to the Sales Agreement (the “First Amendment to the Sales Agreement”). Pursuant to the First Amendment to the Sales Agreement, the Company may sell, through H.C. Wainwright as its sales agent, up to $ 100.0 million in shares of the Company’s common stock from time to time in an at-the-market offering (the “2020 ATM Offering”). According to the First Amendment to the Sales Agreement, the Company shall pay H.C. Wainwright a commission of up to 3.0% of the aggregate gross proceeds the Company receives from all sales of its common stock in the 2020 ATM Offering.

Sales of shares of the Company’s common stock in the 2020 ATM Offering will be made pursuant to the prospectus and prospectus supplement filed with and forming a part of the Company’s shelf registration statement on Form S-3 (Registration No. 333-249356), filed with the SEC on October 7, 2020 and declared effective as of October 15, 2020 (the “2020 Registration Statement”).

*Termination of 2019 ATM Offering*

Effective as of October 15, 2020, the Company and H.C. Wainwright terminated the 2019 ATM Offering and replaced it with the 2020 ATM Offering under the terms of the First Amendment to the Sales Agreement. As of its termination, the Company had cumulatively sold 30.6 million shares of its common stock, for an aggregate gross sales price of approximately $74 million pursuant to the 2019 ATM Offering. With the termination of the 2019 ATM Offering, no additional securities will be sold by the Company pursuant to the prospectus supplement relating to the 2019 Registration Statement.

*COVID-19*

The COVID-19 global pandemic has been unprecedented and unpredictable and is likely to continue to result in significant national and global economic disruption, which may adversely affect our business. Based on the Company’s current assessment, however, the Company does not expect any material impact on its long-term strategic plans, its operations, or its liquidity due to the worldwide spread of the COVID-19 virus. However, the Company is actively monitoring this situation and the possible effects on its financial condition, liquidity, operations, suppliers, and industry.

The Company believes its current cash on hand is sufficient to meet its operating and capital requirements for at least the next twelve months from the date these financial statements are issued.

**Riot Blockchain, Inc. and Subsidiaries**
**Notes to Condensed Interim Consolidated Financial Statements**
**(Unaudited)**

**Note 3. Basis of presentation, summary of significant accounting policies and recent accounting pronouncements**

**Basis of presentation and principles of consolidation**

The accompanying unaudited condensed interim consolidated financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and pursuant to the instructions to Form 10-Q and Article 8 of Regulation S-X of the SEC. In the opinion of management, the accompanying unaudited condensed interim consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of such interim results. Amounts are in thousands except for share, per share and miner amounts.

The results for the unaudited condensed interim consolidated statement of operations are not necessarily indicative of results to be expected for the year ending December 31, 2020 or for any future interim period. The unaudited condensed interim consolidated financial statements do not include all of the information and notes required by U.S. GAAP for complete financial statements. The accompanying unaudited condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2019 and notes thereto included in the Company's Annual Report on Form 10-K filed with the SEC on March 25, 2020.

The accompanying interim condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

**Significant Accounting Policies:**

For a detailed discussion about the Company's significant accounting policies, see the Company's December 31, 2019 consolidated financial statements included in its 2019 Annual Report.

**Use of estimates:**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ significantly from those estimates. The most significant accounting estimates inherent in the preparation of the Company's unaudited condensed interim consolidated financial statements include estimates associated with revenue recognition, asset valuations, the useful lives and recoverability of long-lived assets, impairment analysis of intangibles, stock-based compensation, assumptions used in estimating the fair value of convertible notes and warrants, and the valuation allowance associated with the Company's deferred tax assets.

**Loss per share:**

Basic net loss per share ("EPS") of common stock is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. The Company excludes its unvested restricted shares and escrow shares from the net loss per share calculation. The escrow shares are excluded because of related contingencies and including them would result in anti-dilution.

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Since the Company has net losses attributable to Riot Blockchain, basic and diluted net loss per share is the same. Securities that could potentially dilute loss per share in the future were not included in the computation of diluted loss per share at September 30, 2020 and 2019 because their inclusion would be anti-dilutive are as follows:

| | September 30, | |
|---|---|---|
| | **2020** | **2019** |
| Warrants to purchase common stock | 3,354,257 | 3,574,257 |
| Options to purchase common stock | 12,000 | 12,000 |
| Escrow shares | - | 200,000 |
| Unvested restricted stock awards | 1,217,893 | 38,917 |
| Convertible Series B preferred shares | 4,199 | 4,199 |
| Total | 4,588,349 | 3,829,373 |

**Recently issued and adopted accounting pronouncements:**

The Company continually assesses any new accounting pronouncements to determine their applicability. When it is determined that a new accounting pronouncement affects the Company's financial reporting, the Company undertakes a study to determine the consequences of the change to its consolidated financial statements and assures that there are proper controls in place to ascertain that the Company's condensed consolidated financial statements properly reflect the change.

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2019-12, "*Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*" ("ASU 2019-12"), which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements and related disclosures.

In August 2020, the FASB issued ASU No. 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity, which simplifies accounting for convertible instruments by removing major separation models required under current GAAP. The ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception and it also simplifies the diluted earnings per share calculation in certain areas. This ASU is effective for annual reporting periods beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. This update permits the use of either the modified retrospective or fully retrospective method of transition. The Company is currently evaluating the impact this ASU will have on its condensed consolidated financial statements and related disclosures.

**Note 4. Acquisitions - Prive share escrow status**

In February 2020, the conditions were not achieved by the date specified to provide for the release of200,000 shares of the Company's common stock, which shares were being held in escrow in connection with the Prive acquisition pursuant to the Escrow Deposit Agreement. After receiving notification on March 4, 2020 that the conditions set forth in the Escrow Deposit Agreement were not timely met, the Escrow Agent returned and canceled the 200,000 shares.

**Note 5. Cryptocurrencies**

The following table presents additional information about cryptocurrencies (in thousands):

| | | |
|---|---|---|
| **Beginning balance, January 1, 2020** | **$** | **3,839** |
| Revenue recognized from cryptocurrencies mined | | 6,717 |
| Mining pool operating fees | | (94) |
| Proceeds from sale of cryptocurrencies | | (1,029) |
| Realized gain on sale/exchange of cryptocurrencies | | 491 |
| Impairment of cryptocurrencies | | (989) |
| Cryptocurrencies received from sale of equipment | | 52 |
| **Ending balance, September 30, 2020** | **$** | **8,987** |

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**Note 6. Property and Equipment**

Property and equipment consisted of the following as of September 30, 2020 and December 31, 2019 (in thousands):

| | September 30, 2020 (Unaudited) | December 31, 2019 |
|---|---|---|
| Miners | $ 11,135 | $ 5,010 |
| Leasehold improvements | - | 38 |
| Office and computer equipment | 83 | 103 |
| Total cost of property and equipment | 11,218 | 5,151 |
| Less accumulated depreciation | (2,650) | (100) |
| Property and equipment, net | $ 8,568 | $ 5,051 |

During the three months ended September 30, 2020, the Company received 2,040 new next generation S19 and S19 Pro Miners from Bitmain at the Coinmint Facility and the related $4.5 million prepayment recorded as a deposit was reclassified as of September 30, 2020 to property and equipment.

Depreciation and amortization expense totaled approximately $1.3 million (including $0.1 million of patent amortization) for the three months ended September 30, 2020. Depreciation and amortization expense was nominal for the three months ended September 30, 2019. Depreciation and amortization expense totaled approximately $2.8 million (including $0.1 million of patent amortization) for the nine months ended September 30, 2020. Depreciation and amortization expense was nominal for the nine months ended September 30, 2019. Depreciation is computed on the straight-line basis for the periods the assets are in service.

As of September 30, 2020, the Company has executed purchase agreements for the purchase of Miners from Bitmain for a total of 16,600 new S19 Pro miners, to be delivered beginning in the fourth quarter of 2020. A summary of the purchase agreement commitments, deposits paid and expected delivery timing (remaining balances are payable in advance of shipping) is summarized as follows (dollars in thousands):

| Agreement Date | Contractual Obligation | Deposits Paid | Expected Shipping |
|---|---|---|---|
| June 1, 2020 | $ 2,293 | $ 2,293 | Fourth Quarter 2020 |
| August 12, 2020 | 17,549 | 7,085 | First - Second Quarter 2021 |
| August 25, 2020 | 11,187 | 3,356 | First - Second Quarter 2021 |
| September 30, 2020 | 6,124 | - | Fourth Quarter 2020 |
| Freight and other costs | - | 69 | |
| **Total** | **$ 37,153** | **$ 12,803** | |

* Pursuant to the Company's agreements with Bitmain, the Company is responsible for all shipping charges incurred in connection with the delivery of the Miners.

