

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

FORM 40-F

☒ Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934

or

☐ Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended \_\_\_\_\_

Commission File Number \_\_\_\_\_

**Bitfarms Ltd.**  
(Exact name of Registrant as specified in its charter)

| Canada<br>(Province or other jurisdiction of<br>incorporation or organization)                                                                                         | 7379<br>(Primary Standard Industrial<br>Classification Code Number) | N/A<br>(I.R.S. Employer<br>Identification Number) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------|
| 18 King Street East<br>Suite 902<br>Toronto, Ontario M5C 1C4<br>Canada<br>(647) 259-1790<br>(Address and telephone number of Registrant's principal executive offices) |                                                                     |                                                   |

Cogency Global Inc.  
122 E. 42nd Street, 18th Floor  
New York, New York 10168  
(800) 221-0102  
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---------------------|-------------------|-------------------------------------------|
| Common Shares       | BITF              | Nasdaq Stock Market LLC                   |

Securities registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

For annual reports, indicate by check mark the information filed with this Form:

☐ Annual information form

☐ Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: **N/A**

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☐ No ☒

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).

Yes ☐ No ☐

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.

Emerging growth company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards<sup>†</sup> provided pursuant to Section 13(a) of the Exchange Act. ☐

<sup>†</sup> The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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## **EXPLANATORY NOTE**

Bitfarms Ltd. (the “Registrant”) is a Canadian issuer whose common shares are listed on the TSX Venture Exchange and is eligible to file its registration statement pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), on Form 40-F pursuant to the U.S.-Canadian Multijurisdictional Disclosure System. The Registrant is a “foreign private issuer” as defined in Rule 3b-4 under the Exchange Act. Equity securities of the Registrant are accordingly exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3.

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## FORWARD LOOKING STATEMENTS

The Exhibits incorporated by reference into this Registration Statement of the Registrant contain forward-looking statements. All statements, other than statements of historical fact, incorporated by reference are forward-looking information. Generally, forward-looking information may be identified by the use of forward-looking terminology such as “plans,” “expects” or “does not expect,” “proposed,” “is expected,” “budgets,” “scheduled,” “estimates,” “forecasts,” “intends,” “anticipates” or “does not anticipate,” or “believes,” or variations of such words and phrases, or by the use of words or phrases which state that certain actions, events or results may, could, would, or might occur or be achieved. There can be no assurance that such forward-looking information will prove to be accurate, and actual results and future events could differ materially from those anticipated in such forward-looking information. The Registrant’s forward-looking statements contained in the Exhibits incorporated by reference into this Registration Statement are made as of the respective dates set forth in such Exhibits and on assumptions the Registrant believed were reasonable as of such date. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Registrant to be materially different from those expressed or implied by such forward-looking information. Such risks and other factors may include, but are not limited to:

- risks relating to the global economic climate;
- dilution;
- the Registrant’s limited operating history;
- future capital needs and uncertainty of additional financing;
- the competitive nature of the industry;
- currency exchange risks;
- the need for the Registrant to manage its planned growth and expansion;
- the effects of product development and need for continued technology change;
- protection of proprietary rights;
- the effect of government regulation and compliance on the Registrant and the industry;
- network security risks;
- the ability of the Registrant 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;
- volatile securities markets impacting security pricing unrelated to operating performance;
- the construction and operation of Blockchain infrastructure may not occur as currently planned, or at all;
- the Registrant's 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 Registrant's current or future 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 Province of Québec and elsewhere including decisions of power regulators on rates and power access;
- any regulations or laws that will prevent the Registrant from operating its business including local laws relating to noise levels and other operational matters;
- historical prices of digital currencies and the ability to mine digital currencies that will be consistent with historical prices; and
- an inability to predict and counteract the effects of COVID-19 on the business of the Registrant, including but not limited to the effects of COVID-19 on the price of digital currencies, capital market conditions, restriction on labor and international travel and supply chains.

