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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 6-K**

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**REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 OR 15d-16  
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

**For the month of November 2022**

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**Commission File Number: 333-258788**

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**BITFARMS LTD.**

(Exact Name of Registrant as Specified in Its Charter)

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**18 King Street East, Suite 902, Toronto, Ontario, Canada M5C 1C4**  
(Address of principal executive offices)

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

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## INCORPORATION BY REFERENCE

This report on Form 6-K, including the interim condensed consolidated financial statements for the three and nine months ended September 30, 2022 and management's discussion and analysis for the three and nine months ended September 30, 2022, shall be deemed to be incorporated by reference as exhibits to the Registration Statement of Bitfarms Ltd. on Form F-10 (File No. [333-258788](#)) and to be a part thereof from the date on which this report was furnished, to the extent not superseded by documents or reports subsequently filed or furnished.

### Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	<a href="#">Interim Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2022</a>
99.2	<a href="#">Management's Discussion &amp; Analysis for the three and nine months ended September 30, 2022</a>
99.3	<a href="#">CEO Certification of Interim Filings - Interim Certificate dated November 14, 2022</a>
99.4	<a href="#">CFO Certification of Interim Filings - Interim Certificate dated November 14, 2022</a>
99.5	<a href="#">Press Release dated November 14, 2022</a>

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**BITFARMS LTD.**

By: /s/ L. Geoffrey Morphy  
Name: L. Geoffrey Morphy  
Title: President

Date: November 14, 2022



**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021  
(EXPRESSED IN THOUSANDS OF U.S. DOLLARS)**

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**BITFARMS LTD.****INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)**

(In thousands of U.S. dollars)

		As of September 30,	As of December 31,
	Notes	2022	2021
<b>Assets</b>			
Current			
Cash		35,814	125,595
Trade receivables		1,415	1,038
Other assets	4	11,350	6,427
Taxes receivable		12,392	—
Digital assets	5	6,615	66,031
Digital assets - pledged as collateral	5, 10, 11	33,496	86,825
Assets held for sale	6	1,729	1,211
		<b>102,811</b>	<b>287,127</b>
Non-current			
Property, plant and equipment	6, 19	220,129	136,850
Right-of-use assets	12	15,355	9,397
Long-term deposits, equipment prepayments and other	8	38,405	86,681
Intangible assets	7	260	1,681
Goodwill	3	—	16,955
Deferred tax asset	13	—	3,896
<b>Total assets</b>		<b>376,960</b>	<b>542,587</b>
<b>Liabilities</b>			
Current			
Trade payables and accrued liabilities	9	16,002	14,480
Current portion of long-term debt	11	38,772	10,257
Current portion of lease liabilities	12	3,926	4,346
Credit facility	10	23,357	60,002
Taxes payable		—	12,093
		<b>82,057</b>	<b>101,178</b>
Non-current			
Long-term debt	11	16,527	910
Lease liabilities	12	13,557	9,227
Asset retirement provision	14	1,778	239
Deferred tax liability	13	—	8,451
<b>Total liabilities</b>		<b>113,919</b>	<b>120,005</b>
<b>Shareholders' equity</b>			
Share capital		423,546	378,893
Contributed surplus		61,717	43,704
Accumulated deficit		(222,222)	(15)
<b>Total equity</b>		<b>263,041</b>	<b>422,582</b>
<b>Total liabilities and equity</b>		<b>376,960</b>	<b>542,587</b>

Should be read in conjunction with the notes to the interim condensed consolidated financial statements

**BITFARMS LTD.**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE PROFIT OR LOSS  
(UNAUDITED)**

(In thousands of U.S. dollars, except for number of shares and earnings per share data)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
<b>Revenues</b>	<b>5, 19</b>	<b>33,247</b>	44,774	<b>115,391</b>	109,893
Cost of sales	<b>18</b>	<b>37,186</b>	15,306	<b>92,789</b>	37,758
<b>Gross (loss) profit</b>		<b>(3,939)</b>	29,468	<b>22,602</b>	72,135
<b>Operating expenses</b>					
General and administrative expenses	<b>18</b>	<b>10,299</b>	10,884	<b>39,534</b>	24,310
Realized loss on disposition of digital assets	<b>5</b>	<b>44,329</b>	177	<b>122,243</b>	152
Change in unrealized (gain) loss on revaluation of digital assets	<b>5</b>	<b>(45,655)</b>	(13,893)	<b>21,118</b>	992
Loss (gain) on disposition of property, plant and equipment		<b>756</b>	70	<b>1,692</b>	(95)
Impairment on equipment and construction prepayments, property, plant and equipment and right-of-use assets	<b>6</b>	<b>84,116</b>	—	<b>84,116</b>	—
Impairment on goodwill	<b>3</b>	—	—	<b>17,900</b>	—
Impairment reversal on property, plant and equipment	<b>6</b>	—	(1,860)	—	(1,860)
<b>Operating (loss) income</b>		<b>(97,784)</b>	34,090	<b>(264,001)</b>	48,636
Net financial (income) expenses	<b>18</b>	<b>(8,251)</b>	(616)	<b>(24,191)</b>	23,936
<b>Net (loss) income before income taxes</b>		<b>(89,533)</b>	34,706	<b>(239,810)</b>	24,700
Income tax (recovery) expense	<b>13</b>	<b>(4,725)</b>	10,973	<b>(17,603)</b>	12,247
<b>Net (loss) income and total comprehensive (loss) income</b>		<b>(84,808)</b>	23,733	<b>(222,207)</b>	12,453
<b>Earnings (loss) per share</b>	<b>18</b>				
Basic		<b>(0.40)</b>	0.14	<b>(1.09)</b>	0.08
Diluted		<b>(0.40)</b>	0.13	<b>(1.09)</b>	0.08
<b>Weighted average number of common shares outstanding</b>					
Basic		<b>210,378,000</b>	166,942,000	<b>203,839,000</b>	147,596,000
Diluted		<b>210,378,000</b>	176,807,000	<b>203,839,000</b>	159,411,000

Should be read in conjunction with the notes to the interim condensed consolidated financial statements

**BITFARMS LTD.**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)**

(In thousands of U.S. dollars, except for number of shares)

	Notes	Number of shares	Share capital	Contributed surplus	Accumulated deficit	Total equity
<b>Balance as of January 1, 2022</b>		<b>194,806,000</b>	<b>378,893</b>	<b>43,704</b>	<b>(15)</b>	<b>422,582</b>
Net loss		—	—	—	(222,207)	(222,207)
Share-based payment	17	—	—	17,993	—	17,993
Issuance of common shares and warrants	15	20,835,000	48,506	35	—	48,541
Deferred tax expense related to equity issuance costs	13	—	(3,895)	—	—	(3,895)
Exercise of stock options	17	70,000	42	(15)	—	27
<b>Balance as of September 30, 2022</b>		<b>215,711,000</b>	<b>423,546</b>	<b>61,717</b>	<b>(222,222)</b>	<b>263,041</b>
<b>Balance as of January 1, 2021</b>		<b>88,939,000</b>	<b>32,004</b>	<b>5,588</b>	<b>(22,145)</b>	<b>15,447</b>
Net income		—	—	—	12,453	12,453
Share-based payment		—	—	12,549	—	12,549
Issuance of common shares and warrants		46,519,000	119,455	26,781	—	146,236
Conversion of long-term debt		8,475,000	5,110	(110)	—	5,000
Exercise of warrants and stock options		30,513,000	99,946	(9,815)	—	90,131
<b>Balance as of September 30, 2021</b>		<b>174,446,000</b>	<b>256,515</b>	<b>34,993</b>	<b>(9,692)</b>	<b>281,816</b>

Should be read in conjunction with the notes to the interim condensed consolidated financial statements

**BITFARMS LTD.**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

(In thousands of U.S. dollars)

		Nine months ended September 30,	
	Notes	2022	2021
<b>Cash flows from (used in) operating activities</b>			
Net income (loss)		(222,207)	12,453
Adjustments for:			
Depreciation and amortization	18	51,643	14,189
Impairment on equipment and construction prepayments, property, plant and equipment and right-of-use assets	6	84,116	—
Impairment reversal on property, plant and equipment	6	—	(1,860)
Impairment on goodwill	3	17,900	—
Net financial (income) expenses	18	(24,191)	23,936
Digital assets mined	5	(113,049)	(106,001)
Proceeds from sale of digital assets mined	5	104,988	3,612
Realized loss on disposition of digital assets	5	122,243	152
Change in unrealized loss on revaluation of digital assets	5	21,118	992
Share-based payment	17	17,993	12,549
Interest and financial expenses paid		(14,139)	(3,056)
Income tax expense (recovery)	13	(17,603)	5,902
Loss (gain) on disposition of property, plant and equipment		1,692	(95)
Income taxes paid		(14,931)	—
Changes in non-cash working capital components	20	(12,404)	4,151
<b>Net change in cash related to operating activities</b>		<b>3,169</b>	<b>(33,076)</b>
<b>Cash flows used in investing activities</b>			
Purchase of property, plant and equipment		(116,217)	(57,421)
Proceeds from sale of property, plant and equipment		4,790	955
Purchase of marketable securities	18	(127,916)	(2,786)
Proceeds from disposition of marketable securities	18	172,248	5,060
Purchase of digital assets	5	(43,237)	—
Proceeds from sale of digital assets purchased	5	20,682	—
Equipment and construction prepayments and other		(54,891)	(75,015)
<b>Net change in cash related to investing activities</b>		<b>(144,541)</b>	<b>(129,207)</b>
<b>Cash flows from financing activities</b>			
Issuance of common shares and warrants	15	48,506	149,046
Exercise of warrants and stock options	15, 17	27	60,352
Repayment of credit facility	10	(76,863)	—
Repayment of lease liabilities	12	(4,122)	(3,342)
Repayment of long-term debt		(23,174)	(17,372)
Proceeds from long-term debt	11	67,168	10,940
Proceeds from credit facility	10	40,000	—
<b>Net change in cash related to financing activities</b>		<b>51,542</b>	<b>199,624</b>
<b>Net increase (decrease) in cash</b>		<b>(89,830)</b>	<b>37,341</b>
Cash, beginning of the period		125,595	5,947
Exchange rate differences on currency translation		49	(21)
<b>Cash, end of the period</b>		<b>35,814</b>	<b>43,267</b>

Should be read in conjunction with the notes to the interim condensed consolidated financial statements

**BITFARMS LTD.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

(In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and digital assets)

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**NOTE 1: NATURE OF OPERATIONS AND LIQUIDITY**

Bitfarms Ltd. was incorporated under the Canada Business Corporation Act on October 11, 2018 and continued under the Ontario Corporations Business Act on August 27, 2021. The interim condensed consolidated financial statements of the corporation comprise the accounts of Bitfarms Ltd. and its wholly owned subsidiaries (together referred to as the “Company” or “Bitfarms”). The activities of the Company mainly consist of cryptocurrency mining and are divided into multiple jurisdictions described in Note 19 “Geographical Information”. The Company’s operations are predominantly in Canada and the United States, with new operations having commenced in Paraguay and Argentina in 2022. 9159-9290 Quebec Inc. (“Volta”), a wholly owned subsidiary, assists the Company in building and maintaining its server farms and provides electrician services to both commercial and residential customers in Quebec. The common shares of the Company are listed under the trading symbol BITF on the Nasdaq and Toronto Stock Exchange exchanges.

Bitfarms is primarily engaged in the cryptocurrency mining industry, a highly volatile market with significant inherent risk. Further declines in the market prices of cryptocurrencies, an increase in the difficulty of cryptocurrency mining, delays in the delivery of mining equipment, changes in the regulatory environment and adverse changes in other inherent risks can significantly and negatively impact the Company’s operations and cash flows and its ability to maintain sufficient liquidity to meet its commitments and minimum collateral requirements for its revolving credit facility, as described in Note 8 and Note 10, respectively. In addition, adverse changes to the factors mentioned above have impacted the recoverability of the Company’s digital assets and property, plant and equipment, resulting in impairment charges being recorded.

The Company’s current operating budget and future estimated cash flows for the twelve-month period, based on Bitcoin (“BTC”) market factors, including price, difficulty, etc., as of the date of these interim condensed consolidated financial statements were authorized for issuance, indicate that it will generate positive cash flow from operations in excess of required interest and principal payments due on its long-term debt and credit facility. In August 2022, the Company negotiated postponement of delivery and payment, without penalty, of certain Blockchain Verification and Validation Equipment (“BVVE”) to 2023 so as to avoid under-deployment of miners and to better align the receipt of miners with the availability of completed infrastructure to utilize the miners.

At current BTC prices, the Company’s existing cash resources and the proceeds from any sale of its treasury and mined BTC will not be sufficient to fund its capital investments to support its growth objectives. The Company would be required to raise additional funds from external sources to meet these requirements if the BTC price does not increase. There is no assurance that the Company will be able to raise such additional funds on acceptable terms, if at all.

If the Company raises additional funds by issuing securities, existing shareholders may be diluted. If the Company were unable to obtain such financing, or if funds from operations and proceeds from any sale of the Company’s BTC holdings continue to be negatively impacted by the BTC price, the Company will have difficulty meeting its payment obligations, which could result in the loss of equipment prepayments and deposits paid by the Company under its purchase agreements and be subject to remedial legal measures taken against the Company. Such measures could include damages and forced continuance of the contractual arrangements. Under these circumstances, the Company’s growth plans and ongoing operations could be adversely impacted.

**BITFARMS LTD.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

(In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and digital assets)

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**NOTE 1: NATURE OF OPERATIONS AND LIQUIDITY (Continued)****Terms and definitions**

In these financial statements, the following terms shall have the following definitions:

1	Backbone	Backbone Hosting Solutions Inc.
2	Volta	9159-9290 Quebec Inc.
3	Backbone Argentina	Backbone Hosting Solutions SAU
4	Backbone Paraguay	Backbone Hosting Solutions Paraguay SA
5	Backbone Mining	Backbone Mining Solutions LLC
6	CAD	Canadian Dollars
7	ARS	Argentine Pesos

**NOTE 2: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES****a. Basis of preparation and measurement**

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*.

These interim condensed consolidated financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the audited annual consolidated financial statements of the Company and the notes thereto for the year ended December 31, 2021. These interim condensed consolidated financial statements were approved by the Board of Directors on November 11, 2022.

The interim condensed consolidated financial statements have been prepared following the same accounting policies used in the audited annual consolidated financial statements for the year ended December 31, 2021.

The accounting policies have been applied consistently by the Company’s entities and to all periods presented in these interim condensed consolidated financial statements, unless otherwise indicated.

The interim condensed consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and digital assets recorded at fair value.

**NOTE 2: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**b. Significant accounting judgments and estimates**

The preparation of the interim condensed consolidated financial statements requires management to undertake several judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. These estimates and judgments are based on management's best knowledge of the events or circumstances and actions the Company may take in the future. The actual results may differ from these assumptions and estimates.

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

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the audited annual consolidated financial statements for the year ended December 31, 2021.

**c. New accounting amendments issued and adopted by the Company**

The following amendments to existing standards were adopted by the Company on January 1, 2022:

**Amendments IFRS 3, *Business Combinations* ("IFRS 3")**

Amendments to IFRS 3 are designed to: i) update its reference to the 2018 Conceptual Framework instead of the 1989 Framework; ii) add a requirement that, for obligations within the scope of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC Interpretation 21, *Levies* ("IFRIC 21"), the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date; and iii) add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

**Amendments to IAS 16, *Property, Plant and Equipment* ("IAS 16")**

Amendments to IAS 16 prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e., proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

**Amendments to IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1")**

Amendments to IFRS 1 extend the relief, which allows subsidiaries that become a first-time adopter later than its parent to measure its assets and liabilities at the carrying amounts that would be included in the parent's consolidated financial statements, to the cumulative translation differences for all foreign operations.

**NOTE 2: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c. New accounting amendments issued and adopted by the Company (Continued)**

**Amendments to IFRS 9, *Financial Instruments* (“IFRS 9”)**

Amendments to IFRS 9 clarify which fees an entity includes when it applies the “10 per cent” test in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

**Amendments to IFRS 16, *Leases* (“IFRS 16”)**

Amendments to IFRS 16 remove the illustration of the reimbursement of leasehold improvements included in the Illustrative Example 13 of IFRS 16 since it does not explain clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16.

The adoption of the amendments listed above did not have a significant impact on the Company’s interim condensed consolidated financial statements.

**d. New accounting amendments issued to be adopted at a later date**

The following amendments to existing standards have been issued and are applicable to the Company for its annual period beginning on January 1, 2023 and thereafter, with an earlier application permitted:

**Amendments to IAS 1, *Presentation of Financial Statements* (“IAS 1”)**

Amendments to IAS 1 clarify how to classify debt and other liabilities as current or non-current. The amendments help to determine whether, in the interim condensed consolidated statements of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments also include clarifying the classification requirements for debt an entity might settle by converting it into equity.

Amendments to IAS 1 change the requirements in IAS 1 with regard to disclosure of accounting policies. Applying the amendments, an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments to IAS 1 are made to explain how an entity can identify a material accounting policy.

Amendments to IAS 1 specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require to disclose information about these covenants in the notes to the financial statements. This amendment is effective for the Company’s annual period beginning on January 1, 2024 and thereafter, with an earlier application permitted.

**NOTE 2: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**d. New accounting amendments issued to be adopted at a later date (Continued)**

**Amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* (“IAS 8”)**

Amendments to IAS 8 replace the definition of a change in accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.

**Amendments to IAS 12, *Income Taxes* (“IAS 12”)**

Amendments to IAS 12 specify how entities should account for deferred income taxes on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognizing deferred income taxes when they recognize assets or liabilities for the first time. The amendments clarify that the exemption does not apply to transactions such as leases and decommissioning obligations and that entities are required to recognize deferred income taxes on such transactions.

The Company is currently evaluating the impact of adopting the amendments on the Company’s financial statements.

**e. Comparative figures**

Certain figures in the comparative period of the interim condensed consolidated cash flow statements have been reclassified to conform to the current presentation. The lines Purchase of marketable securities and Proceeds from disposition of marketable securities were added to present separately these items in cash flows used in investing activities rather than grouping them in the line Interest and financial expenses paid included in cash flows used in operating activities. The net reclassification between the cash flow activities was \$2,274.

**BITFARMS LTD.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

(In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and digital assets)

**NOTE 3: BUSINESS COMBINATION**

On November 9, 2021, the Company acquired a cryptocurrency mining facility in Washington state through its wholly-owned subsidiary, Backbone Mining Solutions LLC, comprising land, buildings, 17 megawatts of electrical infrastructure, power purchase agreements totaling 12 megawatts and in process power purchase agreement applications totaling 12 megawatts with a local hydro-electric utility producer. The consideration transferred was \$26,676, including \$23,000 of cash consideration and 415,000 Common shares with a value of \$3,676 on the closing date. The seller entered into a consulting agreement with the Company in the amount of \$2,000 for services relating to the operation of the facility. The Company also entered into a one-year lease agreement with the seller for a 5 megawatt cryptocurrency mining facility with monthly payments of \$110.

The primary reason for the acquisition was to expand the Company's energy portfolio with existing infrastructure to accommodate the Company's expected delivery schedule of mining equipment.

The following are the fair values of the identifiable assets as of the date of the acquisition:

	November 9, 2021
<b>Consideration transferred</b>	
Cash paid at closing	23,000
Value of 415,000 common shares transferred at closing	3,676
Fair value of total consideration transferred	26,676
<b>Recognized amounts of identifiable assets acquired</b>	
Electrical components	5,954
Buildings	748
Land	74
Intangible assets - favorable lease	2,000
Total identifiable assets acquired	8,776
<b>Goodwill</b>	17,900

Goodwill consists mainly of the benefit the Company expects to receive from acquiring a turnkey facility with active power purchase agreements compared to the timeline and process the Company would undertake to procure new power purchase agreements, the materials and equipment required to build a facility and complete the construction process in order to increase the Company's share of the BTC network hashrate. The entire amount of goodwill is expected to be deductible for tax purposes.

**NOTE 3: BUSINESS COMBINATION (Continued)**

In May 2022, the valuation was finalized, resulting in measurement period adjustments. The acquisition date fair value of the electrical components was \$5,954, a decrease of \$1,127 compared to the provisional value. In addition, the fair value at the acquisition date of buildings decreased by \$7, land decreased by \$11 and intangible assets (favourable lease) increased by \$200. The cumulative impact of these measurement period adjustments was recognized in the interim condensed consolidated financial statements as at and for the three months ended March 31, 2022. The impact on the prior period was considered insignificant. As a result, there was a corresponding increase in goodwill of \$945, resulting in \$17,900 of total goodwill arising from the acquisition.

The Company generated \$7,690 of revenues mainly from using the S19j pros installed at the Washington state facility, from November 9, 2021 to December 31, 2021. Prior to the acquisition, the Company incurred hosting fees of \$3,907 during the year ended December 31, 2021.

**Impairment of goodwill during the six months ended June 30, 2022**

As a result of the decline in the BTC price during the six months ended June 30, 2022, the Company performed an evaluation of the recoverable amount of the property, plant and equipment and intangible assets for the Washington state cryptocurrency mining facility as at June 30, 2022. As these groups of assets do not generate cash inflows that are independent of each other, the recoverable amount was calculated for the cash-generating unit ("CGU") comprised of the assets of BVVE and electrical equipment, long-term electricity deposits, land, building and favourable lease used in the cryptocurrency mining facility in Washington state.