**Note 7. Investments**

**Coinsquare**

As of December 31, 2019, the Company's cost investment in Coinsquare Ltd. ("Coinsquare") totaled approximately $9.4 million representing approximately an 11.8% ownership on a fully diluted basis. The Company is a non-affiliated shareholder in Coinsquare, which represents a passive investment made by the Company.

During June 2020, the Company became aware of allegations brought by the Ontario Securities Commission (the "OSC") that Coinsquare and certain of its executives and directors engaged in systematic "wash trading" of cryptocurrencies on its Coinsquare market to manipulate the market's trading volume during 2018 and 2019.

Subsequently, on July 21, 2020, a hearing panel of the OSC entered an order (the "Order") approving the settlement agreement between OSC, Coinsquare, and certain of its executives and directors (the "Settlement Agreement"), in which they admitted to breaches of Ontario securities laws and/or conduct contrary to the public interest including, market manipulation through reporting inflated trading volumes on its Coinsquare Market, misleading its clients and investors about these trading volumes, and taking reprisal against an internal whistleblower who brought this conduct to the attention of the named executives and directors. The Order requires certain oversight and governance procedures and to prohibit the named executives and directors from engaging in certain activities with respect to Coinsquare; additionally, the named executives and directors were required to resign from Coinsquare and Coinsquare and the named executives and directors were required to pay penalties and costs totaling approximately CAD 2.2 million.

Accordingly, the Company determined there were indicators that would cause a 100% impairment of the Coinsquare investment and observed price changes, which was recorded as of June 30, 2020. The Company therefore recorded an impairment expense of $9.4 million for its investment in Coinsquare during the nine months ended September 30, 2020, as reflected in the accompanying unaudited condensed interim consolidated statements of operations.

During the quarter ended September 30, 2020, the Company notified Coinsquare that based upon the OSC settlement related issues, it is evaluating all options to recover its investment in Coinsquare and the Company has engaged Canadian based litigation counsel to assist with this matter.

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**Verady**

The investment in Verady, Inc. ("Verady") is valued at cost, less any impairment, plus or minus changes resulting from observable price changes. During the nine months ended September 30, 2020 the investment in Verady totaled approximately $0.2 million, and the Company determined there were no indicators that would cause an impairment. There were no price changes in orderly transactions for identical or similar investments in Verady.

**Tess**

As of September 30, 2020, and December 31, 2019, the fair value of the TessPay Inc. shares owned by the Company is approximately $0.1 million, calculated based upon the April 10, 2019 funding price.

**Note 8. Stockholders' Equity**

**At-the-Market Equity Offering:**

During the nine months ended September 30, 2020, the Company received proceeds under the Sales Agreement of approximately $49.6 million (excluding commissions and expenses of $1.6 million), at a weighted average price of $2.23 per share, from sales of 22,210,095 shares of its common stock sold pursuant to the 2019 ATM Offering. The Company paid H.C. Wainwright a commission of 3.0% of the aggregate gross proceeds the Company received from all sales of the Company's common stock under the Sales Agreement.

As previously disclosed, effective as of October 15, 2020, the Company entered into the First Amendment to the Sales Agreement with H.C. Wainwright relating to the Company's 2020 ATM Offering. Pursuant to the 2020 ATM Offering, the Company may sell, through H.C. Wainwright as its sales agent, up to $ 100.0 million in shares of the Company's common stock from time to time on an at-the-market basis pursuant to the prospectus and prospectus supplement filed with and forming a part of the 2020 Registration Statement. According to the terms of the First Amendment to the Sales Agreement, the Company pays H.C. Wainwright a commission of up to 3.0% of the aggregate gross proceeds the Company receives from sales of shares of its common stock in the 2020 ATM Offering.

As part of the First Amendment to the Sales Agreement, the Company and H.C. Wainwright agreed to terminate the 2019 ATM Offering and replace it with the 2020 ATM Offering. Accordingly, effective as of October 15, 2020, the 2019 ATM Offering was terminated and no additional sales may be made pursuant to the 2019 ATM Offering.

**Common Stock:**

During the nine months ended September 30, 2020, the 200,000 shares of common stock held in escrow under the Escrow Deposit Agreement were voided and cancelled. See Note 4.

During the nine months ended September 30, 2020, 122,377 shares of common stock were issued to a Company executive under an employment agreement in settlement of $175,000 of previously accrued compensation under the Company's 2019 Riot Blockchain, Inc. Equity Incentive Plan (the "Equity Plan"), and 5,000 shares of common stock were issued in settlement of fully vested restricted stock rights previously granted and previously expensed under the Company's 2017 Equity Incentive Plan.

During the nine months ended September 30, 2020, 1,638,467 shares of common stock were issued to members of the Company's board of directors, officers and employees of the Company in settlement of an equal number of fully vested restricted stock units awarded to such individuals by the Company pursuant to grants made under the Company's Equity Plan. The Company withheld 176,655 of these shares at a fair value of approximately $0.35 million, to cover the withholding taxes related to the settlement of these restricted stock units.

During the nine months ended September 30, 2020, the Company issued 40,634 shares of its common stock to a consultant and advisors in settlement of fully vested restricted stock units granted under its Equity Plan.

On August 20, 2020, the Company issued 200,000 shares of its common stock related to the exercise of 200,000 common stock warrants for cash of approximately $0.4 million or $1.94 per share.

**Note 9. Stock Options, Warrants and Restricted Common Stock**

**Stock based compensation:**

The Company's stock-based compensation expenses recognized during the three and nine months ended September 30, 2020 and 2019, were attributable to selling, general and administrative expenses, which are included in the accompanying unaudited condensed interim consolidated statements of operations.

The Company recognized total stock-based compensation expense during the three and nine months ended September 30, 2020 and 2019, granted under the Equity Plan, from the following categories (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Restricted stock awards under the Plan | $ 467 | $ 81 | $ 2,848 | $ 373 |
| Stock option awards under the Plan | - | - | - | 58 |
| Total stock-based compensation | $ 467 | $ 81 | $ 2,848 | $ 431 |

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**Restricted common stock awards:**

A summary of the Company's unvested restricted common stock awards activity in the nine months ended September 30, 2020 is presented here:

| | Number of Shares | | Weighted Average Grant-Date Fair Value |
|---|---|---|---|
| Unvested at January 1, 2020 | 1,524,499 | $ | 1.37 |
| Vested | (1,850,965) | $ | 1.36 |
| Granted | 1,544,359 | $ | 1.27 |
| Unvested at September 30, 2020 | 1,217,893 | $ | 1.27 |

On February 7, 2020, the Company issued 122,377 shares of common stock under a February 2019 employment agreement as disclosed above, and 5,000 vested restricted stock units to the Company's Chief Executive Officer pursuant to the Equity Plan.

On February 7, 2020, in relation to its amended and restated employment agreement with its Chief Executive Officer and Chief Financial Officer, the Company awarded 209,790 restricted common stock units, which vest in four equal quarterly installments, with each quarterly installment vesting as of the end of each quarter pursuant to the Equity Plan.

On February 27, 2020, for 2020 services the Company awarded 1,212,192 restricted common stock units vesting over a one-year period to directors and certain employees of the Company issued pursuant to the Equity Plan.

The total fair value of restricted stock rights granted during the nine months ended September 30, 2020 was approximately $2.0 million. The fair value of each restricted stock right was based upon the closing stock price on the grant date.

The fair value of restricted stock rights is measured based on their fair value on the date of grant and amortized over the vesting period of twelve to twenty-four months. As of September 30, 2020, there was approximately $0.8 million of unrecognized compensation cost related to unvested restricted common stock awards, which is expected to be recognized over a remaining weighted-average vesting period of approximately 2.6 months.

**Stock incentive plan options:**

As of September 30, 2020, 12,000 stock options were outstanding under the Equity Plan, with a weighted average exercise price of $4.09, and a weighted average remaining contractual term of approximately 3.0 years. The stock options are 100% vested with zero intrinsic value.