A description of assumptions used to develop such forward-looking information and a description of additional risk factors that may cause actual results to differ materially from forward-looking information can be found in the Registrant's disclosure documents, such as the Registrant's Annual Information Form for the year ended December 31, 2020, dated April 7, 2021 (the "AIF"), on the SEDAR website at [www.sedar.com](http://www.sedar.com), attached hereto as Exhibit 99.123. Although the Registrant has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Readers are cautioned that the foregoing list of factors is not exhaustive. Readers are further cautioned not to place undue reliance on forward-looking information as there can be no assurance that the plans, intentions or expectations upon which they are placed will occur. Forward-looking information contained in the Exhibits incorporated by reference are expressly qualified by this cautionary statement. The forward-looking information contained in the Exhibits incorporated by reference represents the expectations of the Registrant as of the date of such Exhibit and, accordingly, is subject to change after such date. However, the Registrant expressly disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities law.

## **DIFFERENCES IN UNITED STATES AND CANADIAN REPORTING PRACTICES**

The Registrant is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare this report in accordance with Canadian disclosure requirements, which are different from those of the United States. The Registrant prepares its financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board, and the audit is subject to Canadian auditing standards. IFRS differs in certain respects from United States generally accepted accounting principles (“US GAAP”) and from practices prescribed by the SEC. Therefore, the Registrant’s financial statements filed with this registration statement may not be comparable to financial statements prepared in accordance with U.S. GAAP.

## **PRINCIPAL DOCUMENTS**

In accordance with General Instruction B.(1) of Form 40-F, the Registrant hereby incorporates by reference Exhibits 99.1 through 99.138, inclusive, as set forth in the Exhibit Index attached hereto.

In accordance with General Instruction D.(9) of Form 40-F, the Registrant has filed the written consents of the independent auditors named in the foregoing Exhibits as Exhibits 99.137 and 99.138, as set forth in the Exhibit Index attached hereto.

## **TAX MATTERS**

Purchasing, holding, or disposing of securities of the Registrant may have tax consequences under the laws of the United States and Canada that are not described in this registration statement on Form 40-F.

## **DESCRIPTION OF COMMON SHARES**

The required disclosure is included under the heading “Description of Capital Structure” in the Registrant’s AIF, attached hereto as Exhibit 99.123.

## **CURRENCY**

Unless otherwise indicated, all dollar amounts in this Registration Statement on Form 40-F are in United States dollars.

## CONTRACTUAL OBLIGATIONS

The following table lists information with respect to the Registrant's known contractual obligations as of December 31, 2020.

| Contractual Obligations             | Payments due by period (\$ in thousands) |                     |                 |                 |                      |
|-------------------------------------|------------------------------------------|---------------------|-----------------|-----------------|----------------------|
|                                     | Total                                    | Less than<br>1 year | 1-3 years       | 3-5 years       | More than<br>5 years |
| Long-Term Debt Obligations*         | \$ 19,011                                | \$ 18,840           | \$ 129          | \$ 42           | \$ -                 |
| Capital (Finance) Lease Obligations | \$ 6,051                                 | \$ 3,529            | \$ 2,512        | \$ 10           | \$ -                 |
| Operating Lease Obligations         | \$ 7,700                                 | \$ 1,204            | \$ 2,299        | \$ 1,926        | \$ 2,271             |
| Purchase Obligations                | \$ -                                     | \$ -                | \$ -            | \$ -            | \$ -                 |
| Other Long-Term Liabilities         | \$ 209                                   | \$ -                | \$ 78           | \$ -            | \$ 131               |
| <b>Total</b>                        | <b>\$ 32,971</b>                         | <b>\$ 23,573</b>    | <b>\$ 5,018</b> | <b>\$ 1,978</b> | <b>\$ 2,402</b>      |

\*As disclosed in the Company's Consolidated Financial Statements as of and for the years ended December 31, 2020 and 2019, dated March 24, 2021, attached hereto as Exhibit 99.112, Long-Term Debt Obligations presented in the Less than 1 year column in the table above, in the amount of \$18,758, were repaid in full in January and February 2021.

## UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

*A. Undertaking.* The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to the securities registered pursuant to Form 40-F or transactions in said securities.

*B. Consent to Service of Process.* The Registrant has concurrently filed a Form F-X in connection with the class of securities to which this Registration Statement relates. Any change to the name or address of the Registrant's agent for service shall be communicated promptly to the Commission by amendment to the Form F-X referencing the file number of the Registrant.