Based on its calculation, the Company recorded an impairment loss on its Washington state cryptocurrency mining CGU resulting in an impairment charge to goodwill of \$17,900 during the three and six months ended June 30, 2022. The impairment loss was recognized in profit or loss under Impairment on goodwill. The value in use of the CGU was determined based on the present value of the expected cash flows over a four-year period discounted at an annual pre-tax rate of 24.75% in varying scenarios.

**BITFARMS LTD.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

(In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and digital assets)

**NOTE 3: BUSINESS COMBINATION (Continued)**

The key assumptions used in the value in use calculation for the six months ended June 30, 2022 are as follows:

**Revenues** – Two optimistic and two pessimistic scenarios and one status quo scenario, each with an estimated future BTC price and network difficulty, were used to project revenues and associated cash flows from cryptocurrency mining. Management assigned probabilities to each scenario to calculate weighted average expected outcomes. The weighted average daily revenue per Terahash used in the value in use calculation was \$0.12/Terahash.

**Discount rate** – The discount rate reflects management’s assumptions regarding the unit’s specific risk. The pre-tax discount rate used was estimated at 24.75%, with some of the risk already being implicitly reflected through management’s allocation of probabilities to the various scenarios included in the revenue calculation.

**Energy prices** – Management estimates that energy prices for the duration of the forecasted years will be approximately \$0.027 per kilowatt hour.

**Terminal value** – Management estimated the terminal value of the miners included in the CGU for the purposes of the impairment testing to be the daily revenue per Terahash in effect at the end of the value in use calculation multiplied by the ending hashrate for a period of approximately 6 months.

Changes in BTC price and BTC network difficulty that can lead to changes in expected revenues were considered in the various scenarios listed above. A decrease of 1% in revenues and an increase of one percentage point in the discount rate would result in impairment on the other assets of the CGU by \$394 and \$1,040, respectively. A sensitivity analysis was not performed for a change in energy prices as they are considered to be stable. Refer to Note 6 for the impairment testing of the other assets of the Washington CGU.

**NOTE 4: OTHER ASSETS**

	<b>September 30,</b>	December 31,
	<b>2022</b>	2021
Electrical component inventory	<b>586</b>	548
Sales taxes receivable*	<b>1,897</b>	1,980
Prepaid expenses and other	<b>8,645</b>	3,202
Insurance refund and other receivables	<b>222</b>	697
	<b>11,350</b>	6,427

\* Refer to Note 18 for more details about the provision applied to the Argentine value-added tax (VAT) receivable included in sales taxes receivable.

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(In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and digital assets)

**NOTE 5: DIGITAL ASSETS**

BTC transactions and the corresponding values for the three and nine months ended September 30, 2022, and 2021 were as follows:

	<b>Three months ended September 30,</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Quantity</b>	<b>Value</b>	Quantity	Value
Balance of digital assets including digital assets pledged as collateral as of July 1,	<b>3,144</b>	<b>62,204</b>	1,293	45,329
BTC mined*	<b>1,515</b>	<b>32,276</b>	1,050	43,459
BTC exchanged for cash and services	<b>(2,595)</b>	<b>(55,695)</b>	(31)	(1,259)
Realized loss on disposition of digital assets	—	<b>(44,329)</b>	—	(177)
Change in unrealized gain on revaluation of digital assets	—	<b>45,655</b>	—	13,893
<b>Balance of digital assets as of September 30,</b>	<b>2,064</b>	<b>40,111</b>	2,312	101,245
Less digital assets pledged as collateral as of September 30,**	<b>(1,724)</b>	<b>(33,496)</b>	—	—
<b>Balance of digital assets excluding digital assets pledged as collateral as of September 30,</b>	<b>340</b>	<b>6,615</b>	2,312	101,245

	<b>Nine months ended September 30,</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Quantity</b>	<b>Value</b>	Quantity	Value
Balance of digital assets including digital assets pledged as collateral as of January 1,	<b>3,301</b>	<b>152,856</b>	—	—
BTC mined*	<b>3,733</b>	<b>113,049</b>	2,407	106,001
BTC purchased	<b>1,000</b>	<b>43,237</b>	—	—
BTC exchanged for cash and services	<b>(5,970)</b>	<b>(125,670)</b>	(48)	(2,066)
BTC exchanged for long-term debt repayment	—	—	(47)	(1,546)
Realized loss on disposition of digital assets	—	<b>(122,243)</b>	—	(152)
Change in unrealized loss on revaluation of digital assets	—	<b>(21,118)</b>	—	(992)
<b>Balance of digital assets as of September 30,</b>	<b>2,064</b>	<b>40,111</b>	2,312	101,245
Less digital assets pledged as collateral as of September 30,**	<b>(1,724)</b>	<b>(33,496)</b>	—	—
<b>Balance of digital assets excluding digital assets pledged as collateral as of September 30,</b>	<b>340</b>	<b>6,615</b>	2,312	101,245

\* Management estimates the fair value of BTC mined on a daily basis as the quantity of cryptocurrency received multiplied by the price quoted on [www.coinmarketcap.com](http://www.coinmarketcap.com) ("Coinmarketcap") on the day it was received. Management considers the prices quoted on Coinmarketcap to be a level 2 input under IFRS 13 Fair Value Measurement.

\*\* Refer to Note 10 and 11 for details of the Company's credit facility and long-term debt, respectively, and BTC pledged as collateral.

**BITFARMS LTD.**
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

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**NOTE 6: PROPERTY, PLANT AND EQUIPMENT**

As at September 30, 2022, and December 31, 2021, property, plant and equipment (“PPE”) consisted of the following:

	Notes	BVVE and electrical components	Mineral assets	Land and buildings	Leasehold improvements	Vehicles	Total
<b>Cost</b>							
Balance as of January 1, 2022		156,647	9,000	4,549	5,783	547	176,526
Measurement period adjustment to business combination	3	(1,127)	—	(18)	—	—	(1,145)
Additions during the period		142,268	—	2,334	24,259	272	169,133
Dispositions during the period		(2,690)	—	—	—	—	(2,690)
Transfer to assets held for sale		(8,143)	—	—	—	—	(8,143)
<b>Balance as of September 30, 2022</b>		<b>286,955</b>	<b>9,000</b>	<b>6,865</b>	<b>30,042</b>	<b>819</b>	<b>333,681</b>
<b>Accumulated Depreciation</b>							
Balance as of January 1, 2022		35,766	1,800	286	1,560	264	39,676
Depreciation		47,091	—	143	1,255	77	48,566
Dispositions during the period		(1,821)	—	—	—	—	(1,821)
Transfer to assets held for sale		(6,040)	—	—	—	—	(6,040)
Impairment		17,505	4,200	—	11,361	105	33,171
<b>Balance as of September 30, 2022</b>		<b>92,501</b>	<b>6,000</b>	<b>429</b>	<b>14,176</b>	<b>446</b>	<b>113,552</b>
<b>Net book value as of September 30, 2022</b>		<b>194,454</b>	<b>3,000</b>	<b>6,436</b>	<b>15,866</b>	<b>373</b>	<b>220,129</b>

	Notes	BVVE and electrical components	Mineral assets	Land and buildings	Leasehold improvements	Vehicles	Total
<b>Cost</b>							
Balance as of January 1, 2021		52,676	9,000	3,263	2,707	448	68,094
Additions through business combination	3	7,081	—	840	—	—	7,921
Additions during the period		114,323	—	470	3,265	136	118,194
Dispositions during the period		(6,146)	—	(24)	(189)	(37)	(6,396)
Transfer to assets held for sale		(11,287)	—	—	—	—	(11,287)
Balance as of December 31, 2021		156,647	9,000	4,549	5,783	547	176,526
<b>Accumulated Depreciation</b>							
Balance as of January 1, 2021		30,042	—	185	1,861	213	32,301
Depreciation		22,233	—	104	396	79	22,812
Dispositions during the period		(5,172)	—	(3)	(148)	(28)	(5,351)
Transfer to assets held for sale		(10,026)	—	—	—	—	(10,026)
Impairment		—	1,800	—	—	—	1,800
Impairment reversal		(1,311)	—	—	(549)	—	(1,860)
Balance as of December 31, 2021		35,766	1,800	286	1,560	264	39,676
<b>Net book value as of December 31, 2021</b>		<b>120,881</b>	<b>7,200</b>	<b>4,263</b>	<b>4,223</b>	<b>283</b>	<b>136,850</b>

**NOTE 6: PROPERTY, PLANT AND EQUIPMENT (Continued)****Assets held for sale**

During the year ended December 31, 2021, the Company ceased using its Antminer S9 miners and planned to dispose of them within the next 12 months. During the nine months ended September 30, 2022, 3,982 Antminer S9 miners with a carrying amount of \$779 were disposed for net proceeds of \$101 resulting in a loss of \$678. The remaining Antminer S9 miners were not sold within 12 months since being classified as held for sale in 2021 due to the decline of the BTC price during the nine months ended September 30, 2022. As a result, these miners were written off and an impairment loss of \$432 was recognized in profit or loss under Impairment on equipment and construction prepayments, property, plant and equipment and right-of-use assets.

During the nine months ended September 30, 2022, the Company ceased using Innosilicon T2T miners, Canaan Avalon A10 miners, Antminer T15 miners and Antminer S15 miners with plans to dispose of them within the next 12 months. During the three and nine months ended September 30, 2022, 207 Antminer T15 miners with a carrying amount of \$22 were disposed for net proceeds of \$31 resulting in a gain of \$9. Management determined that the remaining Innosilicon T2T miners, Canaan Avalon A10 miners, Antminer T15 miners and Antminer S15 miners continue to meet the criteria to be classified as held for sale as at September 30, 2022.

During the nine months ended September 30, 2022, the Company ceased using 840 M20s Whatsminer miners with a carrying amount of \$475 and disposed of them for net proceeds of \$820 resulting in a gain of \$345. In addition, during the three and nine months ended September 30, 2022, the Company ceased using its remaining M20s Whatsminer miners and has plans to dispose of them within the next 12 months. Management has determined that these miners meet the criteria to be classified as held for sale and determined that the carrying amount was less than their estimated fair value less costs to sell.

**Impairment testing**

As at September 30, 2022, as a result of the decline in the BTC price during the three and nine-month periods, the Company performed an evaluation of the recoverable amount of the assets for operating the cryptocurrency mining facilities in Quebec, Washington state and Argentina separately. As the group of assets for each CGU do not generate cash inflows that are independent of each other, the recoverable amount was calculated for each CGU comprised of the property, plant and equipment, right-of-use assets, long-term electricity deposits, long-term construction and equipment prepayments and favourable lease used in the operating cryptocurrency mining facilities in Quebec, Washington state and Argentina.

Based on its calculation, the Company determined that an impairment charge should only be recorded on its operating Argentina cryptocurrency mining CGU in the amount of \$79,484 during the three and nine months ended September 30, 2022, of which \$48,865 was allocated to equipment and construction prepayments, \$1,648 to right-of-use assets and \$28,971 to property, plant and equipment. The impairment loss was recognized in profit or loss under Impairment on equipment and construction prepayments, property, plant and equipment and right-of-use assets. The value in use of the Quebec, Washington state and Argentina operating CGUs were determined based on the present value of the expected cash flows over five-year, four-year and five-year periods, respectively, discounted at annual pre-tax rates of 29.00%, 29.75% and 38.25%, respectively, in varying scenarios.

**BITFARMS LTD.**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

(In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and digital assets)

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**NOTE 6: PROPERTY, PLANT AND EQUIPMENT (Continued)**

The key assumptions used in the value in use calculation are as follows:

Revenues – Two optimistic and two pessimistic scenarios and one status quo scenario, each with an estimated future BTC price and network difficulty, were used to project revenues and associated cash flows from cryptocurrency mining. Management assigned probabilities to each scenario to calculate weighted average expected outcomes. The weighted average daily revenue per Terahash used in the value in use calculation was \$0.12/Terahash.

Discount rate – The discount rate reflects management’s assumptions regarding the unit’s specific risk. For the Quebec, Washington state and Argentina operating cryptocurrency mining CGUs, the discount pre-tax rates used were estimated at 29.00%, 29.75% and 38.25%, respectively, with some of the risk already being implicitly reflected through management’s allocation of probabilities to the various scenarios included in the revenue calculation.

Energy prices – Management estimates that energy prices for the duration of the forecasted years will be approximately \$0.046, \$0.027 and \$0.030 per kilowatt hour, for the Quebec, Washington state and Argentina operating cryptocurrency mining CGUs, respectively.

Changes in BTC price and BTC network difficulty that can lead to changes in expected revenues were considered in the various scenarios listed above.

For the Quebec cryptocurrency mining CGU, management conducted a sensitivity analysis and determined that a reasonably possible change in any of the key assumptions would not result in an impairment charge.

For the Washington state cryptocurrency mining CGU, a 2% decrease in revenues would result in the recoverable amount being equal to the carrying amount, and each additional decrease of 1% would result in an impairment charge of \$518. A reasonably possible change in the discount rate would not result in an impairment charge.

A sensitivity analysis was not performed for a change in energy prices for the Quebec and Washington state cryptocurrency mining CGUs as they are considered to be stable.

A decrease of 1% in revenues, an increase of 1% in the discount rate or an increase of 1% in energy prices would result in further impairment on the operating Argentina cryptocurrency CGU by \$1,031, \$863 or \$216, respectively.

**BITFARMS LTD.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

(In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and digital assets)

**NOTE 6: PROPERTY, PLANT AND EQUIPMENT (Continued)****Mineral Assets**

In connection with the reverse acquisition of Bitfarms Ltd (Israel), the Company engaged an independent appraiser to determine the fair value as at the acquisition date, April 12, 2018, of Suni, an iron ore deposit located in Canada held by the acquiree. The appraiser's valuation report was based on the market comparison method and the analysis of similar assets. Following certain adjustments resulting from changes in the price of iron ore, among other variables, Suni's value at April 12, 2018 was estimated at \$9,000. Subsequently, it has been tested annually for impairment. An independent appraiser was engaged to determine Suni's fair value as of September 30, 2022 due to the decline in the iron ore price during the three months ended September 30, 2022. Using the same method as the previous independent appraiser, the new appraiser determined that the fair value of Suni was \$3,250, or \$3,000 after reflecting estimated costs to sell, compared to \$7,200 on December 31, 2021, which resulted in an impairment of \$4,200 during the three and nine months ended September 30, 2022 to Suni's mineral assets book value. The impairment loss was recognized in profit or loss under Impairment on equipment and construction prepayments, property, plant and equipment and right-of-use assets. The fair value measurement is categorized as level 2 in the fair value hierarchy. The Suni mineral asset was inactive during the reporting periods and as of the date of approval of the interim condensed consolidated financial statements.

**BVVE**

Further details of the quantity and models of BVVE held by the Company are as follows :

	<b>MicroBT Whatsminer (BTC)*</b>	<b>Bitmain S19j Pro</b>	<b>Innosilicon T3 &amp; T2T (BTC)**</b>	<b>Canaan Avalon A10 (BTC)</b>	<b>Other Bitmain Antminers (BTC)***</b>	<b>Total</b>
Quantity as of January 1, 2022	18,675	7,172	6,446	1,024	8,073	41,390
Additions during the period	25,451	—	—	—	—	25,451
Dispositions during the period	(840)	—	—	(880)	(7,636)	(9,356)
<b>Quantity as of September 30, 2022</b>	<b>43,286</b>	<b>7,172</b>	<b>6,446</b>	<b>144</b>	<b>437</b>	<b>57,485</b>

\* Includes 3,471 M20S that were classified as assets held for sale as described in Note 6, 27,162 M30S, 6,391 M31S and 6,262 M31S+ Miners.

\*\* Includes 5,082 T3 and 1,364 T2T Miners that were classified as assets held for sale as described in Note 6.

\*\*\* Includes 378 Antminer T15 and 59 Antminer S15 Miners that were classified as assets held for sale as described in Note 6.

During the three and nine months ended September 30, 2022, the Company received and sold 601 Bitmain S19XP Miners which are not reflected in the table above.

Included in the BVVE and electrical equipment listed above are right-of-use assets consisting of 3,000 Whatsminer M31S+ with a net book value of approximately \$3,838 as described in Note 12.

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(In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and digital assets)

**NOTE 7: INTANGIBLE ASSETS**

	Notes	Systems software	Favourable lease	Total
<b>Cost</b>				
Balance as of January 1, 2022		5,150	1,800	6,950
Measurement period adjustment to business combination	3	—	200	200
<b>Balance as of September 30, 2022</b>		<b>5,150</b>	<b>2,000</b>	<b>7,150</b>
<b>Accumulated amortization</b>				
Balance as of January 1, 2022		5,008	261	5,269
Amortization		101	1,520	1,621
<b>Balance as of September 30, 2022</b>		<b>5,109</b>	<b>1,781</b>	<b>6,890</b>
<b>Net book value as of September 30, 2022</b>		<b>41</b>	<b>219</b>	<b>260</b>

	Notes	Systems software	Favourable lease	Total
<b>Cost</b>				
Balance as of January 1, 2021		5,150	—	5,150
Additions through business combination	3	—	1,800	1,800
Balance as of December 31, 2021		5,150	1,800	6,950
<b>Accumulated amortization</b>				
Balance as of January 1, 2021		4,773	—	4,773
Amortization		235	261	496
Balance as of December 31, 2021		5,008	261	5,269
<b>Net book value as of December 31, 2021</b>		<b>142</b>	<b>1,539</b>	<b>1,681</b>

**BITFARMS LTD.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

(In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and digital assets)

**NOTE 8: LONG-TERM DEPOSITS, EQUIPMENT PREPAYMENTS, OTHER AND COMMITMENTS**

	<b>September 30,</b>	December 31,
	<b>2022</b>	2021
VAT receivable*	<b>1,800</b>	2,067
Security deposits for energy, insurance and rent	<b>3,889</b>	1,555
Equipment and construction prepayments**	<b>32,716</b>	83,059
	<b>38,405</b>	86,681

\* Refer to Note 18 for more details about the provision applied to the Argentine value-added tax (VAT) receivable.

\*\* The Company has deposits on BVVE and electrical components in the amount of \$21,722, mainly for outstanding orders placed consisting of 48,000 Whatsminer miners with expected delivery in 2022 and the first nine months of 2023. In addition, the Company has deposits for construction work and materials in the amount of \$10,994, mainly for the Argentina expansion. The Company is exposed to counterparty risk through the significant deposits it places with suppliers of mining hardware to secure orders and delivery dates as well as deposits it places with construction companies and suppliers of electrical components and construction materials. The risk of a supplier failing to meet its contractual obligations may result in late deliveries or long-term deposits and equipment and construction prepayments that are not realized. The Company attempts to mitigate this risk by procuring mining hardware from larger, more established suppliers and those with whom the Company has existing relationships and knowledge of their reputation in the market as well as by insuring deposits placed for construction work and materials.

During the three and nine months ended September 30, 2022, the Company recognized an impairment charge of \$48,865 on the equipment and construction prepayments which was included in profit or loss under Impairment on equipment and construction prepayments, property, plant and equipment and right-of-use assets. Refer to Note 6 for more details.

The Company's remaining payment obligations in connection with the 48,000 unit purchase agreement and an additional purchase agreement for 1,200 Antminer miners are outlined below:

	<b>September 30,</b>
	<b>2022</b>
Three months ending December 31, 2022	<b>6,462</b>
Three months ending March 31, 2023	<b>13,447</b>
Three months ending June 30, 2023	<b>13,313</b>
Three months ending September 30, 2023	<b>12,128</b>
	<b>45,350</b>

The Company will require additional sources of financing to meet the payment obligations included in the table above, as described in Note 1.

**BITFARMS LTD.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

(In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and digital assets)

**NOTE 9: TRADE PAYABLES AND ACCRUED LIABILITIES**

	September 30,	December 31,
	2022	2021
Trade accounts payable and accrued liabilities	8,997	9,873
Government remittances	7,005	4,607
	<b>16,002</b>	<b>14,480</b>

**NOTE 10: CREDIT FACILITY**

	September 30,	December 31,
	2022	2021
Revolving credit facility	23,137	60,000
Interest payable on revolving credit facility	220	2
	<b>23,357</b>	<b>60,002</b>

On December 30, 2021, the Company entered into a secured revolving credit facility up to \$100,000 (the "Credit Facility" or the "Facility") for a term of 6 months with Galaxy Digital LLC (the "Facility Lender"). The Credit Facility bears interest at a rate of 10.75% per annum with a commitment fee of 0.75% per annum charged on the unused portion of the \$100,000 Facility.

During the three months ended March 31, 2022, the Company drew an additional \$40,000 on the Credit Facility, bringing the total amount drawn to \$100,000 as of March 31, 2022. In June 2022, the Company repaid \$61,846 of the Credit Facility, bringing the total amount drawn to \$38,154 as of June 30, 2022.

On June 30, 2022, the Company amended its Credit Facility and extended its maturity date to October 1, 2022. Under the new terms, the maximum limit of the amended Facility is \$40,000, bears interest at 11.25% per annum and has a commitment fee of 0.25% per annum charged on the unused portion of the Facility. The amended Facility also includes a provision which allows the Company to repay up to \$15,000 of the Facility prior to July 30, 2022, without incurring any prepayment penalty. During the three months ended September 30, 2022, the Company repaid \$15,017 of the Credit Facility, bringing the total amount drawn to \$23,137 as of September 30, 2022.