**Other common stock purchase warrants:**

Following is a summary of outstanding warrants that were issued outside of the Equity Plan for the nine months ended September 30, 2020:

| | Shares Underlying Options/Warrants | | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (Years) | | Aggregate Intrinsic Value |
|---|---|---|---|---|---|---|
| Outstanding at January 1, 2020 | 3,574,257 | $ | 19.48 | 2.9 | $ | - |
| Exercised | (200,000) | $ | 1.94 | - | | |
| Forfeited | (20,000) | $ | 3.50 | - | | |
| Outstanding at September 30, 2020 | 3,554,257 | $ | 20.62 | 2.1 | $ | 1,298,189 |
| | | | | | | |
| Exercisable at September 30, 2020 | 3,554,257 | $ | 20.62 | 2.1 | $ | 1,298,189 |

The aggregate intrinsic value in the table above represents the total intrinsic value (the difference between the Company's closing stock price on September 30, 2020 and the exercise price, multiplied by the number of in-the-money warrants) that would have been received by the warrant holders, had all warrant holders exercised their warrants on September 30, 2020.

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**Note 10. Commitments and Contingencies**

**Commitments:**

***Coinmint Co-location Mining Services Agreement***

On April 8, 2020, the Company entered into an agreement with Coinmint, (the "Coinmint Agreement"), pursuant to which Coinmint agreed to provide up to approximately 9.5 MW of power and to perform all maintenance necessary to operate Riot's miners at the Coinmint facility. In exchange, Coinmint is reimbursed for direct production expenses and receives a performance fee based on the net cryptocurrencies generated by Riot's miners deployed at the Coinmint facility. The initial term of the Coinmint Agreement was six months with automatic renewals for subsequent three (3) month terms until and unless terminated as provided in the agreement.

The Company determined the agreement with Coinmint does not meet the definition of a lease in accordance with Accounting Standards Codification ("ASC") 842, Leases.

***Oklahoma Lease Agreement***

On January 8, 2020, Kairos entered into a third amendment to the OKC Lease to extend the lease term through May 15, 2020, with all other terms remaining substantially the same as the second amendment to the OKC Lease.

On April 10, 2020, Kairos entered into a fourth amendment to the OKC Lease to extend the lease term through June 30, 2020, with all other terms remaining substantially unchanged. During the three months ended June 30, 2020, the Company relocated its miners to the Coinmint facility and vacated the OKC facility. As of June 30, 2020, the Company has a refundable lease deposit of approximately $0.7 million related to its OKC Lease which is included as prepaid expenses and other current assets on the accompanying condensed consolidated balance sheet. The OKC Lease terminated by its terms effective as of June 30, 2020, and the Company received a full refund of its deposit, less applicable electricity charges on July 2, 2020.

***Corporate Lease Agreement***

On April 9, 2018, the Company entered into a commercial lease agreement (the "Florida Lease") with W-Crocker Fin Place Owner VII, LLC, a Delaware limited liability company, pursuant to which the Company leased approximately 1,700 rentable square feet of office and common area space in Fort Lauderdale, Florida. Pursuant to the terms of the Florida Lease, the initial term was for thirty-nine (39) months expiring on August 9, 2021, with one, five-year option to renew, and the initial base rent was $4,659 per month (or $2.75 per sq. ft. per month) which escalated at the rate of 3.0% per annum. Additionally, common operating expenses were prorated and charged monthly as additional rent.

During May 2020, an agreement was reached to terminate the Florida Lease, and the Company expensed the termination payments for the Florida Lease.

***Operating Leases***

At September 30, 2020, the Company did not have any significant operating lease liabilities or right of use assets.

The following summarizes quantitative information about the Company's operating leases (dollars in thousands):

| Lease cost | | Nine Months Ended September 30, 2020 |
|---|---|---|
| Operating lease cost | $ | 1,240 |
| Variable lease cost | | 1,040 |
| Operating lease expense | | 2,280 |
| Short-term lease rent expense | | 9 |
| Total rent expense | $ | 2,289 |
| | | |
| **Other information** | | |
| Operating cash flows from operating leases | $ | 1,207 |
| Right of use assets exchanged for new operating lease liabilities | $ | - |
| Weighted-average remaining lease term – operating leases | | - |
| Weighted-average discount rate – operating leases | | 0 % |

Rent expense including electric power costs, recorded on a straight-line basis, was approximately $0 million and $1.3 million for the three months ended September 30, 2020 and 2019, respectively. Rent expense including electric power costs, recorded on a straight-line basis, was approximately $2.3 million (up to lease termination as of June 30, 2020) and $4.2 million for the nine months ended September 30, 2020 and 2019, respectively.

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**Contingencies:**

The Company, and its subsidiaries, are subject at times to various claims, lawsuits and governmental proceedings relating to the Company's business and transactions arising in the ordinary course of business. The Company cannot predict the final outcome of such proceedings. Where appropriate, the Company vigorously defends such claims, lawsuits and proceedings. Some of these claims, lawsuits and proceedings seek damages, including, consequential, exemplary or punitive damages, in amounts that could, if awarded, be significant. Certain of the claims, lawsuits and proceedings arising in ordinary course of business are covered by the Company's insurance program. The Company maintains property and various types of liability insurance in an effort to protect the Company from such claims. In terms of any matters where there is no insurance coverage available to the Company, or where coverage is available and the Company maintains a retention or deductible associated with such insurance, the Company may establish an accrual for such loss, retention or deductible based on current available information. In accordance with accounting guidance, if it is probable that an asset has been impaired or a liability has been incurred as of the date of the financial statements, and the amount of loss is reasonably estimable, then an accrual for the cost to resolve or settle these claims is recorded by the Company in the accompanying consolidated balance sheets. If it is reasonably possible that an asset may be impaired as of the date of the financial statement, then the Company discloses the range of possible loss. Expenses related to the defense of such claims are recorded by the Company as incurred and included in the accompanying consolidated statements of operations. Management, with the assistance of outside counsel, may from time to time adjust such accruals according to new developments in the matter, court rulings, or changes in the strategy affecting the Company's defense of such matters. On the basis of current information, the Company does not believe there is a reasonable possibility that, other than with regard to the Class Action described below, any material loss, if any, will result from any claims, lawsuits and proceedings to which the Company is subject to either individually, or in the aggregate.

**Shareholder Class Action Suit**

On February 17, 2018, Creighton Takata filed an action asserting putative class action claims on behalf of the Company's stockholders in the United District Court for the District of New Jersey, *Takata v. Riot Blockchain Inc., et al*., Case No. 3: 18-cv-02293. The complaint asserts violations of federal securities laws under Section 10(b) and Section 20(a) of the Securities Exchange Act of 1934 on behalf of a putative class of stockholders that purchased stock from November 13, 2017 through February 15, 2018. The complaint alleges that the Company and certain of its officers and directors made, caused to be made, or failed to correct false and/or misleading statements in press releases and public filings regarding its business plan in connection with its cryptocurrency business. The complaint requests damages in unspecified amounts, costs and fees of bringing the action, and other unspecified relief.

On April 18, 2018, Joseph J. Klapper, Jr., filed a complaint against Riot Blockchain, Inc., and certain of its officers and directors in the United District Court for the District of New Jersey (*Klapper v. Riot Blockchain Inc., et al*., Case No. 3: 18-cv-8031). The complaint contained substantially similar allegations and the same claims as those filed by Mr. Takata, and requests damages in unspecified amounts, costs and fees of bringing the action, and other unspecified relief. On November 6, 2018, the court in the *Takata* action issued an order consolidating *Takata* with *Klapper* into a single putative class action. The court also appointed Dr. Golovac as Lead Plaintiff and Motely Rice as Lead Counsel of the consolidated class action.

Lead Plaintiff filed a consolidated complaint on January 15, 2019. Defendants filed motions to dismiss on March 18, 2019. In lieu of opposing defendants' motions to dismiss, Lead Plaintiff filed another amended complaint on May 9, 2019. Defendants filed multiple motions to dismiss the amended complaint starting on September 3, 2019.