## EXHIBIT INDEX

The following documents are being filed with the Commission as Exhibits to this Registration Statement:

| Exhibit | Description                                                                                                           |
|---------|-----------------------------------------------------------------------------------------------------------------------|
| 99.1    | <a href="#">Notice of Special Meeting of Shareholders dated January 2, 2020</a>                                       |
| 99.2    | <a href="#">Notice of Special Meeting of Shareholders &amp; Management Information Circular dated January 2, 2020</a> |
| 99.3    | <a href="#">Form of Proxy for Special Meeting of Shareholders on February 4, 2020</a>                                 |
| 99.4    | <a href="#">Certification of Mailing of Proxy-Related Materials dated January 14, 2020</a>                            |
| 99.5    | <a href="#">Report of Voting Results from Special Meeting of Shareholders on February 4, 2020</a>                     |
| 99.6    | <a href="#">News Release dated February 20, 2020</a>                                                                  |
| 99.7    | <a href="#">News Release dated February 28, 2020</a>                                                                  |
| 99.8    | <a href="#">Early Warning Report dated February 28, 2020</a>                                                          |
| 99.9    | <a href="#">News Release dated March 11, 2020</a>                                                                     |
| 99.10   | <a href="#">Material Change Report dated March 21, 2020</a>                                                           |

|       |                                                                                                                                                    |
|-------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| 99.11 | <a href="#">News Release dated April 6, 2020</a>                                                                                                   |
| 99.12 | <a href="#">News Release dated April 17, 2020</a>                                                                                                  |
| 99.13 | <a href="#">ON Class 1 Reporting Issuers and Class 3B Reporting Issuers—Participation Fee Management Certification of CFO dated April 29, 2020</a> |
| 99.14 | <a href="#">Consolidated Financial Statements as of and for the years ended December 31, 2019 and 2018, dated April 29, 2020</a>                   |
| 99.15 | <a href="#">Management’s Discussion &amp; Analysis for the year ended December 31, 2019, dated April 29, 2020</a>                                  |
| 99.16 | <a href="#">CEO Certification of Annual Filings Venture Issuer Basic Certificate dated April 29, 2020</a>                                          |
| 99.17 | <a href="#">CFO Certification of Annual Filings Venture Issuer Basic Certificate dated April 29, 2020</a>                                          |
| 99.18 | <a href="#">News Release dated April 29, 2020</a>                                                                                                  |
| 99.19 | <a href="#">Notice of Record and Meeting Dates dated April 29, 2020</a>                                                                            |
| 99.20 | <a href="#">Certificate pursuant to subsection 2.20(c) of National Instrument 54-101 dated April 29, 2020</a>                                      |
| 99.21 | <a href="#">News Release dated May 15, 2020</a>                                                                                                    |
| 99.22 | <a href="#">News Release dated May 19, 2020</a>                                                                                                    |
| 99.23 | <a href="#">Notice of Annual General Meeting of Shareholders dated May 20, 2020</a>                                                                |
| 99.24 | <a href="#">Notice of Annual General Meeting of Shareholders &amp; Management Information Circular dated May 20, 2020</a>                          |
| 99.25 | <a href="#">News Release dated May 22, 2020</a>                                                                                                    |
| 99.26 | <a href="#">News Release dated June 1, 2020</a>                                                                                                    |
| 99.27 | <a href="#">Material Change Report dated June 1, 2020</a>                                                                                          |
| 99.28 | <a href="#">Form of Proxy for Annual General Meeting of Shareholders on June 29, 2020</a>                                                          |
| 99.29 | <a href="#">Certification of Mailing of Proxy-Related Materials dated June 9, 2020</a>                                                             |
| 99.30 | <a href="#">Letter from Former Auditor dated June 17, 2020</a>                                                                                     |
| 99.31 | <a href="#">Letter from Successor Auditor dated June 17, 2020</a>                                                                                  |
| 99.32 | <a href="#">Change of Auditor Notice dated June 18, 2020</a>                                                                                       |
| 99.33 | <a href="#">Material Change Report dated June 19, 2020</a>                                                                                         |
| 99.34 | <a href="#">News Release dated June 19, 2020</a>                                                                                                   |
| 99.35 | <a href="#">Material Change Report dated June 24, 2020</a>                                                                                         |
| 99.36 | <a href="#">News Release dated June 24, 2020</a>                                                                                                   |
| 99.37 | <a href="#">Interim Condensed Consolidated Financial Statements as of and for the three months ended March 31, 2020 and 2019 (Unaudited)</a>       |