**NOTE 10: CREDIT FACILITY** (Continued)

On September 29, 2022, the Company amended its Credit Facility and extended its maturity date from October 1, 2022 to December 29, 2022. Under the new terms, the maximum limit of the amended Facility is \$40,000, bears interest at 11.25% per annum and has a commitment fee of 0.25% per annum charged on the unused portion of the Facility. The amended Facility also includes a provision which allows the Company to prepay the Credit Facility with a prepayment fee of 50% of the remaining interest that would be owed if the Facility was held to maturity. In the event that the Company seeks to transfer or convert the Credit Facility prior to the scheduled maturity date in order to enter into a new transaction with the Facility Lender or its affiliates, the early termination fee shall be waived for the Company for any portion of the Facility subject to such transfer or conversion. Furthermore, the initial ratio of BTC pledged as collateral, calculated as a percentage of the amount borrowed, as described below, was reduced from 143% to 135%. The minimum ratio of BTC collateralized as a percentage of the amount borrowed that requires the Company to contribute additional collateral to the Facility Lender was also reduced from 133% to 125%. The Company's BTC collateral ratio to have the right to require the Facility Lender to return any BTC pledged as collateral was reduced from 153% to 145%.

The Facility is secured by BTC, with the value of BTC pledged as collateral calculated as 135% of the amount borrowed. The Company is required to contribute additional collateral to the Facility Lender any time the value of the BTC pledged as collateral is below 125% of the amount borrowed. The Company also has the right to require the Facility Lender to return any BTC when the value of the BTC pledged as collateral exceeds 145% of the amount borrowed. A substantial decrease in BTC price may result in the Company being unable to meet the minimum BTC collateral requirements, which could result in the disposition of the Company's BTC pledged as collateral by the Facility Lender, or repayment of the Facility in fiat currency on demand. The Company is exposed to counterparty risk as it is reliant on the Facility Lender to return the BTC collateral upon extinguishment of the Credit Facility. The Facility Lender cannot rehypothecate the BTC collateral except during an event of default.

The Credit Facility contains an affirmative covenant where the ending balance of the Company's net asset value, defined as the total value of all assets minus any liabilities divided by the number of outstanding shares in any calendar month, cannot decline by:

- a. 25% or more compared to the previous month;
- b. 50% or more compared to three months ago; or
- c. 50% or more compared to any calendar month in the immediately preceding calendar year.

As of October 31, 2022, the most recently completed calendar month, the Company was in compliance with all of the covenants described above.

The Company pledged 1,620 BTC as collateral with a fair market value of \$31,479 as of September 30, 2022. The pledged BTC is held in a segregated Coinbase Custody account owned by the Facility Lender.

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(In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and digital assets)

**NOTE 11: LONG-TERM DEBT**

	September 30, 2022	December 31, 2021
Equipment financing	55,193	11,039
Volta note payable	106	128
<b>Total long-term debt</b>	<b>55,299</b>	<b>11,167</b>
Less current portion of long-term debt	(38,772)	(10,257)
<b>Non-current portion of long-term debt</b>	<b>16,527</b>	<b>910</b>

**Equipment financing**

In February 2022, the Company entered into an equipment financing agreement for gross proceeds of \$32,000 collateralized by 6,100 Bitmain S19j Pro miners referred to as the “Blockfi Loan”. The net proceeds received by the Company were \$30,994 after capitalizing origination, closing and other transaction fees of \$1,006.

In June 2022, the Company entered into an equipment financing agreement for gross proceeds of \$36,860 collateralized by 10,395 MicroBT Whatsminer M30S miners referred to as the “NYDIG Loan”. The net proceeds received by the Company were \$36,123 net of origination and closing fees of \$737. As part of the agreement, the Company must maintain in an identified wallet an approximate quantity of BTC whose value equates to one month of interest and principal payments on the outstanding loan. The Company pledged 104 BTC as collateral with a fair market value of \$2,021 as of September 30, 2022. The pledged BTC is held in a segregated Coinbase Custody account owned by the Company unless there is an event of default.

Details of the equipment financing and the balance of the loans and the net book value (“NBV”) of their related collateral, as of September 30, 2022, are as follows:

	Maturity date	Stated rate	Effective rate*	Monthly repayment (\$)	Long-term debt balance (\$)	NBV of Collateral (\$)	Collateral**
Blockfills loan #3	October 2022	18.6%	18.6%	15	15	677	1,000
Foundry loan #2	March 2023	16.5%	16.5%	96	462	1,394	300
Foundry loan #3	April 2023	16.5%	16.5%	90	515	1,163	300
Foundry loan #4	May 2023	16.5%	16.5%	102	678	1,379	400
Blockfi Loan	February 2024	14.5%	18.1%	1,481	22,221	31,688	6,100
NYDIG Loan	February 2024	12.0%	14.4%	2,043	31,302	38,661	10,395
<b>Total</b>				<b>3,827</b>	<b>55,193</b>	<b>74,962</b>	<b>18,495</b>

\* Represents the implied interest rate after capitalizing financing and origination fees.

\*\* Represents the quantity of Whatsminers and Bitmain S19j Pros received in connection with the equipment financing and pledged as collateral for the related loan.

**BITFARMS LTD.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

(In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and digital assets)

**NOTE 12: LEASES**

Set out below are the carrying amounts of the Company's right-of-use assets and lease liabilities and their activity during the nine months ended September 30, 2022:

	<b>Leased premises</b>	<b>Vehicles</b>	<b>Other equipment</b>	<b>Total ROU assets</b>	<b>Lease liabilities</b>
As at January 1, 2022	9,038	283	76	9,397	13,573
Additions and extensions to ROU assets	7,422	117	1,634	9,173	9,182
Depreciation	(1,291)	(93)	(72)	(1,456)	—
Lease termination	(104)	(7)	—	(111)	(112)
Impairment	(453)	—	(1,195)	(1,648)	—
Payments	—	—	—	—	(5,156)
Interest	—	—	—	—	1,034
Foreign exchange	—	—	—	—	(1,038)
<b>As at September 30, 2022</b>	<b>14,612</b>	<b>300</b>	<b>443</b>	<b>15,355</b>	<b>17,483</b>
Less current portion of lease liabilities					(3,926)
<b>Non-current portion of lease liabilities</b>					<b>13,557</b>

The Company maintains one lease agreement for mining hardware, consisting of 3,000 Whatsminer M31S+ miners, with a net book value of approximately \$3,838, classified as property, plant and equipment under BVVE and electrical equipment as described in Note 6.

During the three and nine months ended September 30, 2022, the Company recognized an impairment charge of \$1,648 on the Company's right-of-use assets which was included in profit or loss under Impairment on equipment and construction prepayments, property, plant and equipment and right-of-use assets. Refer to Note 6 for more details.

**BITFARMS LTD.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

(In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and digital assets)

**NOTE 13: INCOME TAXES****Deferred taxes**

Deferred taxes are computed at a tax rate of 26.5% based on tax rates expected to apply at the time of realization. Deferred taxes relate primarily to the timing differences on recognition of expenses relating to the depreciation of fixed assets, loss carryforwards and professional fees relating to the Company's equity activity that are recorded as a reduction of equity.

As at September 30, 2022, the recoverability of the net deferred tax asset, due to the impact of the decrease in BTC prices as described in Note 1, was uncertain and as a result, the net deferred tax asset of \$43,408 was not recognized. The Company will evaluate the likelihood of recoverability at each balance sheet date, and will recognize net deferred tax asset when and if appropriate.

**Current and deferred income tax expense (recovery)**

	<b>Nine months ended September 30,</b>	
	<b>2022</b>	2021
<b>Current tax (recovery) expense:</b>		
Current year	<b>(9,220)</b>	7,038
Prior year	<b>68</b>	(693)
<b>Deferred tax (recovery) expense:</b>		
Current year	<b>(8,600)</b>	5,725
Prior year	<b>149</b>	177
	<b>(17,603)</b>	12,247

The 2022 current tax recovery represents the expected tax refund as a result of losses realized in the current period that will be carried back to offset prior period taxable income.

**Effective tax rate**

	<b>Nine months ended September 30,</b>
	<b>2022</b>
Income tax recovery at statutory rate of 26.5%	<b>(63,550)</b>
Increase in taxes resulting from:	
Foreign tax rate differential	<b>1,252</b>
Prior year	<b>217</b>
Non-deductible expenses and other	<b>1,070</b>
Deferred tax asset not recognized	<b>43,408</b>
	<b>(17,603)</b>

**BITFARMS LTD.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

(In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and digital assets)

**NOTE 14: ASSET RETIREMENT PROVISION**

	September 30,	December 31,
	2022	2021
Balance as of January 1,	239	209
Additions during the period	1,493	91
Accretion expense	50	19
Effect of change in the foreign exchange rate	(4)	—
<b>Balance as of period end</b>	<b>1,778</b>	<b>319</b>
Less current portion of asset retirement provision included in accounts payable and accrued liabilities	—	(80)
<b>Non-current portion of asset retirement provision</b>	<b>1,778</b>	<b>239</b>

As of September 30, 2022, the Company estimated the costs of restoring its leased premises to their original state at the end of their respective lease terms to be \$3,643 (December 31, 2021: \$391), discounted to present value of \$1,778 (December 31, 2021: \$239) using discount rates between 8% and 10% (December 31, 2021: 8%) over the lease periods, which were estimated to range from five to seven years depending on the location.

**NOTE 15: SHARE CAPITAL**

The Company's authorized share capital consists of an unlimited number of common shares, without par value. As of September 30, 2022, the Company had 215,711,000 issued and outstanding common shares (December 31, 2021: 194,806,000).

Details of the outstanding warrants are as follows:

	Nine months ended September 30,			
	2022		2021	
	Number of warrants	Weighted average exercise price (USD)	Number of warrants	Weighted average exercise price (USD)
<b>Outstanding, January 1,</b>	<b>19,428,000</b>	<b>4.16</b>	6,053,000	0.41
Granted	25,000	3.47	40,332,000	3.37
Exercised	—	—	(26,957,000)	2.13
<b>Outstanding, September 30,</b>	<b>19,453,000</b>	<b>4.16</b>	19,428,000	4.16

The weighted average contractual life of the warrants as at September 30, 2022 was 1.7 years (September 30, 2021: 2.7 years).

**Garlock Acquisition**

During the three months ended March 31, 2022, the Company acquired a building in Quebec referred to as "Garlock" in exchange for cash consideration of \$1,783 and the issuance of 25,000 warrants granted with a strike price of USD\$3.47 that have a contractual life of 2 years.

**BITFARMS LTD.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

(In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and digital assets)

**NOTE 15: SHARE CAPITAL** (Continued)**At-The-Market Equity Program**

Bitfarms commenced an at-the-market equity program on August 16, 2021, pursuant to which the Company may, at its discretion and from time-to-time, sell common shares of the Company, resulting in the Company receiving aggregate proceeds of up to \$500,000. During the year ended December 31, 2021, the Company issued 23,923,000 common shares in exchange for gross proceeds of \$150,296 at an average share price of approximately USD\$6.28. The Company received net proceeds of \$145,601 after paying commissions of \$4,509 to the Company's agent, in addition to \$186 of other transaction fees. During the nine months ended September 30, 2022, the Company issued 20,835,000 common shares in exchange for gross proceeds of \$50,181 at an average share price of approximately USD\$2.41. The Company received net proceeds of \$48,506 after paying commissions of \$1,585 to the Company's agent and \$90 in other transaction costs.

**NOTE 16: TRANSACTIONS AND BALANCES WITH RELATED PARTIES****Balances with related parties**

	<b>September 30,</b>	December 31,
	<b>2022</b>	2021
<b>Trade payables and accrued liabilities:</b>		
Directors' remuneration	—	19
Director and senior management incentive plan	<b>113</b>	1,465
	<b>113</b>	1,484
<b>Lease liabilities:</b>		
Companies controlled by directors	<b>1,917</b>	1,357

Amounts due to related parties, other than lease liabilities, are unsecured, non-interest bearing and payable on demand.

**Transactions with related parties**

1. The Company made rent payments totaling approximately \$95 and \$273 for the three and nine months ended September 30, 2022, respectively (for the three and nine months ended September 30, 2021: \$116 and \$353, respectively), to companies controlled by certain directors. The rent payments were classified as interest included in financial expenses and principal repayment of lease liabilities.
2. The Company entered into consulting agreements with two directors. The consulting fees totaled approximately \$417 and \$843 for the three and nine months ended September 30, 2022, respectively (for the three and nine months ended September 30, 2021: \$200 and \$469, respectively).

**BITFARMS LTD.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

(In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and digital assets)

**NOTE 16: TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

The transactions described above were incurred in the normal course of operations. These transactions are included in the consolidated statements of profit or loss and comprehensive profit and loss as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
General and administrative expenses	417	200	843	469
Net financial expenses	26	30	70	96
	443	230	913	565

**NOTE 17: SHARE-BASED PAYMENT**

The share-based payment expense recognized in the financial statements for employee services received is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Equity-settled share-based payment plans	3,961	5,787	17,993	12,549

The share-based payment transactions entered into between the Company and its directors, employees and service providers during the nine months ended September 30, 2022 are described below. During the nine months ended September 30, 2022, the Board of Directors approved stock option grants to purchase up to 5,523,000 common shares in accordance with the Long-Term Incentive Plan (the "LTIP Plan") adopted on May 18, 2021. All options issued according to the LTIP Plan become exercisable when they vest and can be exercised for a maximum period of 5 years from the date of the grant. In addition, on May 19, 2022, the Board of Directors approved the grant of 200,000 Restricted Stock Units ("RSUs") to certain members of senior management which vest ratably, on an annual basis, over a three-year period. The value of the RSUs on the grant date was \$1.91 per unit.

The inputs used to value the option grants using the Black-Scholes model are as follows:

Grant date	March 31, 2022	May 19, 2022	June 30, 2022
Dividend yield (%)	—	—	—
Expected share price volatility (%)	105%	106%	102%
Risk-free interest rate (%)	2.49%	2.78%	2.99%
Expected life of stock options (years)	3	3	3
Share price (CAD)	4.71	2.45	1.50
Exercise price (CAD)	4.71	2.45	1.50
Fair value of options (USD)	2.40	1.21	0.72
Vesting period (years)	1.5	1.5	1.5
Number of options granted	120,000	5,382,500	20,000

**BITFARMS LTD.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

(In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and digital assets)

**NOTE 17: SHARE-BASED PAYMENT (Continued)**

Details of the outstanding stock options are as follows:

	Nine months ended September 30,	
	Number of Options	Weighted Average Exercise Price (\$CAD)
Outstanding, January 1, 2022	12,547,000	5.06
Granted	5,523,000	2.50
Exercised	(70,000)	0.41
Forfeited	(170,000)	6.16
Expired	(15,000)	5.01
<b>Outstanding, September 30, 2022</b>	<b>17,815,000</b>	<b>4.27</b>
<b>Exercisable, September 30, 2022</b>	<b>1,391,000</b>	<b>0.41</b>

The weighted average contractual life of the stock options as at September 30, 2022 was 4.0 years (September 30, 2021: 4.3 years).

**NOTE 18: ADDITIONAL DETAILS TO THE STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE PROFIT OR LOSS****Cost of sales**

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Energy and infrastructure	15,489	7,991	38,970	20,860
Depreciation and amortization	20,720	6,261	51,643	14,189
Purchases of electrical components	688	606	1,252	1,419
Electrician salaries and payroll taxes	289	448	924	1,290
	<b>37,186</b>	<b>15,306</b>	<b>92,789</b>	<b>37,758</b>

**General and administrative expenses**

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Salaries and share based payment	6,097	7,550	23,648	16,345
Professional services	1,835	1,690	6,459	4,703
Advertising and promotion	32	7	151	87
Insurance, duties and other	1,992	1,396	7,951	2,681
Travel, motor vehicle and meals	233	128	894	236
Hosting and telecommunications	110	113	431	258
	<b>10,299</b>	<b>10,884</b>	<b>39,534</b>	<b>24,310</b>

**BITFARMS LTD.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

(In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and digital assets)

**NOTE 18: ADDITIONAL DETAILS TO THE STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE PROFIT OR LOSS (Continued)****Net financial (income) expenses**

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Loss on revaluation of warrants	—	—	—	19,524
Loss on embedded derivative	—	—	—	2,641
Gain on disposition of marketable securities*	(13,690)	(2,274)	(44,332)	(2,274)
Loss on currency exchange	8	552	1,884	446
Interest on credit facility and long-term debt	3,020	541	9,916	1,402
Interest on lease liabilities	374	247	1,034	1,181
Warrant issuance costs	—	—	—	668
Provision on VAT receivable**	1,919	—	6,929	—
Other financial expenses	118	318	378	348
	<b>(8,251)</b>	<b>(616)</b>	<b>(24,191)</b>	<b>23,936</b>

\* During the three and nine months ended September 30, 2022, the Company has continued to fund its expansion in Argentina through the acquisition of marketable securities and in-kind contribution of these securities to the Company's subsidiary in Argentina. The subsequent disposition of these marketable securities in exchange for Argentine Pesos gave rise to a gain as the amount received in ARS exceeds the amount of ARS the Company would have received from a direct foreign currency exchange.

\*\* The majority of Argentine VAT is not expected to be settled within the next 12 months, and, therefore, it has been classified as a long-term receivable in Note 8 with the short-term portion being included in sales tax receivable in Note 4. The Company has recorded a provision on this VAT receivable, which is classified within Net financial (income) expenses during the three and nine months ended September 30, 2022. Historically, ARS has devalued significantly when compared to USD due to high levels of inflation in Argentina, which may result in the Company recording future foreign exchange losses on its Argentina VAT receivable.

**Earnings per share**

For the three and nine months ended September 30, 2022, potentially dilutive securities have not been included in the calculation of diluted earnings (loss) per share because their effect is antidilutive. The additional potentially dilutive securities that would have been included in the calculation for diluted earnings per share had their effect not been anti-dilutive, for the three and nine months ended September 30, 2022, would have been approximately 211,909,000 and 205,853,000, respectively.

**BITFARMS LTD.****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

(In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and digital assets)

**NOTE 19: GEOGRAPHICAL INFORMATION****Revenues**

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Canada	27,445	42,090	90,540	104,652
USA	4,581	2,684	21,650	5,241
Argentina	158	—	158	—
Paraguay	1,063	—	3,043	—
	<b>33,247</b>	<b>44,774</b>	<b>115,391</b>	<b>109,893</b>

**Property, Plant and Equipment**

	September 30,	December 31,
	2022	2021
Canada	154,719	83,402
USA	42,660	51,672
Argentina	21,387	665
Paraguay	1,363	1,111
	<b>220,129</b>	<b>136,850</b>

**NOTE 20: ADDITIONAL DETAILS TO THE STATEMENT OF CASH FLOWS**

	Nine months ended September 30,	
	2022	2021
<b>Changes in working capital components:</b>		
Increase in trade receivables, net	(377)	(102)
Decrease (increase) in other current assets	1,364	(4,901)
Increase in long-term deposits	(8,997)	(209)
Increase (decrease) in trade payables and accrued liabilities	(3,992)	3,036
Increase (decrease) in taxes payable	(402)	6,327
	<b>(12,404)</b>	<b>4,151</b>
<b>Significant non-cash transactions:</b>		
Addition of right-of-use assets, property, plant and equipment and related lease liabilities	9,182	9,271
Purchase of property, plant and equipment financed by short-term credit	1,910	1,229
Extinguishment of warrant liability and long-term debt through share issuance	—	24,322
Equipment prepayments realized as additions to property, plant and equipment	51,948	—
Deferred tax expense related to equity issuance costs	(3,895)	—

**BITFARMS LTD.**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

(In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and digital assets)

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**NOTE 21: SUBSEQUENT EVENTS**

**At-The-Market Equity Program**

During the period from October 1, 2022, to November 11, 2022, the Company issued 1,861,000 common shares in exchange for gross proceeds of \$1,932 at an average share price of approximately USD\$1.04. The Company received net proceeds of \$1,866 after paying commissions of \$66 to the Company's agent. Refer to Note 15 for further details of the Company's at-the-market equity program.

**Sale agreement of De la Pointe**

On October 12, 2022, the Company signed an offer to purchase with a third party to sell the De la Pointe building, included in property, plant and equipment, for \$3,605 (CAD \$5,000), which is expected to result in a gain on disposition of approximately \$269.

**Extension of lease in Washington state**

On October 20, 2022, the Company signed a lease extension for its facility in Washington state for a period of 23 months with similar terms, which has taken effect in November 2022.



Management's Discussion & Analysis

For the three and nine months ended September 30, 2022

Q3  
2022

**BITFARMS LTD.**

**Management's Discussion and Analysis**

(In U.S. dollars, except where otherwise indicated)

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**BITFARMS LTD.****Management's Discussion and Analysis**

(In U.S. dollars, except where otherwise indicated)

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**Introduction**

The following Management's Discussion and Analysis (the "MD&A") for Bitfarms Ltd. (together with its subsidiaries, the "Company" or "Bitfarms"), dated November 14, 2022, should be read in conjunction with the Company's third quarter 2022 unaudited interim period condensed consolidated financial statements and its accompanying notes, and the Company's 2021 audited annual consolidated financial statements and its accompanying notes. In addition, the MD&A should be read in conjunction with the Company's Annual Information Form dated March 28, 2022, which, along with the financial statements, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The Company's third quarter 2022 unaudited interim period condensed consolidated financial statements and its accompanying notes have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), including IAS 34. The Company's third quarter 2022 unaudited interim period condensed consolidated financial statements and this MD&A are reported in thousands of US dollars and US dollars, respectively, except where otherwise noted.