On April 30, 2020, the court granted the motions to dismiss, which resulted in the dismissal of all claims without prejudice. On June 1, 2020, Lead Plaintiff filed a motion for leave to file another amended complaint. The motion for leave to amend has been fully briefed and is pending before the court. If the court grants Lead Plaintiff leave to amend, defendants intend to continue to vigorously contest Lead Plaintiff's amended allegations. Because this litigation is still at this early stage, we cannot reasonably estimate the likelihood of an unfavorable outcome or the magnitude of such an outcome, if any.

**Shareholder Derivative Cases**

On April 5, 2018, Michael Jackson filed a shareholder derivative complaint on behalf of the Company in the Supreme Court of the State of New York, County of Nassau, against certain of the Company's officers and directors, as well as against an investor (*Jackson v. Riot Blockchain, Inc., et al*., Case No. 604520/18). The complaint contains similar allegations to those contained in the shareholder class action complaints and seeks recovery for alleged breaches of fiduciary duty, unjust enrichment, waste of corporate assets, abuse of control and gross mismanagement. The complaint seeks unspecified monetary damages and corporate governance changes. At the last preliminary conference, the court adjourned the conference until January 14, 2021 in lieu of staying the action. Defendants do not anticipate any other activity on this case until the next preliminary conference.

On May 22, 2018, two additional shareholder derivative complaints were filed on behalf of the Company in the Eighth Judicial District Court of the State of Nevada in and for the County of Clark (*Kish v. O'Rourke, et al.*, Case No. A-18-774890-B & *Gaft v. O'Rourke, et al.*, Case No. A-18-774896-8). The two complaints make identical allegations, which are similar to the allegations contained in the shareholder class action complaints. The shareholder derivative plaintiffs also seek recovery for alleged breaches of fiduciary duty, unjust enrichment, waste of corporate assets, and aiding abetting a breach of fiduciary duty. The complaints seek unspecific monetary damages and corporate governance changes.

On September 24, 2018, the court entered an order consolidating the*Gaft* and *Kish* actions, which is now styled as *In re Riot BlockChain, Inc. Shareholder Derivative Litigation*, Case No. A-18-774890-B. The plaintiffs filed a consolidated complaint on March 15, 2019. The consolidated action has been temporarily stayed until the resolution of the motion(s) to dismiss in the securities class action pending in the United District Court for the District of New Jersey.

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On October 9, 2018, another shareholder derivative complaint was filed on behalf of the Company in the United District Court for the Eastern District of New York (*Rotkowitz v. O'Rourke, et al*., Case No. 2:18-cv-05632). As with the other shareholder derivative actions, the shareholder plaintiff alleges breach of fiduciary duty, waste of corporate assets, and unjust enrichment against certain of the Company's officers, directors, and an investor. The complaint's allegations are substantially similar to those made in the other securities class action and shareholder derivative complaints filed in 2018. The complaint seeks unspecific monetary damages and corporate governance changes. The parties filed a motion with the court to temporarily stay this action until the resolution of the motion(s) to dismiss in the securities class action pending in the United District Court for the District of New Jersey. In response, the court dismissed the action without prejudice with leave to refile a complaint following the resolution of the motion(s) to dismiss in the securities class action pending in the United District Court for the District of New Jersey.

On October 22, 2018, another shareholder derivative complaint was filed on behalf of the Company in the United District Court for the Southern District of New York (*Finitz v. O'Rourke, et al.*, Case No. 1:18-cv-09640). The shareholder plaintiffs allege breach of fiduciary duty, waste of corporate assets, and unjust enrichment against certain of the Company's officers, directors, and an investor. The complaint's allegations are substantially similar to those made in the other securities class action and shareholder derivative complaints filed in 2018. The complaint seeks unspecific monetary damages and corporate governance changes. Upon the parties' stipulation, the court issued an order temporarily staying this action until the resolution of the motion(s) to dismiss in the securities class action pending in the United District Court for the District of New Jersey.

On December 13, 2018, another shareholder derivative complaint was filed on behalf of the Company in the United District Court for the Northern District of New York (*Monts v. O'Rourke, et al*., Case No. 1:18-cv-01443). The shareholder plaintiffs allege claims for violation of Section 14(a) of the Securities Exchange Act of 1934, breach of fiduciary duties, unjust enrichment, waste of corporate assets, and aiding and abetting against certain of the Company's officers, directors, and an investor. The complaint's allegations are substantially similar to those made in the other securities class action and shareholder derivative complaints filed in 2018. The complaint seeks unspecific monetary damages and corporate governance changes. Upon the parties' stipulation, the court issued an order temporarily staying this action until the resolution of the motion(s) to dismiss in the securities class action pending in the United District Court for the District of New Jersey.

Defendants intend to vigorously contest plaintiffs' allegations in the shareholder derivative actions and plaintiffs' right to bring the action in the name of Riot Blockchain. But because this litigation is still at this early stage, we cannot reasonably estimate the likelihood of an unfavorable outcome or the magnitude of such an outcome, if any.

**Indemnification Demands**

On April 3, 2020, a complaint was filed against Riot Blockchain, Inc. ("Riot") by Barry C. Honig and GRQ Consultants, Inc. ("GRQ") in the United States District Court for the Southern District of New York, *Honig v. Riot Blockchain, Inc*., Case No. 20-cv-02808-NRB. Mr. Honig and GRQ allege that Riot has failed to indemnify them pursuant to terms of the Securities Purchase Agreement ("SPA") and Registration Rights Agreement ("RRA"), both dated March 16, 2017. Mr. Honig and GRQ allege declaratory judgment and breach of contract claims, seeking fees and expenses they incurred in connection with litigation and a SEC investigation involving Riot. On July 9, 2020, Riot filed a motion to dismiss both of the claims, which has been fully briefed. The court heard oral argument on the motion on October 29, 2020.

In addition to the suit filed by Mr. Honig and GRQ, other purported parties and beneficiaries of the SPA and RRA have also recently demanded indemnification from Riot related to the same litigation and SEC investigation. Riot believes that it does not owe an indemnification obligation to Mr. Honig, GRQ, or the other purported parties and beneficiaries of the SPA and RRA that have made an indemnification demand. Riot intends to vigorously contest Mr. Honig and GRQ claims, as well as the other demands for indemnification. Nevertheless, since this litigation and demands for indemnification are still in an early stage, we cannot reasonably estimate the likelihood of an unfavorable outcome or the magnitude of such an outcome, if any.

**Kashwise Demand**

On February 18, 2020, the Company received a demand letter from Kashwise Global Funding, Inc. ("Kashwise") for the payment of fees pursuant to an alleged arrangement between the Company and Kashwise in connection with the January 2019 private exempt offering of the Company's securities to a group of accredited investors (the "Kashwise Demand"). The Company timely responded to the Kashwise Demand; however, on April 13, 2020, Kashwise Global Funding Solutions, Inc. filed suit against the Company in the Circuit Court of the 17th Judicial Circuit in and for Broward County, Florida (the "Kashwise Suit") alleging substantially similar claims as in the Kashwise Demand. The Company has removed the Kashwise Suit to Federal District Court in and for the Southern District of Florida where it remains pending with a scheduled trial date (if not delayed by the COVID-19) pandemic in June of 2021. The Company continues to vigorously dispute the allegations made in the Kashwise Suit and the parties are in the midst of the formal discovery period. However, because this litigation is still in an early stage, the Company cannot reasonably estimate the likelihood of an unfavorable outcome or the magnitude of such an outcome, if any.

**SEC Subpoena and Other Matters**

*SEC Subpoena*

On April 9, 2018, the Company received a subpoena from the SEC, requesting documents and information. The Company fully cooperated with the SEC in that investigation. On January 29, 2020, the SEC notified the Company that it had concluded its investigation as to Riot, and based on the information the SEC had as of the date of the letter, it did not intend to recommend an enforcement action against Riot.

*Beneficial Ownership*

Pursuant to the rules of the SEC, the Company has consistently reported its beneficial ownership positions in its proxy and other filings where beneficial ownership disclosures are presented, for certain beneficial owners with respect to any person (including any "group" as that term is used in Section 13(d)(3) of the Securities and Exchange Act of 1934 (the "Exchange Act") who is known to the Company to be the beneficial owner of more than 5% of the Company's common stock. The Company has relied on each person who has reported to the SEC beneficial ownership of more than 5% of our common stock to provide complete and accurate information regarding their ownership, based on the reports filed by these persons.