|       |                                                                                                                                                            |
|-------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 99.38 | <a href="#"><u>Management's Discussion &amp; Analysis for the three months ended March 31, 2020, dated June 24, 2020</u></a>                               |
| 99.39 | <a href="#"><u>CEO Certification of Interim Filings Venture Issuer Basic Certificate dated June 24, 2020</u></a>                                           |
| 99.40 | <a href="#"><u>CFO Certification of Interim Filings Venture Issuer Basic Certificate dated June 24, 2020</u></a>                                           |
| 99.41 | <a href="#"><u>Material Change Report dated June 29, 2020</u></a>                                                                                          |
| 99.42 | <a href="#"><u>News Release dated June 29, 2020</u></a>                                                                                                    |
| 99.43 | <a href="#"><u>Material Change Report dated August 20, 2020</u></a>                                                                                        |
| 99.44 | <a href="#"><u>News Release dated August 20, 2020</u></a>                                                                                                  |
| 99.45 | <a href="#"><u>Material Change Report dated August 28, 2020</u></a>                                                                                        |
| 99.46 | <a href="#"><u>News Release dated August 28, 2020</u></a>                                                                                                  |
| 99.47 | <a href="#"><u>Interim Condensed Consolidated Financial Statements as of and for the three and six months ended June 30, 2020 and 2019 (Unaudited)</u></a> |
| 99.48 | <a href="#"><u>Management's Discussion &amp; Analysis for the three and six months ended June 30, 2020, dated August 28, 2020</u></a>                      |
| 99.49 | <a href="#"><u>CEO Certification of Interim Filings Venture Issuer Basic Certificate dated August 28, 2020</u></a>                                         |
| 99.50 | <a href="#"><u>CFO Certification of Interim Filings Venture Issuer Basic Certificate dated August 28, 2020</u></a>                                         |
| 99.51 | <a href="#"><u>Material Change Report dated August 31, 2020</u></a>                                                                                        |
| 99.52 | <a href="#"><u>News Release dated August 31, 2020</u></a>                                                                                                  |
| 99.53 | <a href="#"><u>Material Change Report dated September 14, 2020</u></a>                                                                                     |
| 99.54 | <a href="#"><u>News Release dated September 14, 2020</u></a>                                                                                               |
| 99.55 | <a href="#"><u>Material Change Report dated September 21, 2020</u></a>                                                                                     |
| 99.56 | <a href="#"><u>News Release dated September 21, 2020</u></a>                                                                                               |
| 99.57 | <a href="#"><u>Material Change Report dated October 13, 2020</u></a>                                                                                       |
| 99.58 | <a href="#"><u>News Release dated October 13, 2020</u></a>                                                                                                 |
| 99.59 | <a href="#"><u>Material Change Report dated October 26, 2020</u></a>                                                                                       |
| 99.60 | <a href="#"><u>News Release dated October 26, 2020</u></a>                                                                                                 |
| 99.61 | <a href="#"><u>Material Change Report dated October 28, 2020</u></a>                                                                                       |
| 99.62 | <a href="#"><u>News Release dated October 28, 2020</u></a>                                                                                                 |
| 99.63 | <a href="#"><u>Material Change Report dated November 9, 2020</u></a>                                                                                       |