The Company utilizes a number of non-IFRS measures in assessing operating performance. Non-IFRS financial performance measures exclude the impact of certain items and are used internally when analyzing operating performance. Please refer to the "Caution Regarding Non-IFRS Financial Performance Measures" section of this MD&A for more information. This MD&A contains various terms related to the Company's business and industry which are defined in the Glossary of Terms section of this MD&A.

**Company Overview**

The Company's operations are predominantly in Canada and the United States, with new operations having commenced in Paraguay and Argentina in 2022. Bitfarms owns and operates server farms, comprised of computers (referred to as "Miners") designed for the purpose of validating transactions on the Bitcoin ("BTC") Blockchain. The Miners operate 24 hours a day and revenue is earned from Block Rewards and transaction fees issued in the form of cryptocurrencies by the BTC network. The Company contributes its Hashrate, which is used to validate transactions (referred to as "Mining"), to a Mining Pool in exchange for cryptocurrency tokens. Bitfarms accumulates its mined cryptocurrencies or exchanges them for U.S. dollars, as needed, through reputable and established cryptocurrency trading platforms. 9159-9290 Quebec Inc. (Volta), a wholly-owned subsidiary of Bitfarms, assists the Company in building and maintaining its server farms and provides electrician services to both commercial and residential customers in Quebec.

Bitfarms operates seven server farm facilities in Quebec, Canada, with electrical infrastructure capacity of 142 MW for Mining BTC. The Company has contracts securing an aggregate of 160 MW of hydro-electric green energy in Quebec. On November 9, 2021, the Company acquired a Mining facility powered by hydro-electric green energy with a maximum capacity of up to 24 MW in Washington state as described in note 3 of the third quarter 2022 unaudited interim period condensed consolidated financial statements. The Company currently has 20 MW of operational electrical infrastructure and is in the process of upgrading the facility, as described in the *Washington Expansion* section of this MD&A. In January 2022, the Company began operating a server farm facility in Paraguay with electrical infrastructure of 10 MW powered by hydro-electric green energy. During 2021, the Company also secured 210 MW of natural gas-powered energy in Argentina and commenced the design, construction and procurement of infrastructure equipment for a mining facility at the energy source. In September 2022, the Company began operating a portion of the first warehouse with electrical infrastructure of 10 MW, as described in the *Argentina Expansion* section of this MD&A. In addition, Bitfarms owns proprietary software that is used to monitor, control, manage and secure its Mining operations. The software tracks individually the location and scans and reports the computing power and temperature of all Miners to allow the Company to monitor performance and ensure Miners are operating at maximum capacity and up-time.

**BITFARMS LTD.****Management's Discussion and Analysis**

(In U.S. dollars, except where otherwise indicated)

**Consolidated Results of Operations Data**

(U.S.\$ in thousands except where indicated)	Three months ended September 30,				Nine months ended September 30,			
	2022	2021	\$ Change	% Change	2022	2021	\$ Change	% Change
<b>Revenues</b>	<b>33,247</b>	44,774	(11,527)	(26)%	<b>115,391</b>	109,893	5,498	5%
Cost of sales	<b>37,186</b>	15,306	21,880	143%	<b>92,789</b>	37,758	55,031	146%
<b>Gross (loss) profit</b>	<b>(3,939)</b>	29,468	(33,407)	(113)%	<b>22,602</b>	72,135	(49,533)	(69)%
Gross margin	<b>(12)%</b>	66%	—	—	<b>20%</b>	66%	—	—
<b>Operating expenses</b>								
General and administrative expenses	<b>10,299</b>	10,884	(585)	(5)%	<b>39,534</b>	24,310	15,224	63%
Realized loss on disposition of digital assets	<b>44,329</b>	177	44,152	<i>nm</i>	<b>122,243</b>	152	122,091	<i>nm</i>
Change in unrealized (gain) loss on revaluation of digital assets	<b>(45,655)</b>	(13,893)	(31,762)	229%	<b>21,118</b>	992	20,126	<i>nm</i>
Loss (gain) on disposition of property, plant and equipment	<b>756</b>	70	686	980%	<b>1,692</b>	(95)	1,787	<i>nm</i>
Impairment on equipment and construction prepayments, property, plant and equipment and right-of-use assets	<b>84,116</b>	—	84,116	100%	<b>84,116</b>	—	84,116	100%
Impairment on goodwill	<b>—</b>	—	—	—	<b>17,900</b>	—	17,900	100%
Impairment reversal on property, plant and equipment	<b>—</b>	(1,860)	1,860	100%	<b>—</b>	(1,860)	1,860	100%
<b>Operating (loss) income</b>	<b>(97,784)</b>	34,090	(131,874)	(387)%	<b>(264,001)</b>	48,636	(312,637)	(643)%
Operating margin	<b>(294)%</b>	76%	—	—	<b>(229)%</b>	44%	—	—
Net financial (income) expenses	<b>(8,251)</b>	(616)	(7,635)	<i>nm</i>	<b>(24,191)</b>	23,936	(48,127)	(201)%
<b>Net (loss) income before income taxes</b>	<b>(89,533)</b>	34,706	(124,239)	(358)%	<b>(239,810)</b>	24,700	(264,510)	<i>nm</i>
Income tax (recovery) expense	<b>(4,725)</b>	10,973	(15,698)	(143)%	<b>(17,603)</b>	12,247	(29,850)	(244)%
<b>Net (loss) income and total comprehensive (loss) income</b>	<b>(84,808)</b>	23,733	(108,541)	(457)%	<b>(222,207)</b>	12,453	(234,660)	<i>nm</i>
Basic (loss) earnings per share (in U.S. dollars)	<b>(0.40)</b>	0.14	—	—	<b>(1.09)</b>	0.08	—	—
Diluted (loss) earnings per share (in U.S. dollars)	<b>(0.40)</b>	0.13	—	—	<b>(1.09)</b>	0.08	—	—
Gross mining profit <sup>(1)</sup>	<b>16,789</b>	35,448	(18,659)	(53)%	<b>74,089</b>	85,782	(11,693)	(14)%
Gross mining margin <sup>(1)</sup>	<b>52%</b>	82%	—	—	<b>66%</b>	80%	—	—
EBITDA <sup>(1)</sup>	<b>(65,419)</b>	41,755	(107,174)	(257)%	<b>(177,217)</b>	41,472	(218,689)	(527)%
EBITDA margin <sup>(1)</sup>	<b>(197)%</b>	93%	—	—	<b>(154)%</b>	38%	—	—
Adjusted EBITDA <sup>(1)</sup>	<b>10,317</b>	29,762	(19,445)	(65)%	<b>50,442</b>	73,265	(22,823)	(31)%
Adjusted EBITDA margin <sup>(1)</sup>	<b>31%</b>	66%	—	—	<b>44%</b>	67%	—	—

*nm*: not meaningful

<sup>1</sup> Gross mining profit, Gross mining margin, EBITDA, EBITDA margin, Adjusted EBITDA and Adjusted EBITDA margin, are non-IFRS performance measures; refer to the Non-IFRS Financial Performance Measures section of this MD&A.

**BITFARMS LTD.****Management's Discussion and Analysis**

(In U.S. dollars, except where otherwise indicated)

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*Third Quarter 2022 Financial Results and Operational Highlights:*

- Revenues of \$33.2 million, gross loss of \$3.9 million (gross margin of negative 12%) including non-cash depreciation and amortization expense of \$20.7 million, operating loss of \$97.8 million (operating margin of negative 294%) including impairment expense of \$84.1 million, and net loss of \$84.8 million;
- Gross mining profit<sup>1</sup> of \$16.8 million (52% gross mining margin);
- EBITDA<sup>1</sup> of negative \$65.4 million (EBITDA margin of negative 197%);
- Adjusted EBITDA<sup>1</sup> of \$10.3 million (31% Adjusted EBITDA margin);
- Mined 1,515 BTC with an average cost of \$9,400 per BTC<sup>2</sup> and held 2,064 BTC valued at approximately \$40.1 million as of September 30, 2022;
- Increased Hashrate from 3.6 EH/s to 4.2 EH/s through the acquisition and installation of approximately 7,000 MicroBT Whatsminers.
- Sold 2,595 BTC at an average price of \$21,462 per BTC for total proceeds of \$55.7 million, a portion of which was used to repay the credit facility by \$15.0 million, bringing the total amount drawn on the facility to \$23.1 million, with 1,620 of the Company's 2,064 BTC pledged as collateral on the facility as of September 30, 2022;
- Completed construction in July 2022 of the Leger facility and the first two phases of the Bunker facility, bringing the total capacity to 30 MW and 36 MW, respectively;
- Washington state's additional 3 MW of low-cost hydropower went online in July 2022, bringing total production from Washington state farms to 20 MW;
- First of five 10 MW modules at the first warehouse under development in Argentina went online in September 2022;
- Amended the credit facility that was due to mature October 1, 2022, extending the maturity by three months for a maximum of \$40.0 million, of which \$23.1 million was outstanding as at September 30, 2022, at an interest rate of 11.25%;
- In August 2022, to better align the number of Miners on hand with the infrastructure capacity available to utilize the Miners, the Company entered into agreements with equipment vendors to postpone into 2023, without penalty, the remaining delivery of and payment for certain remaining equipment purchases; and
- Raised \$12.6 million of net proceeds through the Company's at-the-market equity program, used primarily for payment commitments on orders of 49,200 miners with expected deliveries throughout 2022 and the first nine months of 2023.

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<sup>1</sup> Gross mining profit, Gross mining margin, EBITDA, EBITDA margin, Adjusted EBITDA and Adjusted EBITDA margin, are non-IFRS performance measures; refer to the Non-IFRS Financial Performance Measures section of this MD&A.

<sup>2</sup> Represents the direct cost of BTC based on the total electricity costs, net of the gain on disposition of marketable securities used to pay Argentina energy costs in Argentine Pesos, and, where applicable, hosting costs related to the Mining of BTC, excluding electricity consumed by hosting clients, divided by the total number of BTC mined.

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(In U.S. dollars, except where otherwise indicated)

Revenues

Revenues were \$33.2 million for the three months ended September 30, 2022 ("Q3 2022") compared to \$44.8 million for the three months ended September 30, 2021 ("Q3 2021").

The most significant factors impacting the decrease in Bitfarms' revenues in Q3 2022, compared to Q3 2021, are presented in the table below. Revenues decreased mostly due to the decrease in average BTC price, offset by the increase in Bitfarms' Hashrate in excess of the increase in network difficulty.

(U.S. \$ in thousands except where indicated)	Note	BTC	(USD)	% Change
<b>Revenues, including Volta, for the three months ended September 30, 2021</b>		<b>1,050</b>	<b>44,774</b>	<b>—</b>
Impact of increase in average Bitfarms' BTC Hashrate in excess of the increase in network difficulty during Q3 2022 as compared to Q3 2021	1	465	19,231	43%
Impact of difference in average BTC price in Q3 2022 as compared to Q3 2021	2		(30,379)	(68)%
Other mining variance and change in Volta			(379)	(1)%
<b>Revenues for the three months ended September 30, 2022</b>		<b>1,515</b>	<b>33,247</b>	<b>(26)%</b>

Notes

- 1 Calculated as the difference in BTC mined in Q3 2022 compared to Q3 2021 multiplied by Q3 2021 average BTC price
- 2 Calculated as the difference in average BTC price in Q3 2022 compared to Q3 2021 multiplied by BTC mined in Q3 2022

Revenues were \$115.4 million for the nine months ended September 30, 2022 ("YTD Q3 2022") compared to \$109.9 million for the nine months ended September 30, 2021 ("YTD Q3 2021").

The most significant factors impacting the increase in Bitfarms' revenues in YTD Q3 2022, compared to YTD Q3 2021, are presented in the table below. Revenues increased mostly due to the increase in Bitfarms' Hashrate in excess of the increase in network difficulty, offset by the decrease in average BTC price.

(U.S. \$ in thousands except where indicated)	Note	BTC	(USD)	% Change
<b>Revenues, including Volta, for the nine months ended September 30, 2021</b>		<b>2,407</b>	<b>109,893</b>	<b>—</b>
Impact of increase in average Bitfarms' BTC Hashrate in excess of the increase in network difficulty during YTD Q3 2022 as compared to YTD Q3 2021	1	1,326	58,373	53%
Impact of difference in average BTC price in YTD Q3 2022 as compared to YTD Q3 2021	2		(51,268)	(47)%
Other mining variance and change in Volta and hosting revenues			(1,607)	(1)%
<b>Revenues for the nine months ended September 30, 2022</b>		<b>3,733</b>	<b>115,391</b>	<b>5%</b>

Notes

- 1 Calculated as the difference in BTC mined in YTD Q3 2022 compared to YTD Q3 2021 multiplied by YTD Q3 2021 average BTC price
- 2 Calculated as the difference in average BTC price in YTD Q3 2022 compared to YTD Q3 2021 multiplied by BTC mined in YTD Q3 2022

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(In U.S. dollars, except where otherwise indicated)

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*Cost of Sales*

Bitfarms' cost of sales for Q3 2022 was \$37.2 million compared to \$15.3 million for Q3 2021. Cost of sales includes energy and infrastructure expenses, depreciation and amortization, electrician salaries and payroll taxes and purchases of electrical components. The increase in cost of sales was mainly due to the increase in energy and infrastructure expenses and non-cash depreciation and amortization expense. Energy and infrastructure expenses increased by \$7.5 million, or 94%, mainly due to the Company adding new Miners, which increased energy utilization to an average of 152 MW during the quarter, compared to 64 MW for the same period in 2021, resulting in an increase in electricity costs of \$8.7 million. The Company spent \$0.4 million less to repair existing Mining hardware and upgrade existing facilities, which reduced energy and infrastructure expenses in Q3 2022 compared to the same period in the prior year. Depreciation and amortization expense increased by \$14.5 million as the Company added new Miners and electrical infrastructure. The Company also incurred a \$0.8 million increase in rent and other expenses mainly due to the rent agreement for the Washington facility which started during Q4 2021. The remaining difference is mainly due to the Company terminating its hosting agreements during 2021 under which a third party operated the Company's equipment, resulting in \$1.6 million lower energy and infrastructure costs in Q3 2022 compared to Q3 2021. The availability and pricing of energy may be negatively affected by governmental or regulatory changes in energy policies in the countries and Provinces where the Company operates.

Bitfarms' cost of sales for YTD Q3 2022 was \$92.8 million compared to \$37.8 million for YTD Q3 2021. The increase in cost of sales was mainly due to the increase in energy and infrastructure expenses and non-cash depreciation and amortization expense due to the addition of new Miners and an upgraded fleet. Energy and infrastructure expenses increased by \$18.1 million, or 87%, mainly due to the Company adding new Miners, which increased energy utilization to an average of 126 MW during the period, compared to 62 MW for the same period in 2021, resulting in an increase in electricity costs of \$18.6 million. The Company also invested additional resources to repair existing Mining hardware and upgrade existing facilities, which added \$0.7 million to energy and infrastructure expenses in YTD Q3 2022 compared to the same period in the prior year. Depreciation and amortization expense increased by \$37.5 million as the Company added new Miners and electrical infrastructure. The Company also incurred a \$1.8 million increase in rent and other expenses mainly due to the rent agreement for the Washington facility which started during Q4 2021. The remaining difference in YTD Q3 2022 compared to YTD Q3 2021 resulted from the Company terminating its hosting agreements during 2021 under which a third party operated the Company's equipment, resulting in \$3.0 million lower energy and infrastructure costs during YTD Q3 2022.

*General & Administrative Expenses*

Bitfarms' general and administrative expenses were \$10.3 million in Q3 2022 compared to \$10.9 million for Q3 2021. The decrease of \$0.6 million, or 6%, in general and administrative expense was largely due to a \$1.8 million decrease in non-cash share-based payment expense in connection with the Company granting 2,262,000 fewer stock options during the first half of 2022 compared to the same period in 2021. Offsetting the decrease in general and administrative expenses in Q3 2022 compared to Q3 2021 was a \$0.3 million increase in salaries expense as a result of higher general wage and salary levels and hiring additional employees to support its international expansion. The Company's insurance expense also increased by \$0.6 million as a result of the increase of insured assets and increased industry-specific insurance premiums, as well as an increase in insurance premiums associated with the Company's Nasdaq listing.

**BITFARMS LTD.****Management's Discussion and Analysis**

(In U.S. dollars, except where otherwise indicated)

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For YTD Q3 2022, Bitfarms' general and administrative and other expenses were \$39.5 million, compared to \$24.3 million for the same period in 2021. The increase of \$15.2 million, or 63%, in general and administrative expenses was mainly due to a \$5.5 million increase in non-cash share-based payment expense in connection with the Company's grant of stock options to purchase 5,523,000 common shares and 200,000 restricted share units during 2022 and stock options granted subsequent to Q1 2021. Other factors contributing to the increase in general and administrative expenses in YTD Q3 2022 compared to YTD Q3 2021 were a \$1.8 million increase in professional and other fees, mainly in connection with a two-year consulting agreement with the previous owner of the Mining facility in Washington state; legal fees in connection with the Company's ongoing compliance as a result of its Nasdaq listing, the Company's TSX uplisting and at-the-market offering expenses; and increased public and investor relations activities. The Company also incurred a \$1.8 million increase in salaries expense as a result of implementing incentive plans and hiring additional employees to support the Company's international expansion. The Company's insurance expense also increased by \$3.1 million as a result of the increase of insured assets and increased industry-specific insurance premiums, as well as an increase in insurance premiums associated with the Company's Nasdaq listing on June 21, 2021. In YTD Q3 2022, the Company incurred \$1.9 million of shipping costs and duties when transferring its older generation Miners from Canada to Paraguay included in general and administrative expenses that did not exist in YTD Q3 2021.

*Net financial income and expenses*

Bitfarms' net financial income for Q3 2022 was \$8.3 million compared to \$0.6 million for Q3 2021. The \$7.7 million change was primarily related to a \$11.4 million increase in gain on disposition of marketable securities related to the funding of the Argentina Expansion, that had just begun in Q3 2021. The Company has funded its expansion in Argentina through the acquisition of marketable securities and in-kind contribution of these securities to a company in Argentina that it controls. The subsequent disposition of these marketable securities in exchange for Argentine Pesos gave rise to a gain as the equivalent amount received in Argentine Pesos exceeded the amount of Argentine Pesos the Company would have received from a direct foreign currency exchange. Offsetting the gain on disposition of marketable securities was the provision for the Argentina VAT receivable of \$1.9 million in Q3 2022 related to the country's historically high rate of inflation and length of time before the VAT receivable is refunded which was not applicable in Q3 2021. The Company's loss on currency exchange decreased by \$0.6 million mostly due to the strengthening of the U.S. dollar during Q3 2022. The increase of \$2.5 million in interest expense on credit facility and long-term debt in Q3 2022, compared to the same period in 2021, was mostly due to the credit facility which commenced on December 30, 2021 and the equipment financing agreements which commenced on February 18, 2022 and June 15, 2022.

Bitfarms' net financial income for YTD Q3 2022 was \$24.2 million compared to net finance expenses of \$23.9 million for YTD Q3 2021. The \$48.1 million change was mainly due to a \$42.0 million increase in gain on disposition of marketable securities related to the funding of the Argentina Expansion during YTD Q3 2022, which was partially offset by the provision on the Argentina VAT receivable of \$6.9 million during the same period and by a \$1.5 million increase in loss on currency exchange. The \$48.1 million change was also due to a \$19.5 million loss on the revaluation of warrants related to a private placement which closed on January 7, 2021 and a loan with Dominion Capital in Q1 2021 (the "Dominion Loan"), which were exercised in Q1 2021 and not applicable in YTD Q3 2022, in addition to a loss on embedded derivative of \$2.6 million in Q1 2021 that no longer existed in YTD Q3 2022. Warrant issuance costs decreased by \$0.7 million due to there being no issuance costs in YTD Q3 2022 compared to the costs for the 40,332,000 warrants granted in YTD Q3 2021. The interest expense on credit facility and long-term debt increased by \$8.5 million during YTD Q3 2022, compared to the same period in 2021, as a result of the credit facility that commenced on December 30, 2021 and the equipment financing agreements that commenced on February 18, 2022 and June 15, 2022.

**BITFARMS LTD.****Management's Discussion and Analysis**

(In U.S. dollars, except where otherwise indicated)

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*Impairment on equipment and construction prepayments, property, plant and equipment and right-of-use assets*

As at September 30, 2022, as a result of the decline in the BTC price during the three and nine-month periods then ended, the Company performed an evaluation of the recoverable amount of the assets for the operating cryptocurrency mining facilities in Quebec, Washington state and Argentina separately. As the group of assets for each cash-generating unit ("CGU") do not generate cash inflows that are independent of each other, the recoverable amount was calculated for each CGU comprised of the property, plant and equipment ("PPE"), right-of-use assets, long-term electricity deposits, long-term construction and equipment prepayments and favourable lease used in the operating cryptocurrency mining facilities in Quebec, Washington state and Argentina.