**Riot Blockchain, Inc. and Subsidiaries**
**Notes to Condensed Interim Consolidated Financial Statements**
**(Unaudited)**

On September 7, 2018, a complaint was filed by the SEC (Case 1:18-cv-08175) and as subsequently amended, (the "Complaint") against, among others, a number of individuals and entities some of whom the Company has previously disclosed as its beneficial owners, as well as, Mr. John O'Rourke III, the Company's former chairman of the board of directors and chief executive officer who resigned from the Company on September 8, 2018, as disclosed in the Current Periodic Report on Form 8-K filed September 10, 2018. Other persons named in the Complaint have previously reported that they were beneficial owners of the Company's common stock, however, the Company has no basis to determine whether any such persons may have operated as a control group, collectively beneficially owning more than 5% of the Company's common stock.

On March 9, 2020, the U.S. District Court for the Southern District of New York entered final consent judgments against Mr. O'Rourke as well as other individuals and entities, some of whom were previously disclosed by the Company as beneficial owners. This settlement order followed a prior bifurcated settlement on July 10, 2019, with respect to other subjects of the SEC's complaint. Without admitting or denying the SEC's allegations, the defendants agreed to pay disgorgement, prejudgment interest and civil penalties.

*Registration Rights Penalty*

During December 2017, the Company closed on the sale of approximately $37 million of units comprised of 1,646,113 shares of its common stock and warrants to purchase up to 1,646,113 shares of its common stock (the "Units") in a private exempt offering (the "December 2017 Private Placement") to certain accredited investors (the "December 2017 Investors"), as previously disclosed by the Company on its Current Report on Form 8-K filed with the SEC on December 19, 2017. In connection with the December 2017 Private Placement, the Company entered into registration rights agreements (the "December 2017 Registration Rights Agreements") with the December 2017 Investors, pursuant to which the Company agreed to take certain steps to register the shares underlying the Units. The Company accounted for the December 2017 Registration Rights Agreements in accordance with ASC 825-20, "Registration Payment Arrangements." ASC 825-20 addresses an issuer's accounting for registration payment arrangements and, in accordance with ASC 450-20 "Loss Contingencies," the Company recorded approximately $1,358,000 for this contingent liability in 2018.

On January 5, 2018, pursuant to December 2017 Registration Rights Agreements, the Company filed a registration statement on Form S-3 to register the shares underlying the Units.

Subsequently, in April 2018, the Company received a subpoena from the SEC as part of an investigation, requesting documents and information. In July 2018, the SEC issued an Order Directing Examination and Designating Officers Pursuant to Section 8(e) of the Securities Act with respect to certain of the Company's registration statements, including the registration statement on Form S-3 it filed pursuant to the December 2017 Registration Rights Agreements. On October 12, 2018, the Company filed for withdrawal of this registration statement on Form S-3, as well as other of its registration statements. On October 22, 2018, the Company was notified by SEC staff that the SEC had terminated the Section 8(e) examination with respect to the above-referenced registration statements. On January 29, 2020, the SEC notified the Company that it had concluded its investigation as to Riot, and based on the information the SEC had as of the date of the letter, it did not intend to recommend an enforcement action against Riot.

Following the conclusion of the SEC's activities as described above, the Company has evaluated its performance of its obligations under the December 2017 Registration Rights Agreements and has determined that it substantially complied with its requirements, and that its ultimate inability to cause the registration of the shares underlying the Units as required by the December 2017 Registration Rights Agreements was due to actions taken by the SEC. The Company has therefore determined to reverse the accrual pursuant to ASC 450-20 related to the December 2017 Registration Rights Agreements for its condensed consolidated financial statements as of June 30, 2020.

**Note 11. Subsequent Events:**

***Financing***

Subsequent to September 30, 2020, in connection with the Company's Sales Agreement with H.C. Wainwright, the Company received gross proceeds of approximately $8.1 million from the sale of 2.0 million shares of common stock via the 2020 ATM Offering sold pursuant to the prospectus relating to the 2020 Registration Statement (Registration No. 333-249356).

***ATM Sales Agreement***

As disclosed under Note 2, Liquidity and Financial Resources, effective as of October 15, 2020, the Company and H.C. Wainwright entered into the First Amendment to the Sales Agreement, relating to the sale by the Company via its sales agent, H.C. Wainwright, of up to $100.0 million in shares of the Company's common stock in the 2020 ATM Offering. Effective as of October 15, 2020, the Company and H.C. Wainwright terminated the 2019 ATM Offering and replaced it with the 2020 ATM Offering pursuant to the First Amendment to the Sales Agreement. Accordingly, as of October 15, 2020, no further sales of shares of the Company's common stock may be made pursuant to the 2019 ATM Offering.

***Delivery of Miners***

Subsequent to September 30, 2020, the Company received and deployed at the Coinmint facility 1,003 next generation S19 Pro Miners purchased from Bitmain.

***Sale of Cryptocurrencies***

Subsequent to September 30, 2020, the Company sold 100 bitcoins generating total cash proceeds of approximately $1.55 million.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes in"Item 1. Condensed Interim Consolidated Financial Statements." The following discussion includes forward-looking statements about our business, financial condition and results of operations, including discussions about management's expectations for our business. These statements represent projections, beliefs and expectations based on current circumstances and conditions and in light of recent events and trends, and should not be construed either as assurances of performance or as promises of a given course of action. Instead,various known and unknown factors are likely to cause our actual performance and management's actions to vary, and the results of these variances may be both material and adverse. See "Cautionary Note Regarding Forward-Looking Statements" and "Item 1A. Risk Factors."*

### Overview

The Company's current focus is on its cryptocurrency mining operation, and during the nine months ended September 30, 2020, it completed a full network upgrade of its Miners with the objective to increase the Company's operational efficiency and performance.

In December 2019, Riot procured 4,000 model S17 Pro Miners from Bitmain, which were fully deployed at its former Oklahoma City, Oklahoma mining facility (the "OKC Facility"), increasing Riot's overall hash rate capacity to approximately 240 Ph/s in the first quarter of 2020. During the second quarter of 2020, Riot purchased 1,040 model S19 Miners and 2,000 model S19 Pro Miners from Bitmain. 2,040 of the new miners were received and deployed during the third quarter of 2020 and the remainder during the fourth quarter of 2020, resulting in an estimated aggregate hash rate capacity of approximately 566 Ph/s, representing a 460% increase over the Company's 2019 hash rate capacity.

The Company recently entered into three additional purchase agreements with Bitmain for the acquisition of 15,600 model S19 Pro (110 Th/s) Miners for an aggregate purchase price of $34.9 million, payable in installments as described in the agreements as disclosed. The Company expects delivery of the first 2,500 of these new S19 Pro Miners to occur in December 2020, with the remaining 13,100 S19 Pro Miners to be delivered in monthly installments during the first half of 2021.

With the full deployment of these 15,600 additional S19 Pro Miners, Riot's total fleet will comprise 22,640 total Miners that have substantially greater hash rate capacities and use electric power more efficiently than the model S9 Miners Riot previously operated. Combined with the previously disclosed purchases of Miners from Bitmain, the Company now expects to achieve a total hash rate capacity of 2.3 Eh/s by June 2021, with 22,640 total Miners deployed, representing a 2,176% increase over the Company's 2019 hash rate capacity.

After evaluating the power costs and the environmental operating issues at the OKC Facility, the Company made the strategic decision to exit the OKC Facility and relocate its Miners to the Coinmint Facility. During the second quarter of 2020, Riot relocated its mining operations to the Coinmint Facility for a number of benefits, the largest of which was to reduce overhead and take advantage of the more competitive electricity costs in the New York ISO market.

*Strategic Opportunities*

The Company engaged XMS Capital Partners ("XMS") to assist with evaluating strategic growth opportunities. XMS is an independent global financial services firm with expertise in M&A and strategic advisory. The Company engaged XMS to help with navigating the dynamic bitcoin landscape and advise the Company on potential strategic transactions in bitcoin mining related operations. The Company does not have a defined timeline for any transaction and cannot provide any assurance whether or when a transaction may be announced or consummated.