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| 99.64 | <a href="#"><u>News Release dated November 9, 2020</u></a>                                                                                                       |
| 99.65 | <a href="#"><u>News Release dated November 13, 2020</u></a>                                                                                                      |
| 99.66 | <a href="#"><u>Interim Condensed Consolidated Financial Statements as of and for the three and nine months ended September 30, 2020 and 2019 (Unaudited)</u></a> |
| 99.67 | <a href="#"><u>Management's Discussion &amp; Analysis for the three and nine months ended September 30, 2020, dated November 25, 2020</u></a>                    |
| 99.68 | <a href="#"><u>CEO Certification of Interim Filings Venture Issuer Basic Certificate dated November 26, 2020</u></a>                                             |
| 99.69 | <a href="#"><u>CFO Certification of Interim Filings Venture Issuer Basic Certificate dated November 26, 2020</u></a>                                             |
| 99.70 | <a href="#"><u>Material Change Report dated November 26, 2020</u></a>                                                                                            |
| 99.71 | <a href="#"><u>News Release dated November 26, 2020</u></a>                                                                                                      |
| 99.72 | <a href="#"><u>Notice Declaring Intention to Qualify Short Form Prospectus dated November 27, 2020</u></a>                                                       |
| 99.73 | <a href="#"><u>Material Change Report dated December 22, 2020</u></a>                                                                                            |
| 99.74 | <a href="#"><u>News Release dated December 22, 2020</u></a>                                                                                                      |
| 99.75 | <a href="#"><u>Material Change Report dated December 29, 2020</u></a>                                                                                            |
| 99.76 | <a href="#"><u>News Release dated December 29, 2020</u></a>                                                                                                      |
| 99.77 | <a href="#"><u>News Release dated January 3, 2021</u></a>                                                                                                        |
| 99.78 | <a href="#"><u>Material Change Report dated January 4, 2021</u></a>                                                                                              |
| 99.79 | <a href="#"><u>Material Change Report dated January 7, 2021</u></a>                                                                                              |
| 99.80 | <a href="#"><u>News Release dated January 7, 2021</u></a>                                                                                                        |
| 99.81 | <a href="#"><u>News Release dated January 10, 2021</u></a>                                                                                                       |
| 99.82 | <a href="#"><u>Material Change Report dated January 11, 2021</u></a>                                                                                             |
| 99.83 | <a href="#"><u>News Release dated January 13, 2021</u></a>                                                                                                       |
| 99.84 | <a href="#"><u>Material Change Report dated January 14, 2021</u></a>                                                                                             |
| 99.85 | <a href="#"><u>Material Change Report dated January 14, 2021</u></a>                                                                                             |
| 99.86 | <a href="#"><u>News Release dated January 14, 2021</u></a>                                                                                                       |
| 99.87 | <a href="#"><u>Early Warning Report dated January 25, 2021</u></a>                                                                                               |
| 99.88 | <a href="#"><u>News Release dated January 25, 2021</u></a>                                                                                                       |
| 99.89 | <a href="#"><u>Material Change Report dated February 4, 2021</u></a>                                                                                             |
| 99.90 | <a href="#"><u>News Release dated February 4, 2021</u></a>                                                                                                       |

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| 99.91  | <a href="#"><u>News Release dated February 7, 2021</u></a>                                                                                                |
| 99.92  | <a href="#"><u>Material Change Report dated February 8, 2021</u></a>                                                                                      |
| 99.93  | <a href="#"><u>Material Change Report dated February 10, 2021</u></a>                                                                                     |
| 99.94  | <a href="#"><u>News Release dated February 10, 2021</u></a>                                                                                               |
| 99.95  | <a href="#"><u>Material Change Report dated February 18, 2021</u></a>                                                                                     |
| 99.96  | <a href="#"><u>News Release dated February 18, 2021</u></a>                                                                                               |
| 99.97  | <a href="#"><u>Material Change Report dated February 23, 2021</u></a>                                                                                     |
| 99.98  | <a href="#"><u>News Release dated February 23, 2021</u></a>                                                                                               |
| 99.99  | <a href="#"><u>Material Change Report dated March 2, 2021</u></a>                                                                                         |
| 99.100 | <a href="#"><u>News Release dated March 2, 2021</u></a>                                                                                                   |
| 99.101 | <a href="#"><u>Annual Information Form for the year ended December 31, 2019, dated March 8, 2021</u></a>                                                  |
| 99.102 | <a href="#"><u>CEO Certification of Annual Filings in connection with Voluntarily Filed Annual Information Form dated March 8, 2021</u></a>               |
| 99.103 | <a href="#"><u>CFO Certification of Annual Filings in connection with Voluntarily Filed Annual Information Form dated March 8, 2021</u></a>               |
| 99.104 | <a href="#"><u>Material Change Report dated March 12, 2021</u></a>                                                                                        |
| 99.105 | <a href="#"><u>News Release dated March 12, 2021</u></a>                                                                                                  |
| 99.106 | <a href="#"><u>Preliminary Short Form Base Shelf Prospectus dated March 12, 2021</u></a>                                                                  |
| 99.107 | <a href="#"><u>Qualification Certificate dated March 12, 2021</u></a>                                                                                     |
| 99.108 | <a href="#"><u>Receipt from Ontario Securities Commission dated March 15, 2021</u></a>                                                                    |
| 99.109 | <a href="#"><u>News Release dated March 18, 2021</u></a>                                                                                                  |
| 99.110 | <a href="#"><u>Material Change Report dated March 24, 2021</u></a>                                                                                        |
| 99.111 | <a href="#"><u>News Release dated March 24, 2021</u></a>                                                                                                  |
| 99.112 | <a href="#"><u>Consolidated Financial Statements as of and for the years ended December 31, 2020 and 2019, dated March 24, 2021</u></a>                   |
| 99.113 | <a href="#"><u>Management's Discussion &amp; Analysis for the year ended December 31, 2020, dated March 24, 2021</u></a>                                  |
| 99.114 | <a href="#"><u>ON Class 1 Reporting Issuers and Class 3B Reporting Issuers—Participation Fee Management Certification of CFO dated March 25, 2021</u></a> |
| 99.115 | <a href="#"><u>AB Class 1 Reporting Issuers and Class 3B Reporting Issuers—Participation Fee Management Certification of CFO dated March 25, 2021</u></a> |
| 99.116 | <a href="#"><u>CEO Certification of Annual Filings Venture Issuer Basic Certificate dated March 25, 2021</u></a>                                          |