Based on its calculations, the Company determined that an impairment charge should only be recorded on its Argentina operating cryptocurrency mining CGU in the amount of \$79.5 million during the three and nine months ended September 30, 2022, of which \$48.9 million was allocated to equipment and construction prepayments, \$1.6 million to right-of-use-assets and \$29.0 million to PPE. The impairment loss was recognized in profit or loss under Impairment on equipment and construction prepayments, property, plant and equipment and right-of-use assets. The majority of assets included in the Argentina operating cryptocurrency mining CGU are funded through the conversion of U.S. dollars to Argentine Pesos, which generated a gain on disposition of marketable securities. The gain on disposition of marketable securities is reflected in the value of the assets before any impairment charge is incurred. The combined impact of the impairment charge on the operating Argentina CGU and the cumulative gain on disposition of marketable securities from Argentina is an expense of \$29.0 million in profit or loss. For more details of the key assumptions used in the Quebec, Washington state and Argentina calculation, refer to note 6 of the third quarter 2022 unaudited interim period condensed consolidated financial statements.

In connection with the reverse acquisition of Bitfarms Ltd. (Israel), the Company engaged an independent appraiser to support management's determination of fair value as at the acquisition date, April 12, 2018, of Suni, an iron ore deposit located in Canada held by the acquiree. The appraiser's valuation report was based on the market comparison method and the analysis of similar assets. Following certain adjustments resulting from changes in the price of iron ore, among other variables, Suni's value at April 12, 2018 was estimated at \$9.0 million. Subsequently, it has been tested annually for impairment. An independent appraiser was engaged to determine Suni's fair value as of September 30, 2022 due to the decline in the iron ore price during the three months ended September 30, 2022. Using the same method as the previous independent appraiser, the new appraiser determined that the fair value of Suni was \$3.3 million, or \$3.0 million after reflecting estimated costs to sell, compared to \$7.2 million on December 31, 2021, which resulted in an impairment of \$4.2 million during the three and nine months ended September 30, 2022 to Suni's mineral assets book value. The impairment loss was recognized in profit or loss under Impairment on equipment and construction prepayments, property, plant and equipment and right-of-use assets.

*Impairment on goodwill during the six months ended June 30, 2022*

As a result of the decline in the BTC price during the six months ended June 30, 2022, the Company performed an evaluation of the recoverable amount of the property, plant and equipment and intangible assets for the Washington state cryptocurrency mining facility. As these groups of assets do not generate cash inflows that are independent of each other, the recoverable amount was calculated for the CGU comprised of the assets of BVVE and electrical equipment, long-term electricity deposits, land, building and favourable lease used in the cryptocurrency mining facility in Washington state.

Based on its calculation, the Company recorded an impairment loss on its Washington state cryptocurrency mining CGU resulting in an impairment charge to goodwill of \$17.9 million during the three and six months ended June 30, 2022. The impairment loss was recognized in profit or loss under Impairment on goodwill. For more details of the key assumptions used in the calculation, refer to Note 3 of the third quarter 2022 unaudited interim period condensed consolidated financial statements.

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(In U.S. dollars, except where otherwise indicated)

**Selected Quarterly Information**

(U.S. \$ in thousands except earnings per share)	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Revenues	33,247	41,815	40,329	59,598	44,774	36,687	28,432	11,324
Net (loss) income	(84,808)	(141,918)	4,519	9,677	23,733	(3,675)	(7,605)	(5,374)
Basic net (loss) earnings per share	(0.40)	(0.70)	0.02	0.05	0.14	(0.02)	(0.06)	(0.06)

(U.S. \$ in thousands except where indicated)	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
<b>Net (loss) income before income taxes</b>	<b>(89,533)</b>	<b>(161,234)</b>	<b>10,957</b>	<b>17,937</b>	<b>34,706</b>	<b>(3,071)</b>	<b>(6,935)</b>	<b>(5,090)</b>
Interest expense	3,394	4,546	3,010	837	788	897	898	1,756
Depreciation and amortization expense	20,720	17,857	13,066	10,287	6,261	4,920	3,008	2,834
<b>EBITDA</b>	<b>(65,419)</b>	<b>(138,831)</b>	<b>27,033</b>	<b>29,061</b>	<b>41,755</b>	<b>2,746</b>	<b>(3,029)</b>	<b>(500)</b>
Share-based payment	3,961	7,927	6,105	10,036	5,787	6,342	420	403
Realized loss (gain) on disposition of digital assets	44,329	77,880	34	137	177	(47)	22	(65)
Change in unrealized (gain) loss on revaluation of digital assets	(45,655)	70,475	(3,702)	3,869	(13,893)	14,885	—	—
Impairment on equipment and construction prepayments, property, plant and equipment and right-of-use assets	84,116	—	—	1,800	—	—	—	—
Impairment reversal on property, plant and equipment	—	—	—	—	(1,860)	—	—	—
Impairment on goodwill	—	17,900	—	—	—	—	—	—
Net financial (income) expenses and other	(11,015)	(16,666)	(8,030)	(4,628)	(2,204)	(146)	22,310	3,653
<b>Adjusted EBITDA</b>	<b>10,317</b>	<b>18,685</b>	<b>21,440</b>	<b>40,275</b>	<b>29,762</b>	<b>23,780</b>	<b>19,723</b>	<b>3,491</b>
<b>Adjusted EBITDA margin</b>	<b>31%</b>	<b>45%</b>	<b>53%</b>	<b>68%</b>	<b>66%</b>	<b>65%</b>	<b>69%</b>	<b>31%</b>

While the BTC mining industry experiences volatility, it is typically not subject to seasonality. Seasonal fluctuations in electricity supply, however, may impact the Company's operations. The majority of the Company's operations during the above periods were in Quebec, where power was sourced directly from Hydro-Quebec, Hydro-Magog and Hydro-Sherbrooke. The Company also had operations in Washington state which were powered by the Grant County Power Utility District and had operations in Paraguay which were powered by Compañía de Luz y Fuerza S.A. In Q3 2022, the Company began operations in Argentina, which were temporarily connected to the power grid until the private power producer obtains approval of its permit. Among other phenomena, changing weather in Quebec, Washington state, Paraguay or Argentina may impact seasonal electricity needs, and periods of extreme cold or extreme hot weather may contribute to service interruptions in cryptocurrency mining operations. The Company's geographical diversification reduces the risk and extent of extreme weather unduly affecting the Company's overall performance.

For Q3 2022 details, refer to the *Revenues* section, *Cash Flows* included in the *Liquidity and Capital Resources* section and *Washington Expansion*, *Paraguay Expansion* and *Argentina Expansion* included in the *Capital Resources* section of the MD&A.

**BITFARMS LTD.****Management's Discussion and Analysis**

(In U.S. dollars, except where otherwise indicated)

**Reconciliation of Non-IFRS measures**

The Company utilizes a number of non-IFRS measures in assessing operating performance. Non-IFRS financial performance measures exclude the impact of certain items and are used internally when analyzing operating performance. Please refer to the "Caution Regarding Non-IFRS Financial Performance Measures" section of this MD&A for more information.

## Reconciliation of Consolidated Net Income (loss) to EBITDA and Adjusted EBITDA

(U.S.\$ in thousands except where indicated)	Three months ended				Nine months ended			
	September 30,				September 30,			
	2022	2021	\$ Change	% Change	2022	2021	\$ Change	% Change
<b>Revenues</b>	<b>33,247</b>	44,774	(11,527)	(26)%	<b>115,391</b>	109,893	5,498	5%
<b>Net (loss) income before income taxes</b>	<b>(89,533)</b>	34,706	(124,239)	(358)%	<b>(239,810)</b>	24,700	(264,510)	<i>nm</i>
Interest expense	<b>3,394</b>	788	2,606	331%	<b>10,950</b>	2,583	8,367	324%
Depreciation and amortization expense	<b>20,720</b>	6,261	14,459	231%	<b>51,643</b>	14,189	37,454	264%
<b>EBITDA</b>	<b>(65,419)</b>	41,755	(107,174)	(257)%	<b>(177,217)</b>	41,472	(218,689)	(527)%
Share-based payment	<b>3,961</b>	5,787	(1,826)	(32)%	<b>17,993</b>	12,549	5,444	43%
Realized loss on disposition of digital assets	<b>44,329</b>	177	44,152	<i>nm</i>	<b>122,243</b>	152	122,091	<i>nm</i>
Change in unrealized (gain) loss on revaluation of digital assets	<b>(45,655)</b>	(13,893)	(31,762)	229%	<b>21,118</b>	992	20,126	<i>nm</i>
Impairment on equipment and construction prepayments, property, plant and equipment and right-of-use assets	<b>84,116</b>	—	84,116	100%	<b>84,116</b>	—	84,116	100%
Impairment on goodwill	—	—	—	—%	<b>17,900</b>	—	17,900	100%
Impairment reversal on property, plant and equipment	—	(1,860)	1,860	100%	—	(1,860)	1,860	100%
Net financial (income) expenses and other	<b>(11,015)</b>	(2,204)	(8,811)	400%	<b>(35,711)</b>	19,960	(55,671)	(279)%
<b>Adjusted EBITDA</b>	<b>10,317</b>	29,762	(19,445)	(65)%	<b>50,442</b>	73,265	(22,823)	(31)%
<b>Adjusted EBITDA margin</b>	<b>31%</b>	66%	—	—	<b>44%</b>	67%	—	—

*nm*: not meaningful

**BITFARMS LTD.****Management's Discussion and Analysis**

(In U.S. dollars, except where otherwise indicated)

## Calculation of Gross Mining Profit and Gross Mining Margin

(U.S.\$ in thousands except where indicated)	Three months ended				Three months ended			
	September 30,				September 30,			
	2022	2021	\$ Change	% Change	2022	2021	\$ Change	% Change
<b>Gross (loss) profit</b>	<b>(3,939)</b>	29,468	(33,407)	(113)%	<b>22,602</b>	72,135	(49,533)	(69)%
Non-mining revenues (1)	(971)	(1,315)	344	(26)%	(2,342)	(3,219)	877	(27)%
Depreciation and amortization expense	20,720	6,261	14,459	231%	51,643	14,189	37,454	264%
Purchases of electrical components and other	690	586	104	18%	1,262	1,387	(125)	(9)%
Electrician salaries and payroll taxes	289	448	(159)	(35)%	924	1,290	(366)	(28)%
<b>Gross mining profit (2)</b>	<b>16,789</b>	35,448	(18,659)	(53)%	<b>74,089</b>	85,782	(11,693)	(14)%
<b>Gross mining margin</b>	<b>52%</b>	82%	—	—	<b>66%</b>	80%	—	—

(1) Non-mining revenues reconciliation:

(U.S.\$ in thousands except where indicated)	Three months ended				Nine months ended			
	September 30,				September 30,			
	2022	2021	\$ Change	% Change	2022	2021	\$ Change	% Change
<b>Revenues</b>	<b>33,247</b>	44,774	(11,527)	(26)%	<b>115,391</b>	109,893	5,498	5%
Less mining related revenues for the purpose of calculating gross mining margin:								
Mining revenues	(32,276)	(43,459)	11,183	(26)%	(113,049)	(106,001)	(7,048)	7%
Hosting revenues	—	—	—	—%	—	(673)	673	100%
<b>Non-mining revenues</b>	<b>971</b>	1,315	(344)	(26)%	<b>2,342</b>	3,219	(877)	(27)%

(2) "Gross mining profit" is defined as Gross profit excluding depreciation and amortization and other minor items included in cost of sales that do not directly relate to mining related activities. "Gross mining margin" is defined as the percentage obtained when dividing Gross mining profit by Revenues from mining related activities.

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(In U.S. dollars, except where otherwise indicated)

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**Geographical Information***Revenues*

Bitfarms' revenues were \$33.2 million in Q3 2022, compared to \$44.8 million in Q3 2021. The decrease of \$11.6 million, or 26%, in revenues was mainly due to Canada revenues of \$27.3 million during Q3 2022 compared to \$42.1 million in Q3 2021. US-based revenues increased by \$1.9 million from the Company's Washington operations in Q3 2022 when compared to the same period in the previous year. Paraguay and Argentina revenues were \$1.1 million and \$0.2 million in Q3 2022, respectively, compared to nil and nil in Q3 2021, respectively. For further details of the global increase in revenues, refer to the revenue reconciliation performed in the Consolidated Results of Operations section above.

For YTD Q3 2022, Bitfarms' revenues were \$115.4 million, compared to \$109.9 million for the same period in 2021. The increase of \$5.5 million, or 5%, in revenues was mainly due to US-based revenues from the Company's Washington operations of \$21.7 million during YTD Q3 2022 compared to \$5.2 million in YTD Q3 2021. Revenues in Canada decreased by \$14.2 million during YTD Q3 2022 when compared to the same period in the previous year. Further adding to the increase of revenues were the Paraguay and Argentina revenues of \$3.0 million and \$0.2 million in YTD Q3 2022, respectively, compared to nil and nil in YTD Q3 2021, respectively. For further details of the global increase in revenues, refer to the revenue reconciliation performed in the Consolidated Results of Operations section above.

*Property, plant and equipment*

As at September 30, 2022, Bitfarms had PPE of \$220.1 million compared to a \$136.9 million as at December 31, 2021. The increase of \$83.2 million, or 61%, was primarily due to a \$71.2 million increase of PPE in Canada, mainly relating to the delivery of approximately 24,000 miners from the Company's 48,000 unit order, and was offset by a \$9.0 million decrease of PPE in the US mostly due to depreciation expense incurred. Bitfarms also added PPE of \$20.7 million with the expansion in Argentina.

**Liquidity and Capital Resources**

As discussed below, the Company's current financing strategy involves selling BTC mined and in treasury and utilizing short-term debt, long-term debt and equity instruments to fund its expansion activities, operating expenses and debt service requirements. The Company anticipates requiring additional funds to complete its growth plans discussed in the *Expansions* section of this MD&A.

Although the Company operates through subsidiaries, there are no material legal restrictions and generally no practical restrictions on the ability of the subsidiaries to transfer funds to the Company, except that the Company may be subject to practical limitations on transferring funds from its Argentinian subsidiary. Since the second half of 2019, the Argentine government has instituted certain foreign currency exchange controls which could restrict the access of foreign currency, including the US dollar, for making payments abroad or transferring funds to its parent without prior authorization from the Argentine Central Bank. These regulations have continued to evolve and may become more stringent depending on the Argentine government's perception of availability of sufficient national foreign currency reserves. Currently, the Company sends funds periodically to Argentina to fund its expansion based on supplier invoices that are paid by the Argentinian subsidiary. The Argentinian subsidiary will provide mining services to its Canadian parent which owns and will record revenue from the BTC mined in Argentina and, accordingly, the Argentinian subsidiary is not structured or contemplated to generate substantial cash flows above its internal requirements.

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**Cash Flows**

(U.S.\$ in thousands except where indicated)	Nine months ended			
	September 30,			
	2022	2021	\$ Change	% Change
<b>Cash, beginning of the period</b>	<b>125,595</b>	5,947	119,648	<i>nm</i>
Cash flows from (used in):				
Operating activities	<b>3,169</b>	(33,076)	36,245	110%
Investing activities	<b>(144,541)</b>	(129,207)	(15,334)	12%
Financing activities	<b>51,542</b>	199,624	(148,082)	(74)%
Exchange rate differences on currency translation	<b>49</b>	(21)	70	333%
<b>Cash, end of the period</b>	<b>35,814</b>	43,267	(7,453)	(17)%

*nm*: not meaningful*Cash Flows from Operating Activities*

Cash flows from operating activities increased by \$36.2 million during the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021. The increase in net cash flows from operating activities was primarily driven by the liquidation of 5,970 BTC for total operating proceeds of \$105.0 million during the nine months ended September 30, 2022, compared to 95 BTC for total proceeds of \$3.6 million for the same period in 2021. The increase is partially offset by higher energy and infrastructure costs, higher cash general and administrative expenses, interest and financial expenses paid, taxes paid and additional long-term deposits placed on infrastructure and miners in connection with the Company's expansions.

*Cash Flows used in Investing Activities*

Cash flows used in investing activities increased by \$15.3 million during the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021. This was primarily due to \$111.4 million of net additions to PPE for Miners and infrastructure buildout during the nine months ended September 30, 2022, compared to \$56.5 million of net additions for the same period in 2021. This was offset by \$44.3 million of net proceeds received from the purchase and disposition of marketable securities to fund the Argentina expansion activities compared to \$2.3 million for the same period in 2021, as described in note 18 of the third quarter 2022 unaudited interim period condensed consolidated financial statements. \$43.2 million was used to purchase 1,000 BTC, of which a portion was sold for proceeds of \$20.7 million, as well as \$54.9 million in advance payments made on new PPE, mostly related to securing the delivery of 48,000 MicroBT Miners and 1,200 Bitmain Miners for anticipated delivery throughout 2022 and the first nine months of 2023, as well as construction deposits relating to the Argentina expansion, compared to \$75.0 million in advanced payments made on new PPE for the same period in 2021.

*Cash Flows from Financing Activities*

Cash flows from financing activities decreased by \$148.1 million from \$199.6 million for the nine months ended September 30, 2021 to \$51.5 million for the nine months ended September 30, 2022. During the nine months ended September 30, 2022, the Company raised \$40.0 million of proceeds from the BTC-backed credit facility, \$67.2 million of net proceeds from new long-term debt and \$48.5 million of net proceeds from the Company's at-the-market equity program. These proceeds were partially offset by payments relating to the credit facility, long-term debt and lease liabilities of approximately \$76.9 million, \$23.2 million and \$4.1 million, respectively. During the nine months ended September 30, 2021, \$149.0 million was raised from the issuance of common shares and warrants, \$60.4 million was raised from the exercise of warrants and stock options and \$10.9 million was raised from long-term debt. These proceeds were partially offset by long-term debt and lease repayments of \$17.4 million and \$3.3 million, respectively, including the repayment of the Dominion Loan.

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**Working Capital**

As at September 30, 2022, Bitfarms had working capital of \$20.8 million compared to \$185.9 million as at December 31, 2021. The decrease in working capital is mostly due to the decrease by \$112.7 million in total digital assets (including the digital assets pledged as collateral) following the disposal of 5,970 BTC and the \$21.1 million change in unrealized loss on revaluation of digital assets. The proceeds from the disposal of BTC were used in part to pay down the credit facility for a net decrease of \$36.6 million, which was offset by the net increase of the current portion of long-term debt by \$28.5 million following the additional funds raised from the February 2022 and June 2022 equipment financing agreements. Other proceeds were used primarily to acquire PPE and make deposits to secure orders of Mining hardware and electrical distribution equipment, which resulted in a decrease of cash of \$89.8 million when comparing working capital as at September 30, 2022 to December 31, 2021.

Due to the numerous risks and uncertainties associated with Bitfarms' business and industry, we are unable to estimate the exact amount and timing of our working capital requirements. Our future funding requirements will depend on many factors, including electricity rates and other service and infrastructure expenses; the evolving regulatory and tax environment of cryptocurrencies; counter parties' performance of their contractual obligations; and the cost and timing of hiring new employees and of purchasing and selling equipment.

**Capital Resources**

Bitfarms' capital management objective is to provide the financial resources that will enable the Company to maximize the return to its shareholders while optimizing its cost of capital. In order to achieve this objective, the Company monitors its capital structure and makes adjustments as required in light of changes in economic conditions and the risks to which the Company is exposed. The Company's strategy for achieving this objective is to maintain a flexible capital structure that optimizes the cost of capital at an acceptable level of risk, to preserve its ability to meet financial obligations as they come due, and to ensure the Company has sufficient financial resources to fund its organic and acquisitive growth.

In August 2022, to better align the number of Miners on hand with the infrastructure capacity available to utilize the Miners, the Company entered into amendment agreements with equipment vendors to postpone into 2023, without penalty, the remaining delivery of and payment for certain remaining equipment purchases. Based on the current capital budget and BTC prices, the Company presently anticipates that additional financing will be required to complete the required remaining payments on its order of 48,000 Miners scheduled for delivery throughout 2022 and the first nine months of 2023 and to complete construction of two warehouses in Argentina and Sherbrooke expansions. The Company also anticipates that additional financing will be required to purchase sufficient miners to utilize fully its maximum capacity in 2023. In order to achieve its business objectives, the Company can sell or borrow against the BTC that have been accumulated as of the date hereof as well as BTC generated from ongoing operations, which may or may not be possible on commercially attractive terms.

Bitfarms may manage its capital structure by reducing operating expenses and capital spending, disposing of inefficient or underutilized assets, obtaining short-term and long-term debt financing and issuing equity. Refer to the *Commitments and Liquidity Risk* section of this MD&A for more details.

*Digital Asset Management Program*

In early January 2021, the Company implemented a BTC asset management program pursuant to which the Company added 3,301 BTC to its balance sheet during the year ended December 31, 2021. In January 2022, the Board of Directors (the "BOD") authorized management to purchase 1,000 BTC. During the three months ended June 30, 2022, following the BOD approval, the Company sold 3,000 BTC in collateral to repay part of the credit facility and 350 BTC in treasury to manage liquidity levels. During the three months ended September 30, 2022, the Company sold 670 BTC in collateral to repay part of the credit facility and 1,925 BTC in treasury to manage liquidity levels. On August 1, 2022, management received approval from the BOD to sell the daily production, in addition to any sale of up to 1,000 BTC from treasury should market conditions be justified in the discretion of management. The purchase and disposal of BTC as described above while the Company continued to mine BTC resulted in the net reduction from December 31, 2021 to September 30, 2022 of 1,237 BTC for total holdings of 2,064 BTC as at September 30, 2022, valued at approximately \$40.1 million based on a BTC price of approximately \$19,400 as of September 30, 2022.