*COVID-19*

The COVID-19 global pandemic has been unpredictable and unprecedented and is likely to continue to result in significant national and global economic disruption, which may adversely affect our business. Based on the Company's current assessment, however, the Company does not expect any material impact on its long-term development, its operations, or its liquidity due to the worldwide spread of the COVID-19 virus. However, the Company is actively monitoring this situation and the possible effects on its financial condition, liquidity, operations, suppliers, and industry.

**Summary of Mining Results**

The following table presents additional information about our cryptocurrency mining activities in coins and amounts ($ in thousands) at January 1, 2020 and September 30, 2020:

| | Quantities (in coins) | | | Cryptocurrencies |
|---|---|---|---|---|
| | **BTC** | **LTC** | **BCH** | **Amounts** |
| **Balance at January 1, 2020** | **514** | **3,449** | **1** | **$ 3,839** |
| Revenue recognized from cryptocurrencies mined | 730 | 21 | - | 6,717 |
| Mining pool operating fees | - | - | - | (94) |
| Proceeds from sale of cryptocurrencies | (100) | - | - | (1,029) |
| Realized gain on sale/exchange of cryptocurrencies | 26 | (3,470) | - | 491 |
| Impairment of cryptocurrencies | - | - | - | (989) |
| Cryptocurrencies received from sale of equipment | 5 | - | - | 52 |
| **Balance at September 30, 2020** | **1,175** | - | **1** | **$ 8,987** |

**Results of Operations Comparative Results for the Three Months EndedSeptember 30, 2020 and 2019**

Revenue for the three months ended September 30, 2020 and 2019, consisted of our cryptocurrency mining revenue of $2.4 million, and $1.7 million, respectively. The change in mining revenue was due to slightly higher bitcoin values in the 2020 period, averaging $10,823 per coin as compared to $10,462 per coin in the 2019 period. Bitcoins produced in 2020 totaled 222 as compared to 157 in the 2019 period. The 2020 period production was impacted by the May 2020 halving. During the 2020 period, we were mining with the 7,040 new more powerful model S17 Pro, S19 and S19 Pro Miners acquired from Bitmain, as compared to the older model S9 Miners previously used in 2019. Other revenue consisting of license fees was not significant in either period.

Cost of revenue for the three months ended September 30, 2020 and 2019 of $1.3 million and $1.5 million, respectively, consisted primarily of direct production costs of the mining operations, including rent and utilities, but excluding depreciation and amortization which are separately stated. There were no significant changes in cost of revenue between the periods ended 2020 and 2019. During the 2019 period, production was at the OKC Facility and the 2020 period production was at the Coinmint Facility.

Selling, general and administrative expenses during the three months ended September 30, 2020 and 2019, totaled $2.0 million and $1.8 million, respectively. Selling, general and administrative expenses consists of stock-based compensation, legal and professional fees and other personnel and related costs. During the 2020 period as compared to the 2019 period, compensation expenses decreased by $0.2 million due primarily to employee reductions, stock-based compensation increased by $0.4 million following the late 2019 approval of the new equity plan and legal fees increased by $0.3 million due primarily to higher litigation related expenses in the 2020 period net of the prior termination of the SEC investigation and general overhead expenses in the 2020 period were less due to less travel, the closure of the OKC facility and the discontinuance of RiotX.

Depreciation and amortization expenses during the three months ended September 30, 2020 totaled $1.3 million, which is an increase of approximately $1.2 million, as compared to the three months ended September 30, 2019. The increase is primarily due to higher depreciation expenses recognized for our recently acquired Miners.

Interest income and interest expense was nominal for the three months ended September 30, 2020 and 2019.

During the three months ended September 30, 2020 we recorded a gain on exchange of cryptocurrencies of approximately $0.4 million. For the three months ended September 30, 2019 the gain on sale of cryptocurrencies was nominal.

Other income for the three months ended September 30, 2020 and 2019 was nominal.

**Comparative Results for the Nine Months Ended September 30, 2020 and 2019**

Revenue for the nine months ended September 30, 2020 and 2019, consisted of our cryptocurrency mining revenue of $6.7 million, and $5.6 million, respectively. The change in mining revenue was primarily due to higher bitcoin values in the 2020 period, averaging $9,064 per coin as compared to $6,434 per coin in the 2019 period. Bitcoins produced in 2020 totaled 730 as compared to 803 in the 2019 period. The 2020 period production was also impacted by the May 2020 halving combined with the relocation to the Coinmint Facility. During the 2020 period, we commenced mining with the new model S17 Pro, S19 and S19 Pro Miners as compared to the older S9 Miners used in 2019. Other revenue consisting of license fees was not significant in either period.

Cost of revenue for the nine months ended September 30, 2020 and 2019 of $4.1 million and $4.5 million, respectively, consisted primarily of direct production costs of the mining operations, including rent and utilities, but excluding depreciation and amortization which are separately stated. There were no significant changes in cost of revenue between the periods ended 2020 and 2019. During the 2019 period, production was at the OKC Facility and the 2020 period there were certain duplicated or excess costs, including the base rent for our OKC Facility as a result of the relocation from OKC to Coinmint.

Selling, general and administrative expenses during the nine months ended September 30, 2020 totaled $8.0 million, which is approximately $0.8 million, or an 11.5% increase, as compared to $7.1 million in the 2019 period. Stock-based compensation increased by approximately $2.4 million for the nine months ended September 30, 2020, as compared to the 2019 period. Legal fees decreased approximately $0.4 million due to additional legal matters associated with the litigation and SEC investigation matters in the 2019 period. Audit fees decreased approximately $0.3 million for the nine months ended September 30, 2020. Compensation related expense decreased by approximately $0.8 million due primarily to reduced personnel in the period ended September 30, 2020 and the compensation expense reported for Tess in the 2019 period, which in 2020 is no longer reported in our consolidated financial statements.

Depreciation and amortization expenses during the nine months ended September 30, 2020 totaled $2.8 million, which is an increase of approximately $2.7 million, as compared to the nine months ended September 30, 2019. The increase is primarily due to higher depreciation expenses recognized for our recently acquired Miners.

Impairment of long-term investments of $9.4 million recognized during the nine months ended September 30, 2020 were recorded in connection with the impairment of our investment in Coinsquare. As discussed in Note 7, Investments, to Part I of this Quarterly Report, the Company recorded this 100% impairment as a result of the OSC Order and Settlement Agreement in which Coinsquare and certain of its executives and directors admitted to violations of Ontario securities laws and conduct contrary to the public interest in connection with their operation of the Coinsquare Market.

Impairment charges for cryptocurrencies was $1.0 million for the nine months ended September 30, 2020, which was recorded to recognize an impairment of our cryptocurrencies during the period.

During the nine months ended September 30, 2020, we recognized income of approximately $1.4 million in connection with the reversal of our registration rights penalty.

During the nine months ended September 30, 2019, we recognized losses related to the issuance of notes totaling $6.2 million and expenses totaling $6.8 million to revalue the notes and the related warrant liability to fair value. No such expense was recognized in the period ended September 30, 2020.

During the nine months ended September 30, 2020 and 2019, interest income and interest expense was nominal.

During the nine months ended September 30, 2020 we recorded a gain on the sale / exchange of cryptocurrencies of approximately $0.5 million. For the nine months ended September 30, 2019 the gain on sale of cryptocurrencies was $0.7 million.

Other income for the nine months ended September 30, 2020 was nominal. Other income for the nine months ended September 30, 2019 was $0.9 million arising from the gain on extinguishment of debt.

## Liquidity and Capital Resources

At September 30, 2020, we had working capital of approximately $39.3 million, which included cash and cash equivalents of $30.1 million. We reported a net loss of $16.6 million, during the nine months ended September 30, 2020. The net loss included $14.4 million in non-cash items consisting of the impairment of our investment in Coinsquare of $9.4 million, stock-based compensation totaling $2.8 million, impairment to our cryptocurrencies of $1.0 million, depreciation and amortization totaling $2.8 million, and amortization of our right of use assets of $0.4 million, offset by $1.4 million for the reversal of our accrual for the registration rights penalty and $0.5 million related to the gain from the exchange of cryptocurrencies, net of other immaterial items. Subsequently, the Company received gross proceeds of approximately $8.1 million from the sale of approximately 2.0 million shares of common stock via the 2020 ATM Offering.

As of September 30, 2020, the Company has executed purchase agreements for the purchase of miners from Bitmain for a total of 16,600 new S19 Pro miners. The purchase commitment totals $37.2 million, with $12.8 million in deposits paid and the remaining $24.4 million due to be paid over the delivery schedule through the second quarter of 2021.