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*Expansions*

The Company has described its expansion plans below under the sections “Sherbrooke Expansion”, “Argentina Expansion”, “Paraguay Expansion” and “Washington Expansion”. The Company had set a revised corporate goal of reaching 5.0 EH/S by the end of 2022 based on the Company’s projected production capacity by year-end 2022 and reflecting adjustments to its Argentina deployment plan and current expansion opportunities in Canada and Paraguay. As of September 30, 2022, the Company achieved its 4.2 EH/s target.

The estimated costs and timelines to achieve these expansion plans may change based on, among other factors, the prevailing price of BTC, network difficulty, supply of cryptocurrency mining equipment, supply of electrical and other supporting infrastructure equipment, construction materials, currency exchange rates, the impact of COVID-19 on the supply chains described above and the Company’s ability to fund its initiatives. The Company’s expansion plans are reliant on a consistent supply of electricity at cost-effective rates; refer to the *Economic Dependence on Regulated Terms of Service and Electricity Rates Risks* of the MD&A for the year ended December 31, 2021 dated March 28, 2022 for further details.

*Sherbrooke Expansion*

Bitfarms completed Phases 1 and 2 of the Sherbrooke Expansion at the de la Pointe property in 2019, representing 30 MW of electrical infrastructure. In response to complaints concerning noise at the de la Pointe property and indications from Sherbrooke municipal officials that they were reviewing applicable regulations, the Company met with community residents and city officials on several occasions during 2020 and 2021. In response to the residents’ concerns, the Company constructed a sound barrier wall at a cost of approximately \$0.3 million in 2020 and invested \$0.7 million to install quieter exhaust structures and fans as well as other sound mitigating measures, including real-time sound monitoring equipment and feedback channels for residents to communicate directly with the Company.

In September 2021, the Company reached an agreement with the City of Sherbrooke to gradually retire Phases 1 and 2 of the Sherbrooke Expansion. Under the agreement, the Company has reduced its consumption at the de la Pointe property to 18 MW given that 66 MW of new electrical infrastructure elsewhere in the City of Sherbrooke was completed. The Company committed to entirely relocate its operations from Phases 1 and 2 of the Sherbrooke Expansion at the earlier of the completion of 80 MW of new electrical infrastructure in the City of Sherbrooke and February 28, 2023. In addition, the Company has the option to sell the building currently housing Phases 1 and 2 of the Sherbrooke Expansion to the City of Sherbrooke for approximately \$2.3 million (CAD \$3.0 million). The agreement does not restrict the ability of the Company to sell the building to a third party other than the City of Sherbrooke. On October 12, 2022, the Company signed an offer to purchase with a third party to sell the De la Pointe building, included in property, plant and equipment, for \$3.6 million (CAD \$5.0 million), which is expected to result in a gain on disposition of approximately \$0.3 million.

In September and October 2021, the Company entered into lease agreements for two new facilities in Sherbrooke: “Leger” and “The Bunker”, respectively. These facilities will include similar sound mitigating mechanisms as were installed in the de la Pointe facility. Construction of Leger was completed in June 2022 with 30 MW of capacity available which currently accommodates approximately 7,500 new generation miners producing approximately 750 PH/s. The Bunker, representing 48 MW of capacity, is expected to be completed in three phases during 2022, and capable of accommodating 13,000 new generation miners producing approximately 1.3EH/s. Construction of the Bunker is expected to occur in three separate phases:

- Phase one, representing 18 MW, was constructed in a pre-existing building. Internal infrastructure work began in Q4 2021 with the first 12 MW becoming operational in March 2022, and the remaining 6 MW was operating by June 2022.
- Phase two, representing 18 MW, is in a portion of the building that was originally under construction. Internal infrastructure work began in Q1 2022 and the 18 MW was completed in July 2022.
- Phase three, representing the remaining 12 MW, is in a portion of the building that is currently under construction and is expected to be completed in November 2022 and energized in December 2022.

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The expected capital cost for the construction of the infrastructure for Leger and The Bunker is approximately \$17 million to \$19 million. As of the date of this MD&A, the Company has completed the Leger facility and phases one and two of The Bunker facility. As of September 30, 2022, the Company acquired \$18.1 million of PPE and placed \$1.6 million of additional deposits for property, plant and equipment for the construction of The Bunker. The Company expects to deploy a significant portion of its order of 48,000 MicroBT miners at these facilities with deliveries scheduled to arrive throughout 2022. The Miners expected to be installed in Sherbrooke have an estimated cost of \$80 to \$90 million. As of September 30, 2022, the Company added approximately 24,000 miners with a cost of \$85.9 million. The Company's commitments in connection with its order of 48,000 MicroBT Miners are outlined in the *Commitments and Liquidity Risk* section of this MD&A. The Company anticipates that these costs will be shared between the Leger and The Bunker facilities.

In March 2022, the Company acquired an existing building in Sherbrooke ("Garlock") at a cost of approximately \$1.8 million in cash and the issuance of 25,000 common share purchase warrants to the seller featuring a two-year life and a strike price of \$3.47. The Garlock property, which is expected to be completed in two phases and be operational during November and December 2022, represents 18 MW of electrical infrastructure at an estimated cost of approximately \$4.5 million, excluding the cost of the property. The Garlock property, combined with the Bunker and Leger properties, are intended to replace the de la Pointe property and fully utilize the Company's power contracts totaling 96 MW in the municipality in accordance with the Company's agreement with the City of Sherbrooke reached in September 2021.

*Argentina Expansion*

In April 2021, the Company entered into an eight-year power purchase agreement for up to 210 MW with a private Argentinian power producer. The agreement establishes that the power producer will supply the Company with power at a rate of \$0.03 per kilowatt hour for the first four years, up to a maximum amount of 1,103,760 megawatt hours per year, and is subject to certain adjustments, variable pricing components and conditions. The pricing on the remaining four years of the eight-year energy contract will be determined by a formula that is largely dependent on natural gas prices. The agreement also allows for the power producer to renegotiate the rate if the ratio of the exchange rate under the blue-chip swap mechanism used in Argentina to the official exchange rate is less than 1.50. For further details on the Company's power purchase agreement, refer to the Economic Dependence on Regulated Terms of Service and Electricity Rates Risks section of the MD&A for the year ended December 31, 2021 dated March 28, 2022. In July 2021, the Company entered into an eight-year lease agreement, comprising annual payments of approximately \$0.1 million, with the power producer to lease land within the power producer's property for the mining facility's construction and operation. In September 2021, the Company entered into a contract with Proyectos y Obras Americanas S.A. ("PROA") to provide engineering, procurement, and construction services for the Argentina facility. PROA specializes in utility-grade electrical infrastructure and civil construction with relevant expertise in the design and construction of electrical interconnections, high voltage electrical lines, and transformers needed for operations of the size of the planned Argentina facility. Pursuant to an agreement signed with LPZ Hosting S.A.S ("LPZ"), LPZ is responsible for the detail engineering, purchasing management and execution of louvers, sound and noise system, electric installation, data network installation, air conditioning system, air extraction and filter systems, racks, closed-circuit television ("CCTV"), fire detection and extinguisher system as well as installation of all low voltage works. Ingenia Grupo Consultor and Gieco S.A. ("Ingenia") were retained as a consortium group responsible for the construction of provisional high voltage powerline and transformer station as well as the expansion of the 132 KW public bars of the power plant. Ingenia, under the supervision of LPZ, was also selected to carry out electrical data and CCTV assembly work for the first warehouse. The Company has also engaged Dreicon S.A. as an independent engineering firm to oversee construction, quality control and project milestones for the Company's projected buildout schedule. As of September 30, 2022, the Company has placed deposits of \$11.0 million and \$3.7 million with suppliers for construction costs and for BVVE and electrical components, respectively. The Company has also acquired \$34.9 million of PPE, incurred \$0.3 million of expenditures relating to design and feasibility studies and recorded cumulative gains on disposition of marketable securities of \$50.5 million associated with the conversion of funds into the Argentine Pesos for disbursements. The facility, if fully developed, is expected to comprise up to four separate warehouse-style buildings. The adverse impact of recent geopolitical events on natural gas prices, as well as new importation restrictions, as detailed below, is leading the Company to reassess the timing of its build out and deployment at this facility. The first warehouse, which is included in the capacity needed to reach the 5.0 EH/s figure, represents approximately 50 MW of incremental infrastructure capacity. As of October 31, 2022, 10 of the 50 MW were operational with an additional 8 MW expected to be operational by year-end, for a total of 18 MW. As of November 14, 2022, construction of the first warehouse was completed, but not yet fully commissioned. Since October 17, 2022, a new importation system, called Sistema de importaciones de la República Argentina ("SIRA") replaced the previous one called Sistema integral de monitoreo de importaciones ("SIMI"). The SIRA system, which aims to put additional controls on the importations and to limit the outflow of U.S. dollars from the country, imposed additional restrictions on the importation of crypto mining equipment. As a result, and for reasons beyond its control, the Company has been forced to slowdown the deployment of its Miners fleet. The remaining 32 MW to complete the first warehouse is contemplated to be operational as soon as importation restrictions ease.

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The second warehouse represents approximately 50 MW of infrastructure capacity and is expected to be completed during 2023. The cost of developing the first two warehouses is currently estimated to range from \$55 million to \$65 million, including the installation of high voltage lines and a substation, net of any expected gains on disposition of marketable securities in connection with the Company's mechanism for funding the Argentina Expansion, as described above, and excluding importation costs. All four warehouses, if built, are expected to be able to accommodate over 55,000 new generation Miners, and be capable of producing approximately 5.5 EH/s. The Company plans to deploy a significant portion of its order of 48,000 MicroBT miners at this facility, with deliveries currently expected to arrive throughout 2022 and the first nine months of 2023. The Company's commitments in connection with its order of 48,000 MicroBT Miners are outlined in the Commitments and Liquidity Risk section of this MD&A.

*Paraguay Expansion*

During the year ended December 31, 2021, the Company entered into an annually renewable 10 MW power purchase agreement with Villarica's electricity distribution company, Compañía Luz y Fuerza SA ("CLYFSA"), at a current effective electricity cost of \$0.036 per kilowatt hour. The Company also entered into a five-year lease agreement with another counterparty, beginning August 1, 2021 with monthly payments of \$20,000, to lease land at the existing facility. The construction of the facility cost \$1.1 million, was completed in December 2021 and became operational in January 2022. Currently, the facility accommodates 2,900 of the Company's older generation Miners and generates approximately 125 PH/s.

On July 18, 2022, the Paraguayan Congress approved a bill regulating the mining, trading, intermediation, exchange, transfer, custody and administration of crypto-assets and instruments that would allow control of crypto-assets. The proposed legislation aimed to create an attractive regulatory environment within the country through the establishment of a straightforward licensing regime that clearly establishes the requirements to operate crypto-assets activities in the Country. Approved by both chambers, the law has been submitted to the executive branch, where the President has the power to approve or veto it. On August 30, 2022, the law was vetoed by the President and was returned to the congress to be discussed again. It is unknown if a new law will be approved and when.

On September 16, 2022, the executive branch issued decree No. 7824/22 by which the National Electricity Administration ("ANDE") was requested to adopt complementary and temporary regulatory measures to adjust the variables corresponding to the electricity rates aimed at special intensive consumption sectors. In this context, ANDE, through resolution No. 7824/22, dated October 4, 2022, created the Special Intensive Consumption Group, which includes supplies at very high voltage (220 kV), high voltage (66 kV), medium voltage (23 kV) at the substation and at the line, and set up the tariffs until December 2027. This Special Intensive Consumption group applies, among others, to crypto asset mining activities. While the new ANDE tariffs have no impact in our current activities in Paraguay as our contract is with the local supplier CLYFSA as detailed above, it may, however, be relevant to future operations in Paraguay.

*Washington Expansion*

On November 9, 2021, the Company completed the acquisition of a facility in Washington state consisting of 12 MW of hydro-electric power purchase agreements, an additional 12 MW of in-process applications for expanded power-purchase agreements, transformers with 17 MW of capacity, land, buildings, electrical distribution equipment and a below market lease for a 5 MW facility that was set to expire on November 8, 2022. On October 20, 2022, the Company renewed the lease for a period of 23 months with similar terms. During the three months ended June 30, 2022, the Company added 3 MW of electrical infrastructure and is currently operating approximately 20 MW of electrical infrastructure with the majority of the Company's Antminer S19j Pro Miners generating approximately 600 PH/s in this facility. The Company's power supplier has provided a preliminary indication that the next 6 MW of in-process applications are expected to be energized in the first half of 2023 with the remaining 3 MW of in-process applications estimated to be energized in Q2 2024. Upon closing of the transaction, the Company transferred approximately \$23.0 million in cash and 415,000 Common shares with a value of \$3.7 million on the closing date. The net identifiable assets acquired include electrical distribution equipment valued at \$6.0 million, buildings valued at \$0.7 million, land valued at \$0.1 million and a favourable lease valued at \$2.0 million. The acquisition resulted in the Company recording goodwill of \$17.9 million, which was determined as at June 30, 2022 to be fully impaired as a result of the decrease in the price of BTC.

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**Off-Balance Sheet Arrangements**

As at November 14, 2022, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources.

**Share Capital**

As of the date of this MD&A, the Company has 217,572,000 common shares outstanding, 10,498,000 vested and 7,317,000 unvested stock options, 19,453,000 warrants outstanding and 400,000 restricted stock units. There are no preferred shares outstanding.

*At-The-Market Equity Program*

Bitfarms commenced an at-the-market (ATM) equity program on August 16, 2021, by means of a prospectus supplement dated August 16, 2021, to the Company's short form base shelf prospectus dated August 12, 2021, and U.S. registration statement on Form-F-10, which includes the base shelf prospectus. The Company may, at its discretion and from time-to-time, sell common shares of the Company as would result in the Company receiving aggregate proceeds of up to \$500 million. During the year ended December 31, 2021, the Company issued 23,923,000 common shares in exchange for gross proceeds of \$150.3 million at an average share price of approximately USD\$6.28. The Company received net proceeds of \$145.6 million after paying commissions of \$4.5 million to the Company's agent, in addition to \$0.2 million of other transaction fees. During the three months ended September 30, 2022, the Company issued 9,357,000 common shares in exchange for gross proceeds of \$13.0 million at an average share price of approximately USD\$1.39. The Company received net proceeds of \$12.6 million after paying commissions of \$0.5 million to the Company's agent.

During the nine months ended September 30, 2022, the Company issued 20,835,000 common shares in exchange for gross proceeds of \$50.2 million at an average share price of approximately USD\$2.41. The Company received net proceeds of \$48.5 million after paying commissions of \$1.6 million to the Company's agent, in addition to \$0.1 million of other transaction fees. Since the ATM commenced, the Company has issued 44,758,000 common shares for net proceeds of \$194.1 million as of September 30, 2022.

The Company has used and intends to continue to use the proceeds from the ATM equity program to prudently support the growth and development of the Company's Mining operations, as described under the *Expansions* section of this MD&A, as well as for working capital and general corporate purposes. Described below are the actual uses of proceeds from the commencement of the ATM equity program through September 30, 2022:

(U.S. \$ in thousands except where indicated)

<b>Categories</b>	<b>Use of proceeds as of September 30, 2022</b>
MicroBT Miners	83,289
Bitmain Miners	24,057
Washington Expansion	26,106
Sherbrooke Expansion	19,712
Argentina Expansion, net of gain on disposition of marketable securities	37,140
Cowansville Expansion	573
Paraguay Expansion	3,230
	<b>194,107</b>

The Company intends to continue to explore expansion opportunities in new and existing facilities, subject to market conditions and the ability to continue to obtain suitable financing.

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**Financial Instruments and Risks**

The Company's financial assets include cash, trade receivables, and other assets. The Company's financial liabilities include trade payables and accrued liabilities, credit facility, and long-term debt.

The Company's financial instruments expose it primarily to credit, counterparty, liquidity, foreign currency, concentration and custody of digital assets risks.

*Credit Risk and Counter Party Risk*

Credit risk and counter party risk is the risk of an unexpected loss if a third party fails to meet its contractual obligations, including cash and cash equivalents. There is a risk of suppliers of mining hardware failing to meet their contractual obligations, which may result in late deliveries or significant long-term deposits and equipment prepayments that are not realized. The Company attempts to mitigate this risk by procuring mining hardware from larger more established suppliers with whom the Company has existing relationships and knowledge of their reputation in the market, as described in Note 8 of the third quarter 2022 unaudited interim period condensed consolidated financial statements. The Company also insures the majority of its construction deposits for the Argentina facility in order to mitigate the risk of supplier's not meeting their contractual obligations. The risk regarding cash and cash equivalents is mitigated by holding the majority of the Company's cash and cash equivalents through a Canadian chartered bank. The credit risk regarding trade receivables are derived mainly from sales to Volta's third-party customers. The Company performs ongoing credit evaluations of its customers. An allowance for doubtful accounts is based on management's assessment of a customer's credit quality as well as subjective factors and trends, including the aging of receivable balances.

*Commitments and Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to pay its financial obligations when they become due. The Company's policy is to monitor its cash balances, BTC holdings and planned cash flows generated from operations and financing activities to ensure, as far as possible, that it maintains sufficient liquidity to meet its projected financial obligations.

The Company has entered into agreements with Mining hardware manufacturers that require significant deposits in advance of receiving the revenue-generating equipment. The Company may manage its capital structure by issuing equity, obtaining loan financing, adjusting capital spending, or disposing of assets in order to maintain sufficient liquidity to meet its contractual obligations with Mining hardware manufacturers.

The Company has deposits on Mining hardware and electrical components in the amount of \$21.7 million. These deposits are mainly for orders placed on 48,000 Whatsminer miners and 1,200 Antminers with expected delivery throughout 2022 and the first nine months of 2023. The table below outlines the Company's remaining payment obligations in connection with the 48,000-unit and 1,200 Antminer purchase agreements described above, presented in thousands of U.S. dollars:

	<b>September 30,</b>
	<b>2022</b>
Three months ending December 31, 2022	<b>6,462</b>
Three months ending March 31, 2023	<b>13,447</b>
Three months ending June 30, 2023	<b>13,313</b>
Three months ending September 30, 2023	<b>12,128</b>
	<b>45,350</b>

**BITFARMS LTD.****Management's Discussion and Analysis**

(In U.S. dollars, except where otherwise indicated)

The Company may require additional sources of financing to meet the payment obligations included in the table above. If the Company were unable to obtain such financing, or if the BTC price and network difficulty adversely impacted the Company's liquidity, then the Company may have difficulty meeting its payment obligations. If the Company were unable to meet its payment obligations, there could result in the loss of equipment prepayments and deposits paid by the Company under the purchase agreements and remedial legal measures taken against the Company which may include damages and forced continuance of the contractual arrangement. Under these circumstances, the Company's growth plans and ongoing operations could be adversely impacted.

The Company has observed high demand and supply constraints for Mining hardware in recent periods. In order to meet its growth objectives, the Company may enter into additional contracts for Mining hardware that may require significant additional deposits and fixed contractual payments. These contracts would be subject to risks that are similar to risks in the Company's existing contracts, mainly with respect to the Company's liquidity and ability to meet its payment obligations as well as counterparty risks, including delays in delivery and deposits that may not be realized.

Lease liabilities include financial obligations with contractual maturities, inclusive of interest, presented in thousands of U.S. dollars as of September 30, 2022, as follows:

	<b>September 30,</b>
	<b>2022</b>
2022	2,205
2023	3,615
2024	2,624
2025	2,518
2026 and thereafter	11,405
	<b>22,367</b>

Long-term debt includes financial obligations with contractual maturities, inclusive of interest on long-term debt and the Company's revolving credit facility, and assuming the credit facility is not rolled over at maturity (in contrast to current practice and management's expectations), presented in thousands of U.S. dollars as of September 30, 2022, as follows:

	<b>September 30,</b>
	<b>2022</b>
2022	35,176
2023	43,320
2024	6,802
	<b>85,298</b>

The Company's credit facility, with an outstanding balance of \$23.1 million as of September 30, 2022, is secured by BTC, with the minimum value of BTC pledged as collateral calculated as 135% of the amount borrowed. The Company is required to contribute additional collateral to the Lender any time the value of the BTC pledged as collateral is below 125% of the amount borrowed. The Company also has the right to require the Lender to return BTC when the value of the BTC pledged as collateral exceeds 145% of the amount borrowed. A substantial decrease in BTC price may result in the Company being unable to meet the minimum BTC collateral requirements, which could result in the disposition of the Company's BTC pledged as collateral by the Lender or repayment of the facility in fiat currency on demand.

## **BITFARMS LTD.**

### **Management's Discussion and Analysis**

(In U.S. dollars, except where otherwise indicated)

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As part of the NYDIG equipment financing agreement, the Company must maintain in an identified wallet an approximate quantity of BTC whose value equates to one month of interest and principal payments on the outstanding loan.

#### *Foreign Currency Risk*

The Company is exposed to fluctuations in currency exchange rates which could negatively affect its financial condition and results of operations. Exchange rate fluctuations may affect the costs that the Company incurs in its operations. Cryptocurrencies are generally sold in U.S. dollars and the Company's costs with respect to its Canadian and Argentine operations are incurred principally in Canadian dollars and the Argentine Peso, respectively. The appreciation of non-U.S. dollar currencies against the U.S. dollar in the future could increase the cost of Mining and the Company's expansion activities in U.S. dollar terms. In addition, the Company holds cash balances in U.S. dollars, Canadian dollars and Argentine Pesos, the values of which are impacted by fluctuations in currency exchange rates. In particular, the Company expects to hold cash and significant value-added taxes receivable in Argentine Pesos. Historically, the Argentine Peso has devalued significantly when compared to the U.S. dollar due to high levels of inflation in Argentina, which may result in the Company incurring future foreign exchange losses on its Argentine Peso denominated balances. As described in the *Argentina Expansion* section of this MD&A, the power purchase agreements allow the power producer to renegotiate the rate if the ratio of the exchange rate under the blue-chip swap mechanism used in Argentina to the official exchange rate is less than 1.50. As of September 30, 2022, the ratio was 2.07.

#### *Concentration risk*

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The cryptocurrency mining industry is highly volatile with significant inherent risk. The Company also holds a significant portion of its working capital in BTC and has a revolving credit facility collateralized by BTC and subject to margin calls. A significant decline in the market prices of cryptocurrencies, an increase in the difficulty of cryptocurrency mining, changes in the regulatory environment and adverse changes in other inherent risks can significantly negatively impact the Company's operations and the carrying value of its assets. The Company does not currently hedge the conversion of cryptocurrencies to fiat currency.

#### *Custody of digital assets*

The Company's BTC is mined to multi-signature wallets that the Company controls. On a regular basis, the Company transfers BTC from its multi-signature wallets to an external third-party custodian, Coinbase Custody, LLC ("Coinbase Custody"). Coinbase Custody is a US-based fiduciary and qualified custodian under New York Banking Law and is licensed by the State of New York to custody digital assets. Currently, Coinbase Custody provides only custodial services to the Company and does not use a sub-custodian. Coinbase Custody is not a related party to the Company. Coinbase Custody is a fiduciary of § 100 of the New York Banking Law and is licensed to custody its clients' digital assets in trust on their behalf. Coinbase Custody is a qualified custodian for purposes of § 206 (4) -2(d)(6) of the U.S. Investment Advisers Act of 1940, as amended.

In early January 2021, the Company implemented a BTC asset management program with approval from the BOD to sell BTC to manage liquidity levels as described in the *Digital Asset Management Program* section above, pursuant to which the Company has accumulated 2,044 BTC, net of BTC sales, valued at \$34.8 million to its balance sheet as of November 11, 2022. As of the date of this MD&A, 99% of the Company's BTC are held in custody with Coinbase Custody or held as collateral within Coinbase Custody by NYDIG and Galaxy Digital LLC, the counterparties to the Company's equipment financing and revolving credit facility, respectively.

Coinbase Custody maintains an insurance policy of \$320 million for its cold storage; however, the Company cannot ensure that the limits of this policy would be available to the Company or, if available, sufficient to make the Company whole for any BTC that are lost or stolen. The Company is unaware of: (i) any security breaches involving Coinbase Custody which have resulted in the Company's crypto assets being lost or stolen, and (ii) anything with regards to Coinbase Custody's operations that would adversely affect the Company's ability to obtain an unqualified audit opinion on its audited financial statements. The Company's crypto assets held in custody with Coinbase may not be recoverable in the event of bankruptcy by Coinbase or its affiliates. In its quarterly report, on Form 10-Q, filed with the U.S. Securities Exchange Commission on November 3, 2022, Coinbase disclosed that, in the event of a bankruptcy, custodially held crypto assets could be considered to be the property of the bankruptcy estate and that the crypto assets held in custody could be subject to bankruptcy proceedings with Coinbase Custody's customers being treated as general unsecured creditors. Further, regardless of efforts made by the Company to securely store and safeguard assets, there can be no assurance that the Company's cryptocurrency assets will not be defalcated through hacking or other forms of theft.

**BITFARMS LTD.****Management's Discussion and Analysis**

(In U.S. dollars, except where otherwise indicated)

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**Risk Factors**

The Company is subject to a number of risks and uncertainties and is affected by several factors which could have a material adverse effect on the Company's business, financial condition, operating results, and/or future prospects. These risks should be considered when evaluating an investment in the Company and may, among other things, cause a decline in the price of the Corporation's shares.

The risks and uncertainties which Management considers as the most material to the Corporation's business are described in the section entitled *Other Risks* of the Company's Management's Discussion and Analysis for the year-ended December 31, 2021 dated March 28, 2022. Other than the disclosure above, these risks and uncertainties have not materially changed, other than the risk described below, and are hereby incorporated by reference.

*Possibility of Bitcoin mining algorithms transitioning to proof of stake validation and other mining related risks, which could make Bitfarms less competitive and ultimately adversely affect Bitfarms' business*

Proof of stake is an alternative method in validating cryptocurrency transactions. Should the algorithm shift from a proof of work validation method to a proof of stake method, mining would require less energy and may render any company that maintains advantages in the current climate (lower priced electricity, processing, real estate, or hosting) less competitive. Bitfarms, as a result of its efforts to optimize and improve the efficiency of its Bitcoin mining operations, may be exposed to the risk in the future of losing the benefit of Bitfarms' capital investments and the competitive advantage Bitfarms hopes to gain from this as a result, and may be negatively impacted if a switch to proof of stake validation were to occur. Such events could have a material adverse effect on Bitfarms' ability to continue as a going concern or to pursue its new strategy at all, which could have a material adverse effect on Bitfarms' business, prospects or operations and potentially the value of any Bitcoin that Bitfarms mines or otherwise acquires or holds for its own account.

**Related Party Transactions**

During the three and nine months ended September 30, 2022, the Company had the following transactions with related parties:

1. Bitfarms made rent payments totaling approximately \$0.1 million and \$0.3 million for the three and nine months ended September 30, 2022, respectively (three and nine months ended September 30, 2021: \$0.1 million and \$0.4 million, respectively), to companies controlled by certain directors.
2. Bitfarms entered into consulting agreements with two of the directors. The consulting fees charged by directors totaled approximately \$0.4 million and \$0.8 million for three and nine months ended September 30, 2022, respectively (three and nine months ended September 30, 2021: \$0.2 million and \$0.5 million, respectively).

The transactions listed above were incurred in the normal course of operations.

**BITFARMS LTD.****Management's Discussion and Analysis**

(In U.S. dollars, except where otherwise indicated)

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**Recent and Subsequent Events***At-The-Market Equity Program*

During the period from October 1, 2022, to November 14, 2022, the Company issued 1,861,000 common shares in exchange for gross proceeds of \$1.9 million at an average share price of approximately USD\$1.04. The Company received net proceeds of \$1.8 million after paying commissions of \$0.1 million to the Company's agent.

*Sale agreement of De la Pointe*

On October 12, 2022, the Company signed an offer to purchase with a third party to sell the De la Pointe building, included in property, plant and equipment, for \$3.6 million (CAD \$5.0 million), which is expected to result in a gain on disposition of approximately \$0.3 million.

*Extension of lease in Washington state*

On October 20, 2022, the Company signed a lease extension for its facility in Washington state for a period of 23 months with similar terms, which has taken effect in November 2022.

**Significant Accounting Estimates**

The Company's unaudited interim condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting," as issued by the International Accounting Standards Board and are based on the same accounting policies as those used in the preparation of the Company's audited consolidated financial statements for the year ended December 31, 2021.

Please refer to Note 2, *Basis of presentation and significant accounting policies* and Note 3, *Significant accounting judgement and estimates*, of the Company's 2021 audited consolidated financial statements for more information about the significant accounting policies and the significant accounting judgments and estimates used to prepare the unaudited interim condensed consolidated financial statements, respectively.

**BITFARMS LTD.****Management's Discussion and Analysis**

(In U.S. dollars, except where otherwise indicated)

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**Caution Regarding Forward-Looking Statements**

This MD&A contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. Specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to the Company's anticipated future results, events and plans, strategic initiatives, future liquidity, and planned capital investments. Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may", "maintain", "achieve", "grow", "should" and similar expressions, as they relate to the Company and its management.

Forward-looking statements reflect the Company's current estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The Company's expectation of operating and financial performance is based on certain assumptions including assumptions about operational growth, anticipated cost savings, operating efficiencies, anticipated benefits from strategic initiatives, future liquidity, and planned capital investments. The Company's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and as such, are subject to change. The Company can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

Numerous risks and uncertainties could cause the Company's actual results to differ materially from those expressed, implied or projected in the forward-looking statements. Such risks and uncertainties include:

- BTC Halving event;
- COVID 19 pandemic;
- Counterparty risk;
- the availability of financing opportunities and risks associated with economic conditions, including BTC price and BTC network difficulty;
- the speculative and competitive nature of the technology sector;
- dependency in continued growth in blockchain and cryptocurrency usage;
- limited operating history and share price fluctuations;
- cybersecurity threats and hacking;
- controlling shareholder risk;
- risk related to technological obsolescence and difficulty in obtaining hardware;
- economic dependence on regulated terms of service and electricity rates;
- increases in commodity prices or reductions in the availability of such commodities could adversely impact our results of operations;
- permits and licenses;
- server failures;
- global financial conditions;
- tax consequences;
- environmental regulations and liability;
- erroneous transactions and human error;
- facility developments;
- non-availability of insurance;
- loss of key employees;
- lawsuits and other legal proceedings and challenges;
- conflict of interests with directors and management;
- political and regulatory risk;
- adoption of ESG practices and the impacts of climate change;
- third party supplier risks; and
- other factors beyond the Company's control.

**BITFARMS LTD.****Management's Discussion and Analysis**

(In U.S. dollars, except where otherwise indicated)

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The above is not an exhaustive list of the factors that may affect the Company's forward-looking statements. For a complete list of factors that could affect the Company, please refer to the risk factors contained in the section "Risk Factors" of the Annual Information Form of the Company dated March 28, 2022. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this MD&A. Except as required by law, the Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**Caution Regarding Non-IFRS Financial Performance Measures**

This MD&A makes reference to certain measures that are not recognized under IFRS and do not have a standardized meaning prescribed by IFRS. They are therefore unlikely to be comparable to similar measures presented by other companies. The Company uses non-IFRS measures including "EBITDA," "EBITDA margin," "Adjusted EBITDA," "Adjusted EBITDA margin," "Gross mining profit," and "Gross mining margin" as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from management's perspective.

EBITDA and EBITDA margin are common measures used to assess profitability before the impact of different financing methods, income taxes, depreciation of capital assets and amortization of intangible assets. Adjusted EBITDA and Adjusted EBITDA margin are measures used to assess profitability before the impact of all of the items in calculating EBITDA in addition to certain other non-cash expenses. Gross mining profit and Gross mining margin are measures used to assess profitability after power costs in cryptocurrency production, the largest variable expense in Mining. Management uses non-IFRS measures in order to facilitate operating performance comparisons from period to period and to prepare annual operating budgets.

"EBITDA" is defined as net income (loss) before: (i) interest expense; (ii) income tax expense; and (iii) depreciation and amortization. "EBITDA margin" is defined as the percentage obtained when dividing EBITDA by Revenues. "Adjusted EBITDA" is defined as EBITDA adjusted to exclude: (i) share-based compensation; (ii) non-cash finance expenses; (iii) asset impairment charges; (iv) realized and change in unrealized gains or losses on disposition and revaluation of digital assets; (v) gain on disposition of marketable securities; and (vi) other non-cash expenses. "Adjusted EBITDA margin" is defined as the percentage obtained when dividing Adjusted EBITDA by Revenues. "Gross mining profit" is defined as Gross Profit before: (i) non-mining revenues; (ii) depreciation and amortization; (iii) purchase of electrical components and other expenses; and (iv) electrician salaries and payroll taxes. "Gross mining margin" is defined as the percentage obtained when dividing Gross mining profit by Mining related revenues.

These measures are provided as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. Reconciliations from IFRS measures to non-IFRS measures are included throughout this MD&A.

**Internal Controls***Changes in internal control over financial reporting*

There have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting during the quarter ended September 30, 2022.

**Additional Information**

Additional information and other publicly filed documents relating to the Company are available through the internet on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Glossary of Terms**

**ASIC:** ASIC stands for Application Specific Integrated Circuit and refers primarily to specific computer devices designed to solve the SHA-256 algorithm, as well as other machines used in the Mining of Litecoin which use the Scrypt algorithm.

**Bitcoin (BTC):** BTC is a decentralized digital currency that is not controlled by any centralized authority (e.g. a government, financial institution or regulatory organization) that can be sent from user to user on the BTC network without the need for intermediaries to clear transactions. Transactions are verified through the process of Mining and recorded in a public ledger known as the Blockchain. BTC is created when the BTC network issues Block Rewards through the Mining process.

**Block Reward:** A BTC block reward refers to the new BTC that are awarded by the Blockchain network to eligible cryptocurrency miners for each block they successfully mine. The current block reward is 6.25 BTC per block.

**Blockchain:** A Blockchain is a cloud-based public ledger that exists on computers that participate on the network globally. The Blockchain grows as new sets of data, or 'blocks', are added to it through Mining. Each block contains a timestamp and a link to the previous block, such that the series of blocks form a continuous chain. Given that each block has a separate hash and each hash requires information from the previous block, altering information an established block would require recalculating all the hashes on the Blockchain which would require an enormous and impracticable amount of computing power. As a result, once a block is added to the Blockchain it is very difficult to edit and impossible to delete.

**Exahash:** One quintillion (1,000,000,000,000,000,000) hashes per second or one million Terahash.

**Hash:** A hash is a function that converts or maps an input of letters and numbers into an encrypted output of a fixed length, which outputs are often referred to as hashes. A hash is created using an algorithm. The algorithm used in the validation of BTC transactions is the SHA-256 algorithm.

**Hashrate:** Hashrate refers to the number of hash operations performed per second and is a measure of computing power in Mining cryptocurrency.

**Megawatt:** A megawatt is 1,000 kilowatts of electricity and, in the industry of cryptocurrency Mining, is typically a reference to the number of megawatts of electricity per hour that is available for use.

**Miners:** ASICs used by the Company to perform Mining.

**Mining:** Mining refers to the process of using specialized computer hardware, and in the case of the Company, ASICs, to perform mathematical calculations to confirm transactions and increase security for the BTC Blockchain. As a reward for their services, BTC Miners collect transaction fees for the transactions they confirm, along with newly created BTC as Block Rewards.

**Mining Pool:** A Mining pool is a group of cryptocurrency miners who pool their computational resources, or Hashrate, in order to increase the probability of finding a block on the BTC Blockchain. Mining pools administer regular payouts to mitigate the risk of Miners operating for a prolonged period of time without finding a block.

**Network Difficulty:** Network difficulty is a unitless measure of how difficult it is to find a hash below a given target. The BTC network protocol automatically adjusts Network Difficulty by changing the target every 2,016 blocks hashed based on the time it took for the total computing power used in BTC Mining to solve the previous 2,016 blocks such that the average time to solve each block is ten minutes.

**Network Hashrate:** Network Hashrate refers to the total global Hashrate (and related computing power) used in Mining for a given cryptocurrency.

**Petahash:** One quadrillion (1,000,000,000,000,000) hashes per second or one thousand Terahash.

**SHA-256:** SHA stands for Secure Hash Algorithm. The SHA-256 algorithm was designed by the US National Security Agency and is the cryptographic hash function used within the BTC network to validate transactions on the BTC Blockchain.

**Terahash:** One trillion (1,000,000,000,000) hashes per second.

**FORM 52-109F2**  
**CERTIFICATION OF INTERIM FILINGS FULL CERTIFICATE**

I, Emiliano Grodzki, Chief Executive Officer of Bitfarms Ltd., certify the following:

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of Bitfarms Ltd. (the “issuer”) for the interim period ended September 30, 2022.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. **Responsibility:** The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in *National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings*, for the issuer.
5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the end of the period covered by the interim filings:
  - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that:
    - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
    - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
  - (b) designed ICFR, or caused it 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 the issuer’s GAAP.
- 5.1 **Control framework:** The control framework the issuer’s other certifying officer(s) and I used to design the issuer’s ICFR is the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- 5.2 ICFR - material weakness relating to design: N/A
- 5.3 **Limitation on scope of design:** N/A
6. **Reporting changes in ICFR:** The issuer has disclosed in its interim MD&A any change in the issuer’s ICFR that occurred during the period beginning on July 1, 2022 and ended on September 30, 2022 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Date: November 14, 2022

(signed) “Emiliano Grodzki”

Emiliano Grodzki  
Chief Executive Officer

**FORM 52-109F2**  
**CERTIFICATION OF INTERIM FILINGS FULL CERTIFICATE**

I, Jeffrey Lucas, Chief Financial Officer of Bitfarms Ltd., certify the following:

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of Bitfarms Ltd. (the “issuer”) for the interim period ended September 30, 2022.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. **Responsibility:** The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in *National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings*, for the issuer.
5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the end of the period covered by the interim filings:
  - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that:
    - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
    - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
  - (b) designed ICFR, or caused it 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 the issuer’s GAAP.
- 5.1 **Control framework:** The control framework the issuer’s other certifying officer(s) and I used to design the issuer’s ICFR is the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- 5.2 **ICFR - material weakness relating to design:** N/A
- 5.3 **Limitation on scope of design:** N/A
6. **Reporting changes in ICFR:** The issuer has disclosed in its interim MD&A any change in the issuer’s ICFR that occurred during the period beginning on July 1, 2022 and ended on September 30, 2022 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Date: November 14, 2022

(signed) “Jeffrey Lucas”

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Jeffrey Lucas  
Chief Financial Officer



## Bitfarms Reports Third Quarter 2022 Results with Positive Adjusted EBITDA of \$10 million

- Direct cost of production \$500 lower at \$9,400 per BTC -
- 1,515 BTC mined in Q3 2022 and 486 BTC in October 2022 -
- Quarter ended with 4.2 EH/s, Up 17% from June 30, 2022 -
- Final stages of Canadian expansion projects on track for completion by year end -

*This news release constitutes a “designated news release” for the purposes of the Company’s prospectus supplement dated August 16, 2021 to its short form base shelf prospectus dated August 12, 2021.*

**Toronto, Ontario and Brossard, Québec (November 14, 2022)** - Bitfarms Ltd. (NASDAQ: BITF // TSX: BITE), a global Bitcoin self-mining company, reported its financial results for the third quarter ended September 30, 2022. All financial references are in U.S. dollars. During third quarter 2022, Bitfarms mined 1,515 bitcoin (BTC).

“In Q3 2022, we continued to execute our growth plan and deliver industry leading production metrics, which make us confident we will manage current challenges and thrive,” said Geoff Morphy, Bitfarms’ President and COO. “We averaged 16.5 BTC per day in Q3 2022. As a result, we mined 3,733 BTC in the first nine months of 2022, surpassing the 3,453 BTC mined in all of 2021. For the second year in a row, Bitfarms is on pace to be one of the largest known producers of Bitcoin. Consistently one of the reported lowest cost producers, during Q3 2022, we reduced our direct cost of production by 5% to \$9,400 per BTC compared to Q2 2022. In addition, we drove greater efficiencies and discretionary reductions in cash G&A that contributed to further savings, and our total cash costs of production declined 16% to \$14,300 per BTC from Q2 2022. As such, even with recent BTC pricing, we continue to generate positive cash flow from operations and posted \$10 million in Adjusted EBITDA.

“Our corporate hashrate increased by 17% from the beginning of the quarter and by 180% from a year ago to 4.2 exahash per second (EH/s) at September 30, 2022. However, as we enter Q4 2022, we modified our corporate hashrate guidance from 6.0 EH/s to 5.0 EH/s to reflect the impact of the Argentinian macroeconomic environment on the timing of importing miners.

“During the quarter, we strengthened our balance sheet to be better positioned to take advantage of complementary opportunities,” concluded Morphy.

### Financial Highlights for the Quarter ended September 30, 2022

- Total revenue was \$33 million, compared to \$42 million in Q2 2022, reflecting lower average BTC prices, partially offset by increases in Bitfarms' hashrate.
- Gross mining profit\* and gross mining margin\* were \$17 million and 52%, respectively, compared to \$27 million and 66% in Q2 2022, respectively.
- General and administrative expenses, excluding non-cash share-based compensation, were \$6 million, down 15% from Q2 2022.
- Operating loss was \$98 million, including an \$84 million non-cash impairment charge, a \$44 million realized loss on disposition of digital assets, and a \$46 million change in unrealized gain on revaluation of digital assets, compared to an operating loss of \$173 million, which including a \$78 million realized loss on disposition of digital assets, a \$70 million change in unrealized loss on revaluation of digital assets, and an \$18 million impairment on goodwill in Q2 2022.
- Net loss was \$85 million, or (\$0.40) per basic and diluted share, compared to a net loss of \$142 million, or (\$0.70) per basic and diluted share, in Q2 2022.
- Adjusted EBITDA\* was \$10 million, or 31% of revenue, compared to \$19 million, or 45% of revenue, in Q2 2022.
- The Company mined 1,515 BTC at an average direct cost of production per BTC\*\* of \$9,400, compared to \$9,900 in Q2 2022.
- Total cash costs of production per BTC were \$14,300 in Q3 2022, down from \$17,000 in Q2 2022.