We expect to continue to incur losses from operations for the near-term and these losses could be significant as we incur costs and expenses associated with recent and potential future acquisitions, as well as public company, legal and administrative related expenses being incurred. We are closely monitoring our cash balances, cash needs and expense levels.

### *Halving*

Further affecting the industry, and particularly for the bitcoin blockchain, the cryptocurrency reward for solving a block is subject to periodic incremental halving. 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 and again to 12.5 on July 9, 2016 at block 420,000. Halving of bitcoin occurred May 11, 2020 at block 630,000 when the then current 12.5 reward reduced to 6.25. Many factors influence the price of bitcoin and potential increases or decreases in prices in advance of or following a future halving is unknown.

### *Revenue from Mining Operations*

Funding our operations on a go-forward basis will rely significantly on our ability to continue to mine cryptocurrency and the spot or market price of the cryptocurrency we mine. We expect to generate ongoing revenues from the production of cryptocurrencies, primarily bitcoin, in our mining facilities. Our ability to liquidate bitcoin at future values will be evaluated from time to time to generate cash for operations. Generating bitcoin, for example, which exceed our production and overhead costs will determine our ability to report profit margins related to such mining operations, although accounting for our reported profitability is significantly complex. Furthermore, regardless of our ability to generate revenue from our cryptocurrency assets, we may need to raise additional capital in the form of equity or debt to fund our operations and pursue our business strategy.

The ability to raise funds as equity, debt or conversion of cryptocurrency to maintain our operations is subject to many risks and uncertainties and, even if we were successful, future equity issuances would result in dilution to our existing stockholders and any future debt or debt securities may contain covenants that limit our operations or ability to enter into certain transactions. Our ability to realize revenue through bitcoin production and successfully convert bitcoin into cash or fund overhead with bitcoin is subject to a number of risks, including regulatory, financial and business risks, many of which are beyond our control. Additionally, the value of bitcoin currency rewards has been extremely volatile recently and such volatility has recently been lower and future prices cannot be predicted.

If we are unable to generate sufficient revenue from our bitcoin production when needed or secure additional sources of funding, it may be necessary to significantly reduce our current rate of spending or explore other strategic alternatives.

### *Coverage for Claims*

The Company has been named a defendant in a class action suit, which has recently been dismissed, but is subject to appeal by the plaintiffs and other investor related lawsuits as more fully described in Part II – Item 1. Legal Proceedings, of this Quarterly Report. While the Company maintains policies of insurance, such policies may not cover all of the costs or expenses associated with responding to such matters or any liability or settlement associated with any lawsuits and are subject to significant deductible or retention amounts.

### *At-the-Market Offering*

As disclosed under Note 2, Liquidity and Financial Condition, the Company received proceeds from sales of 22,210,095 shares of its common stock, under the Sales Agreement of approximately $49.6 million (excluding commissions and expenses of $1.6 million), at a weighted average price of $2.23 per share, during the nine months ended September 30, 2020. These shares were sold pursuant to the 2019 ATM Offering. The Company paid H.C. Wainwright a commission of 3.0% of the aggregate gross proceeds the Company received from all sales of the Company's common stock under the Sales Agreement.

Effective October 15, 2020, the Company entered into the First Amendment to the Sales Agreement with H.C. Wainwright, relating to the Company's 2020 ATM Offering. Pursuant to the 2020 ATM Offering, the Company may, from time to time, sell up to $100 million in shares of the Company's common stock, through H. C. Wainwright as its sales agent pursuant to the First Amendment to the Sales Agreement. The Company pays H.C. Wainwright a commission of up to 3.0% of the aggregate gross proceeds the Company receives from sales of shares of its common stock under the First Amendment to the Sales Agreement.

Pursuant to the First Amendment to the Sales Agreement, the Company and Wainwright agreed, effective as of October 15, 2020, to terminate the 2019 ATM Offering. Accordingly, effective as of October 15, 2020, the 2019 ATM Offering was terminated and no additional sales may be made pursuant to the 2019 ATM Offering.

## Operating Activities

Net cash used in operating activities was $8.8 million during the nine months ended September 30, 2020. Cash was consumed from continuing operations by the loss of $16.6 million, less non-cash items of $14.4 million, consisting of the impairment of our investment in Coinsquare totaling $9.4 million, stock-based compensation totaling $2.8 million, impairment to our cryptocurrencies of $1.0 million, depreciation and amortization totaling $2.8 million, and amortization of our right of use assets of $0.4 million, offset by, $1.4 million for the reversal of our accrual for the registration rights penalty and $0.5 million related to the gain from the exchange of cryptocurrencies, net of other immaterial items. Cryptocurrencies increased by $6.6 million and prepaid expenses and other current assets decreased $0.5 million, offset by, a decrease in our lease liability of $0.4 million and a decrease in accounts payable and accrued expenses of $0.2 million.

Net cash used in operating activities was $12.9 million during the nine months ended September 30, 2019. Cash was consumed from continuing operations by the loss of $16.9 million, less non-cash items of $12.8 million, consisting of a loss on the issuance of our convertible notes of $6.2 million, the change in fair value of our convertible notes and the related warrant liability of $6.8 million, amortization of our right of use assets of $1.7 million, stock-based compensation totaling $0.4 million, impairment to our cryptocurrencies of $0.4 million, and depreciation and amortization totaling $71,000, offset by a $1.1 million gain recognized on the deconsolidation of Tess, a gain on extinguishment of notes, interest and accounts payable totaling $0.8 million, the amortization of license fee revenue totaling $73,000, a gain from the sale of our cryptocurrencies of $0.7 million and accrued interest related to our investment in Verady of $20,000. Cryptocurrencies increased by $5.5 million and prepaid expenses and other current assets increased $0.8 million, offset by, a decrease in the lease liability of $1.7 million and a decrease in accounts payable and accrued expenses of $0.9 million.

**Investing Activities**

Net cash used in investing activities during the nine months ended September 30, 2020 was $16.5 million, consisting of deposits on equipment of $11.4 million, purchases of property and equipment of $6.3 million, offset by proceeds received from the sale of cryptocurrencies of $1.0 million and proceeds received from the sale of property and equipment of $0.1 million.

Net cash provided by investing activities during the nine months ended September 30, 2019 was $3.2 million, consisting of proceeds from the sale of cryptocurrencies of $3.2 million, offset by $27,000 for the amortization of patent costs, and $8,000 for the purchase of equipment.

**Financing Activities**

Net cash provided by financing activities was $48.0 million during the nine months ended September 30, 2020, which consisted of net proceeds from the issuance of our common stock in connection with our 2019 ATM Offering of $48.0 million and proceeds received from the exercise of common stock warrants of $0.4 million, offset by the repurchase of common stock to pay director and employee withholding taxes of $0.4 million.

Net cash provided by financing activities was $24.7 million during the nine months ended September 30, 2019, which consisted of net proceeds from the issuance of our common stock in connection with our 2019 ATM Offering of $22.7 million, the proceeds received from the issuance of our Notes and Warrants of $3.0 million, offset by the repayment of the principal balance related to our agreement with BMSS of approximately $1.0 million, net of the $0.4 million gain recorded on extinguishment of the BMSS balance.

**Critical Accounting Policies and Significant Judgments and Estimates**

Our critical accounting policies and significant estimates are detailed in our 2019 Annual Report. Our critical accounting policies and significant estimates have not changed from those previously disclosed in our 2019 Annual Report, except for those accounting subjects mentioned in the section of the notes to the condensed interim consolidated financial statements titled Recently Issued and Adopted Accounting Pronouncements.

***Recently issued and adopted accounting pronouncements*:**

The Company has evaluated all recently issued accounting pronouncements and believes such pronouncements do not have a material effect on the Company's financial statements. See Note 3 of the condensed interim consolidated financial statements at September 30, 2020.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Not required for a Smaller Reporting Company.

**Item 4. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures (as such term is defined in Rule 13a-15(e) of the Exchange Act that are designed to ensure that information required to be disclosed in our reports filed or submitted to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, and that information is accumulated and communicated to management, including our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial and accounting officer) as appropriate, to allow timely decisions regarding required disclosures. Our Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2020, pursuant to Rule 13a-15(b) under the Exchange Act. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Quarterly Report, the Company's disclosure controls and procedures were not effective due to material weaknesses in internal control over financial reporting as described below.