### Liquidity at September 30, 2022

At September 30, 2022, the Company held \$36 million in cash and 2,064 BTC valued at approximately \$40 million based upon a BTC price of approximately \$19,400.

“We remain steadfast in our resolve to maintain financial strength and flexibility,” said Jeff Lucas, CFO of Bitfarms. “When the BTC price started to trend lower, we began deleveraging the balance sheet. Since June 1<sup>st</sup>, we have paid down \$94 million in debt, including fully retiring our highest interest rate facilities. As such, we expect to reduce annualized interest by \$9 million.”

### Q3 2022 Financing Activities

- Sold 2,595 BTC for aggregate proceeds of \$56 million.
- Paid down \$15 million of the BTC-backed loan facility reducing it to \$23 million, lowering interest expense by \$2 million on an annualized basis and freeing up approximately \$5 million of required BTC collateral in excess of the loan principal outstanding.
- Paid down equipment-backed term debt by \$12 million, reducing interest expense in future periods.
- Amended the BTC-backed loan, extending the maturity to December 29, 2022 and reducing the collateral requirement from 143% to 135% with the interest rate remaining unchanged at 11.25%.
- Raised \$13 million of net proceeds through the at-the-market equity program.

### Financing Activities Subsequent to September 30, 2022

- Sold daily production, totaling 486 BTC, during October 2022, generating proceeds of \$10 million.
- Continued to deleverage the Company's balance sheet and reduce interest expense by making principal paydowns in October totaling \$3 million and paying off its equipment term loan with the highest interest rate.
- Held 2,064 BTC in custody on October 31, 2022, representing a total value of approximately \$42 million based on a BTC price of \$20,500.
- Raised \$2 million of net proceeds through the at-the-market equity program.
- Finalized terms on sale of the de la Pointe facility with net proceeds of \$3.5 million expected to be received by year end.

### Recent Operating Highlights

- Surpassed 4.4 EH/s corporate hashrate in November with new production coming online in Quebec and Washington.
- Averaged 16.5 BTC per day in daily production for Q3 2022, frequently exceeding 17 BTC per day in daily production.
- Mined 486 BTC in October.
- Received and installed approximately 7,000 miners in Q3 2022, adding more than 600 PH/s to Bitfarms' online hashrate.
- Completed the infrastructure for the remaining four 10 MW modules in warehouse 1 in Rio Cuarto.
- In Sherbrooke, Québec:
  - At Garlock, energized the first 6 MW of the 18,000 square foot expansion in early November with the full 18 MW expected by early December.
  - At Phase 3 of The Bunker, energized 6 MW in late October with the remaining 6 MW expected to be online by early December.
  - Upon retirement of de la Pointe, Sherbrooke will consist of three farms in close proximity that are scheduled to have 96 MW operational by year end.
- Increased total electrical capacity by 39 MW to 176 MW at September 30, 2022, up 28% from June 30, 2022. And, with the October energization of 6 MW at the Phase 3 of the Bunker, total capacity now stands at 182 MW.

## Expansion Update

Bitfarms' infrastructure construction contracts are projected to bring total capacity to 5.0 EH/s as of December 31, 2022.

## Quarterly Operating Performance

<b>Key Performance Indicators</b>	<b>Q3 2022</b>	<b>Q2 2022</b>	<b>Q3 2021</b>
Total BTC Mined	1,515	1,257	1,050
Quarter End Operating Hashrate	4.2	3.6	1.5
BTC/ Avg EH	400	392	742
Operating Capacity (MW)	176	137	69
Hydropower MW	166	137	69
Watts/TH Efficiency	40	41	46
BTC Sold	2,595	3,375	31

## Quarterly Operating Production

<b>Quarter</b>	<b>BTC Mined 2022</b>	<b>BTC Mined 2021</b>
Q1	961	598
Q2	1,257	759
Q3	1,515	1,050
<b>Total YTD Sep. 30</b>	<b>3,733</b>	<b>2,407</b>

## Average Direct Cost of Production per BTC\*\* (rounded to nearest \$100)

<b>Q3 2022</b>	<b>Q2 2022</b>	<b>Q1 2022</b>	<b>Q4 2021</b>	<b>Q3 2021</b>
\$ 9,400	\$ 9,900	\$ 8,700	\$ 8,000	\$ 6,900

Bitfarms' average direct cost of production\*\* in Q3 2022 was \$9,400, among the lowest reported in the industry, reflecting a decrease in BTC network difficulty of about 1% and by improvements in operating efficiency during the quarter.

## Conference Call

Management will host a conference call and live webcast with an accompanying presentation today, Monday, November 14, at 11 a.m. ET to review the financial results and quarterly activity. Following management's formal remarks there will be a live question-and-answer session, which may include pre-submitted questions. Participants are asked to pre-register for the call through the following link:

### [Q3 2022 Conference Call](#)

Please note that registered participants will receive their dial in number upon registration and will dial directly into the call without delay. Those without internet access or unable to pre-register may dial in by calling: 1-866-777-2509 (domestic), 1-412-317-5413 (international). All callers should dial in approximately 10 minutes prior to the scheduled start time and ask to be joined into the Bitfarms call.

The conference call will also be available through a live webcast found here:

### Live Webcast

A webcast replay of the call will be available approximately one hour after the end of the call and will be available for one year, at the above webcast link. A telephonic replay of the call will be available through November 21, 2022 and may be accessed by calling 1-877-344-7529 (domestic) or 1-412-317-0088 (international) or Canada (toll free) 855-669-9658 and using access code 1280031. A presentation of the Q3 2022 results will be accessible on Monday, November 21, 2022, under the “Investors” section of Bitfarms’ website.

*\*Gross mining profit, Gross mining margin, EBITDA, EBITDA margin, Adjusted EBITDA and Adjusted EBITDA margin are non-IFRS financial measures and should be read in conjunction with, and should not be viewed as alternatives to or replacements of, measures of operating results and liquidity presented in accordance with IFRS and refer readers to reconciliations of Non-IFRS measures included in the Company’s MD&A and at the end of this press release.*

*\*\*Represents the direct cost of Bitcoin based on the total electricity costs, net of the gain on disposition of marketable securities used to pay Argentina energy costs in Argentine Pesos, and, where applicable, hosting costs related to the mining of Bitcoin, excluding electricity consumed by hosting clients, divided by the total number of Bitcoin mined.*

### **About Bitfarms Ltd.**

Founded in 2017, Bitfarms is a global, publicly traded (NASDAQ/TSX: BITF) Bitcoin self-mining company. Bitfarms runs vertically integrated mining operations with in-house management and company-owned electrical engineering, installation service, and onsite technical repair. The Company’s proprietary data analytics system delivers best-in-class operational performance and accelerated uptime.

Bitfarms has 10 mining facilities in production around the world, which are housed in four countries: Canada, the United States, Paraguay, and Argentina. Powered by predominantly environmentally friendly hydro-electric and long-term power contracts, Bitfarms is committed to using renewable, locally based, and often underutilized energy infrastructure.

To learn more about Bitfarms’ events, developments, and online communities:

Website: [www.bitfarms.com](http://www.bitfarms.com)

<https://www.facebook.com/bitfarms/>

[https://twitter.com/Bitfarms\\_io](https://twitter.com/Bitfarms_io)

<https://www.instagram.com/bitfarms/>

<https://www.linkedin.com/company/bitfarms/>

### **Cautionary Statement**

*Trading in the securities of the Company should be considered highly speculative. No stock exchange, securities commission or other regulatory authority has approved or disapproved the information contained herein. Neither the Toronto Stock Exchange, Nasdaq, or any other securities exchange or regulatory authority accepts responsibility for the adequacy or accuracy of this release.*

## **Forward-Looking Statements**

*This news release contains certain “forward-looking information” and “forward-looking statements” (collectively, “forward-looking information”) that are based on expectations, estimates and projections as at the date of this news release and are covered by safe harbors under Canadian and United States securities laws. The statements and information in this release regarding expansion plans, including construction in Argentina and Québec, and potential strategic opportunities, expectations for monthly growth, targets, and goals for productive capacity and hashrates, debt reduction and liquidity including the ability to lower interest payments and manage bitcoin holding, and other future plans and objectives of the Company are forward-looking information. Other forward-looking information includes, but is not limited to, information concerning: the intentions, plans and future actions of the Company, as well as Bitfarms’ ability to successfully mine digital currency, revenue increasing as currently anticipated, the ability to profitably liquidate current and future digital currency inventory, volatility of network difficulty and digital currency prices and the potential resulting significant negative impact on the Company’s operations, the construction and operation of expanded blockchain infrastructure as currently planned, and the regulatory environment for cryptocurrency in the applicable jurisdictions.*

*Any statements that involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as “expects”, or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “budget”, “scheduled”, “forecasts”, “estimates”, “believes” or “intends” or variations of such words and phrases or stating that certain actions, events or results “may” or “could”, “would”, “might” or “will” be taken to occur or be achieved) are not statements of historical fact and may be forward-looking information and are intended to identify forward-looking information.*

This forward-looking information is based on assumptions and estimates of management of the Company at the time they were made, and involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Such factors include, among others, risks relating to: the global economic climate; dilution; the Company’s limited operating history; future capital needs and uncertainty of additional financing, including the Company’s ability to utilize the Company’s at-the-market offering (the “ATM Program”) and the prices at which the Company may sell Common Shares in the ATM Program, as well as capital market conditions in general; risks relating to the strategy of maintaining and increasing Bitcoin holdings and the impact of depreciating Bitcoin prices on working capital; the competitive nature of the industry; currency exchange risks; the need for the Company to manage its planned growth and expansion; the effects of product development and need for continued technology change; the ability to maintain reliable and economical sources of power to run its cryptocurrency mining assets; the impact of energy curtailment or regulatory changes in the energy regimes in the jurisdictions in which the Company operates; protection of proprietary rights; the effect of government regulation and compliance on the Company and the industry; network security risks; the ability of the Company to maintain properly working systems; reliance on key personnel; global economic and financial market deterioration impeding access to capital or increasing the cost of capital; share dilution resulting from the ATM Program and from other equity issuances; and volatile securities markets impacting security pricing unrelated to operating performance. In addition, particular factors that could impact future results of the business of Bitfarms include, but are not limited to: the construction and operation of facilities may not occur as currently planned, or at all; expansion may not materialize as currently anticipated, or at all; the digital currency market; the ability to successfully mine digital currency; revenue may not increase as currently anticipated, or at all; it may not be possible to profitably liquidate the current digital currency inventory, or at all; a decline in digital currency prices may have a significant negative impact on operations; an increase in network difficulty may have a significant negative impact on operations; the volatility of digital currency prices; the anticipated growth and sustainability of hydroelectricity for the purposes of cryptocurrency mining in the applicable jurisdictions; the inability to maintain reliable and economical sources of power for the Company to operate cryptocurrency mining assets; the risks of an increase in the Company’s electricity costs, cost of natural gas, changes in currency exchange rates, energy curtailment or regulatory changes in the energy regimes in the jurisdictions in which the Company operates and the adverse impact on the Company’s profitability; the ability to complete current and future financings, any regulations or laws that will prevent Bitfarms from operating its business; historical prices of digital currencies and the ability to mine digital currencies that will be consistent with historical prices; an inability to predict and counteract the effects of COVID-19 on the business of the Company, including but not limited to the effects of COVID-19 on the price of digital currencies, capital market conditions, restriction on labour and international travel and supply chains; and, the adoption or expansion of any regulation or law that will prevent Bitfarms from operating its business, or make it more costly to do so. For further information concerning these and other risks and uncertainties, refer to the Company’s filings on [www.SEDAR.com](http://www.SEDAR.com) (which are also available on the website of the U.S. Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov)), including the annual information form for the year-ended December 31, 2021, filed on March 28, 2022. The Company has also assumed that no significant events occur outside of Bitfarms’ normal course of business. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those expressed in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on any forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.

## **Contacts:**

### **LHA Investor Relations**

David Barnard  
+1 415-433-3777  
[Investors@bitfarms.com](mailto:Investors@bitfarms.com)

### **Actual Agency**

Matt Weaver  
+1 339-234-3332  
[mediarelations@bitfarms.com](mailto:mediarelations@bitfarms.com)

### **Québec Media: Tact**

Louis-Martin Leclerc  
+1 418-693-2425  
[lmleclerc@tactconseil.ca](mailto:lmleclerc@tactconseil.ca)

Bitfarms Ltd. Consolidated Results of Operations Data

(U.S.S in thousands except where indicated)	Three months ended September 30,				Nine months ended September 30,			
	2022	2021	\$ Change	% Change	2022	2021	\$ Change	% Change
<b>Revenues</b>	<b>33,247</b>	44,774	(11,527)	(26)%	<b>115,391</b>	109,893	5,498	5%
Cost of sales	<b>37,186</b>	15,306	21,880	143%	<b>92,789</b>	37,758	55,031	146%
<b>Gross (loss) profit</b>	<b>(3,939)</b>	29,468	(33,407)	(113)%	<b>22,602</b>	72,135	(49,533)	(69)%
Gross margin	<b>(12)%</b>	66%	—	—	<b>20%</b>	66%	—	—
<b>Operating expenses</b>								
General and administrative expenses	<b>10,299</b>	10,884	(585)	(5)%	<b>39,534</b>	24,310	15,224	63%
Realized loss on disposition of digital assets	<b>44,329</b>	177	44,152	<i>nm</i>	<b>122,243</b>	152	122,091	<i>nm</i>
Change in unrealized (gain) loss on revaluation of digital assets	<b>(45,655)</b>	(13,893)	(31,762)	229%	<b>21,118</b>	992	20,126	<i>nm</i>
Loss (gain) on disposition of property, plant and equipment	<b>756</b>	70	686	980%	<b>1,692</b>	(95)	1,787	<i>nm</i>
Impairment on equipment and construction prepayments, property, plant and equipment and right-of-use assets	<b>84,116</b>	—	84,116	100%	<b>84,116</b>	—	84,116	100%
Impairment on goodwill	<b>—</b>	—	—	—	<b>17,900</b>	—	17,900	100%
Impairment reversal on property, plant and equipment	<b>—</b>	(1,860)	1,860	100%	<b>—</b>	(1,860)	1,860	100%
<b>Operating (loss) income</b>	<b>(97,784)</b>	34,090	(131,874)	(387)%	<b>(264,001)</b>	48,636	(312,637)	(643)%
Operating margin	<b>(294)%</b>	76%	—	—	<b>(229)%</b>	44%	—	—
Net financial (income) expenses	<b>(8,251)</b>	(616)	(7,635)	<i>nm</i>	<b>(24,191)</b>	23,936	(48,127)	(201)%
<b>Net (loss) income before income taxes</b>	<b>(89,533)</b>	34,706	(124,239)	(358)%	<b>(239,810)</b>	24,700	(264,510)	<i>nm</i>
Income tax (recovery) expense	<b>(4,725)</b>	10,973	(15,698)	(143)%	<b>(17,603)</b>	12,247	(29,850)	(244)%
<b>Net (loss) income and total comprehensive (loss) income</b>	<b>(84,808)</b>	23,733	(108,541)	(457)%	<b>(222,207)</b>	12,453	(234,660)	<i>nm</i>
Basic (loss) earnings per share (in U.S. dollars)	<b>(0.40)</b>	0.14	—	—	<b>(1.09)</b>	0.08	—	—
Diluted (loss) earnings per share (in U.S. dollars)	<b>(0.40)</b>	0.13	—	—	<b>(1.09)</b>	0.08	—	—
Gross mining profit <sup>(1)</sup>	<b>16,789</b>	35,448	(18,659)	(53)%	<b>74,089</b>	85,782	(11,693)	(14)%
Gross mining margin <sup>(1)</sup>	<b>52%</b>	82%	—	—	<b>66%</b>	80%	—	—
EBITDA <sup>(1)</sup>	<b>(65,419)</b>	41,755	(107,174)	(257)%	<b>(177,217)</b>	41,472	(218,689)	(527)%
EBITDA margin <sup>(1)</sup>	<b>(197)%</b>	93%	—	—	<b>(154)%</b>	38%	—	—
Adjusted EBITDA <sup>(1)</sup>	<b>10,317</b>	29,762	(19,445)	(65)%	<b>50,442</b>	73,265	(22,823)	(31)%
Adjusted EBITDA margin <sup>(1)</sup>	<b>31%</b>	66%	—	—	<b>44%</b>	67%	—	—

*nm*: not meaningful

(1) Gross mining profit, Gross mining margin, EBITDA, EBITDA margin, Adjusted EBITDA and Adjusted EBITDA margin, are non-IFRS performance measures; refer to the Non-IFRS Financial Performance Measures section of the Company's MD&A.

Bitfarms Ltd. Reconciliation of Consolidated Net Income (loss) to EBITDA and Adjusted EBITDA

(U.S.S in thousands except where indicated)	Three months ended				Nine months ended			
	2022	2021	\$ Change	% Change	2022	2021	\$ Change	% Change
<b>Revenues</b>	<b>33,247</b>	44,774	(11,527)	(26)%	<b>115,391</b>	109,893	5,498	5%
<b>Net (loss) income before income taxes</b>	<b>(89,533)</b>	34,706	(124,239)	(358)%	<b>(239,810)</b>	24,700	(264,510)	<i>nm</i>
Interest expense	<b>3,394</b>	788	2,606	331%	<b>10,950</b>	2,583	8,367	324%
Depreciation and amortization expense	<b>20,720</b>	6,261	14,459	231%	<b>51,643</b>	14,189	37,454	264%
<b>EBITDA</b>	<b>(65,419)</b>	41,755	(107,174)	(257)%	<b>(177,217)</b>	41,472	(218,689)	(527)%
Share-based payment	<b>3,961</b>	5,787	(1,826)	(32)%	<b>17,993</b>	12,549	5,444	43%
Realized loss on disposition of digital assets	<b>44,329</b>	177	44,152	<i>nm</i>	<b>122,243</b>	152	122,091	<i>nm</i>
Change in unrealized (gain) loss on revaluation of digital assets	<b>(45,655)</b>	(13,893)	(31,762)	229%	<b>21,118</b>	992	20,126	<i>nm</i>
Impairment on equipment and construction prepayments, property, plant and equipment and right-of-use assets	<b>84,116</b>	—	84,116	100%	<b>84,116</b>	—	84,116	100%
Impairment on goodwill	—	—	—	—%	<b>17,900</b>	—	17,900	100%
Impairment reversal on property, plant and equipment	—	(1,860)	1,860	100%	—	(1,860)	1,860	100%
Net financial (income) expenses and other	<b>(11,015)</b>	(2,204)	(8,811)	400%	<b>(35,711)</b>	19,960	(55,671)	(279)%
<b>Adjusted EBITDA</b>	<b>10,317</b>	29,762	(19,445)	(65)%	<b>50,442</b>	73,265	(22,823)	(31)%
<b>Adjusted EBITDA margin</b>	<b>31%</b>	66%	—	—	<b>44%</b>	67%	—	—

*nm*: not meaningful

Bitfarms Ltd. Calculation of Gross Mining Profit and Gross Mining Margin

(U.S.\$ in thousands except where indicated)	Three months ended September 30,				Three months ended September 30,			
	2022	2021	\$ Change	% Change	2022	2021	\$ Change	% Change
<b>Gross (loss) profit</b>	<b>(3,939)</b>	29,468	(33,407)	(113)%	<b>22,602</b>	72,135	(49,533)	(69)%
Non-mining revenues (1)	(971)	(1,315)	344	(26)%	(2,342)	(3,219)	877	(27)%
Depreciation and amortization expense	20,720	6,261	14,459	231%	51,643	14,189	37,454	264%
Purchases of electrical components and other	690	586	104	18%	1,262	1,387	(125)	(9)%
Electrician salaries and payroll taxes	289	448	(159)	(35)%	924	1,290	(366)	(28)%
<b>Gross mining profit (2)</b>	<b>16,789</b>	35,448	(18,659)	(53)%	<b>74,089</b>	85,782	(11,693)	(14)%
<b>Gross mining margin</b>	<b>52%</b>	82%	—	—	<b>66%</b>	80%	—	—

(1) Non-mining revenues reconciliation:

(U.S.\$ in thousands except where indicated)	Three months ended September 30,				Nine months ended September 30,			
	2022	2021	\$ Change	% Change	2022	2021	\$ Change	% Change
<b>Revenues</b>	<b>33,247</b>	44,774	(11,527)	(26)%	<b>115,391</b>	109,893	5,498	5%
Less mining related revenues for the purpose of calculating gross mining margin:								
Mining revenues	(32,276)	(43,459)	11,183	(26)%	(113,049)	(106,001)	(7,048)	7%
Hosting revenues	—	—	—	—%	—	(673)	673	100%
<b>Non-mining revenues</b>	<b>971</b>	1,315	(344)	(26)%	<b>2,342</b>	3,219	(877)	(27)%

(2) “Gross mining profit” is defined as Gross profit excluding depreciation and amortization and other minor items included in cost of sales that do not directly relate to mining related activities. “Gross mining margin” is defined as the percentage obtained when dividing Gross mining profit by Revenues from mining related activities.