**Management's Report on Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) under the Exchange Act. The Exchange Act defines internal control over financial reporting as a process designed by, or under the supervision of, our principal executive and principal financial and accounting officers and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and our directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

A system of controls, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the system of controls are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of September 30, 2020. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework (2013). A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Based on our assessment, as of September 30, 2020, we concluded that our internal control over financial reporting is not effective due to the following material weaknesses identified:

1) The Company did not design and/or implement user access controls to ensure appropriate segregation of duties that would adequately restrict user and privileged access to the financially relevant systems and data to the appropriate Company personnel.

2) The Company did not design and implement program change management controls for certain financially relevant systems to ensure that IT program and data changes affecting the Company's (i) financial IT applications, (ii) digital currency mining equipment, (iii) digital currency hardware wallets, and (iv) underlying accounting records, are identified, tested, authorized and implemented appropriately to validate that data produced by its relevant IT system(s) were complete and accurate. Such data is relied on by the Company in recording amounts pertaining to revenue and cryptocurrency assets.

3) The Company did not properly design or implement controls to ensure that data received from third parties is complete and accurate. Such data is relied on by the Company in determining amounts pertaining to revenue and cryptocurrency assets is complete and accurate.

**Remediation**

Our management has been implementing and continues to implement measures designed to ensure that control deficiencies contributing to the material weakness are remediated, such that these controls are designed, implemented, and operating effectively. The remediation actions include: (i) creating and filling an information technology compliance oversight function; (ii) developing a training program addressing Information Technology General Controls ("ITGC") and policies, including educating control owners concerning the principles and requirements of each control, with a focus on those related to user access and change-management over information technology systems impacting financial reporting; (iii) developing and maintaining documentation underlying ITGCs to enhance control knowledge across the entire IT organization; (iv) developing enhanced risk assessment procedures and controls related to changes in information technology systems; (v) implementing an information technology management review and testing plan to monitor ITGCs with a specific focus on systems supporting our financial reporting processes; and (vi) enhanced quarterly reporting on the remediation measures to the Audit Committee of the Company's Board of Directors.

We believe that the above actions, once fully implemented, will remediate the material weaknesses noted above. The weaknesses will not be considered remediated, however, until the applicable controls operate for a sufficient period of time and our management has concluded, through testing, that these controls are operating effectively.

Additionally, modifications to our processes pertaining to the authorized signers and access to complete electronic funds transfers from the Company's bank accounts were made in July 2020 and August 2020. These modifications enhance segregation of duties relating to the execution and recording of cash transactions. Due to these enhancements, we believe the past reported material weakness is considered remediated as of September 30, 2020.

**Changes in Internal Control over Financial Reporting**

The remediations described above are the only changes in our internal control over financial reporting during the three months ended September 30, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

**Item 1. Legal Proceedings**

Disclosure under this Item is incorporated by reference to the disclosure provided in this report under Part I, Item 1., Financial Statements in Note 10, commitments and contingencies.

**Item 1A. Risk Factors**

In addition to the other information set forth in this Quarterly Report, you should carefully consider the risk factors discussed under the heading "Risk Factors" included in Part I, Item 1A of our 2019 Annual Report, and those disclosed under Part II, Item 1A of our Quarterly Report on Form 10-Q for the period ended March 31, 2020, filed on May 5, 2020 (the "Q1 2020 Quarterly Report"), and our Quarterly Report on Form 10-Q for the period ended June 30, 2020, filed on August 10, 2020 (the "Q2 Quarterly Report"), as well as those we may disclose in subsequent filings with the SEC. For the period ended September 30, 2020, there have been no material changes to those risk factors disclosed in our 2019 Annual Report, Q1 2020 Quarterly Report, and the Q2 Quarterly Report.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

None.

**Item 3. Defaults Upon Senior Securities**

N/A – none.

**Item 4. Mine Safety Disclosures**

N/A – none.

**Item 5. Other Information**

N/A – none.

**Item 6. Exhibits**

| EXHIBIT | DESCRIPTION |
|---|---|
| 10. | ***Material Contracts.*** |
| 10.01 | Third Amendment to Lease, dated as of January 8, 2020, by and between Kairos Global Technologies, Inc. and 7725 Reno#1, L.L.C. (Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K, filed January 13, 2020) |
| 10.02 | Amended and Restated McGonegal Employment Agreement by and between Riot Blockchain, Inc. and Jeffrey G.McGonegal, dated as of February 7, 2020. (Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K, filed February 11, 2020) |
| 10.03 | Coinmint Co-Locating Mining Services Agreement by and between Riot Blockchain, Inc. and Coinmint, LLC, dated effective as of April 8, 2020. (Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K, filed April 14, 2020) |

| EXHIBIT | DESCRIPTION |
| --- | --- |
| 10.04 | Fourth Amendment to Lease, dated effective as of April 10, 2020, by and between Kairos Global Technologies, Inc. and 7725 Reno #1, L.L.C. (Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K, filed April 20, 2020) |
| 10.05 | Sale and Purchase Agreement by and between Bitmaintech PTE, LTD. and Riot Blockchain, Inc. dated as of April 28, 2020. (Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K, filed May 5, 2020) |
| 10.06 | Sale and Purchase Agreement by and between Bitmaintech PTE, LTD and Riot Blockchain, Inc., dated as of May 6, 2020 (Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K, filed May 12, 2020) |
| 10.07 | Sale and Purchase Agreement by and between Bitmaintech PTE, LTD and Riot Blockchain, Inc., dated as of June 1, 2020 (Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K, filed June 5, 2020) |
| 10.08 | Sale and Purchase Agreement by and between Bitmaintech PTE, LTD and Riot Blockchain, Inc., dated as of August 12, 2020. (Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K, filed August 18, 2020) |
| 10.09 | Sale and Purchase Agreement by and between Bitmaintech PTE, LTD and Riot Blockchain, Inc., dated as of August 25, 2020. (Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K, filed August 27, 2020) |
| 10.10 | Amendment No. 1 to Sale and Purchase Agreement by and between Bitmaintech PTE, LTD and Riot Blockchain, Inc., dated as of August 25, 2020. (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, filed August 27, 2020) |
| 10.11 | Sale and Purchase Agreement by and between Bitmaintech PTE, LTD and Riot Blockchain, Inc., dated as of September 30, 2020. (Incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K, filed October 7, 2020) |
| 31. | ***Certifications.*** |
| 31.1 | Rule 13a-14(a)/15d-14(a) - Certification of Chief Executive Officer and Chief Financial Officer.* |
| 32 | Section 1350 Certification of Chief Executive Officer and Chief Financial Officer furnished herewith Pursuant to 18 U.S.C.Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. * |
| 101 | Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Balance Sheets, (ii) the Statements of Operations, (iii) the Statements of Cash Flows and (iv) the Notes to Condensed Interim Consolidated Financial Statements. * |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

* Filed herewith.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Castle Rock, Colorado on November 9, 2020.

| | |
|---|---|
| | Riot Blockchain, Inc.<br>(Registrant) |
| Dated: November 9, 2020 | /s/ Jeffrey G. McGonegal<br>Jeffrey G. McGonegal<br>Chief Executive Officer and Chief Financial Officer<br>(Principal Executive Officer and Principal Financial and Accounting Officer) |

**EXHIBIT 31.1**

**CERTIFICATION**

I, Jeffrey G. McGonegal, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Riot Blockchain, Inc. for the quarter ended September 30, 2020;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 9, 2020

/s/ Jeffrey G. McGonegal
Jeffrey G. McGonegal
Chief Executive Officer and Chief Financial Officer
(Principal Executive Officer and Principal Financial and Accounting Officer)

**EXHIBIT 32**

**CERTIFICATION PURSUANT
TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Quarterly Report on Form 10-Q, (the "Report") of Riot Blockchain, Inc. (the "Company") for the quarter ended September 30, 2020, the undersigned, Jeffrey G. McGonegal, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of the undersigned's knowledge and belief:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 9, 2020

/s/ Jeffrey G. McGonegal
Jeffrey G. McGonegal, Chief Executive Officer and Chief Financial Officer
(Principal Executive Officer and Principal Financial and Accounting Officer)