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| 99.117 | <a href="#"><u>CFO Certification of Annual Filings Venture Issuer Basic Certificate dated March 25, 2021</u></a>                            |
| 99.118 | <a href="#"><u>Material Change Report dated March 25, 2021</u></a>                                                                          |
| 99.119 | <a href="#"><u>News Release dated March 25, 2021</u></a>                                                                                    |
| 99.120 | <a href="#"><u>Material Change Report dated April 1, 2021</u></a>                                                                           |
| 99.121 | <a href="#"><u>News Release dated April 1, 2021</u></a>                                                                                     |
| 99.122 | <a href="#"><u>Notice of Record and Meeting Dates dated April 1, 2021</u></a>                                                               |
| 99.123 | <a href="#"><u>Annual Information Form for the year ended December 31, 2020, dated April 7, 2021</u></a>                                    |
| 99.124 | <a href="#"><u>CEO Certification of Annual Filings in connection with Voluntarily Filed Annual Information Form dated April 7, 2021</u></a> |
| 99.125 | <a href="#"><u>CFO Certification of Annual Filings in connection with Voluntarily Filed Annual Information Form dated April 7, 2021</u></a> |
| 99.126 | <a href="#"><u>CEO Certification of Annual Filings Venture Issuer Basic Certificate dated April 13, 2021</u></a>                            |
| 99.127 | <a href="#"><u>CFO Certification of Annual Filings Venture Issuer Basic Certificate dated April 13, 2021</u></a>                            |
| 99.128 | <a href="#"><u>Material Change Report dated April 16, 2021</u></a>                                                                          |
| 99.129 | <a href="#"><u>News Release dated April 16, 2021</u></a>                                                                                    |
| 99.130 | <a href="#"><u>Material Change Report dated April 19, 2021</u></a>                                                                          |
| 99.131 | <a href="#"><u>News Release dated April 19, 2021</u></a>                                                                                    |
| 99.132 | <a href="#"><u>News Release dated April 22, 2021</u></a>                                                                                    |
| 99.133 | <a href="#"><u>Material Change Report dated April 23, 2021</u></a>                                                                          |
| 99.134 | <a href="#"><u>News Release dated April 23, 2021</u></a>                                                                                    |
| 99.135 | <a href="#"><u>Material Change Report dated April 26, 2021</u></a>                                                                          |
| 99.136 | <a href="#"><u>News Release dated April 26, 2021</u></a>                                                                                    |
| 99.137 | <a href="#"><u>Consent of Kost Forer Gabbay &amp; Kasierer dated April 27, 2021</u></a>                                                     |
| 99.138 | <a href="#"><u>Consent of PricewaterhouseCoopers LLP dated April 28, 2021</u></a>                                                           |

## SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereto duly authorized.

### BITFARMS LTD.

By: /s/ L. Geoffrey Morphy

Name: L. Geoffrey Morphy

Title: President

Date: April 28, 2021

## BITFARMS LTD.

## NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the special meeting (the “**Meeting**”) of shareholders of Bitfarms Ltd. (“**Bitfarms**” or the “**Corporation**”) will be held at the offices of McCarthy Tétrault LLP, 66 Wellington Street West, Suite 5300, Toronto, Ontario on Tuesday, February 4, 2020 at the hour of 9:30 a.m. (Toronto time), for the following purposes:

1. TO CONSIDER and, if deemed appropriate, to pass, with or without variation, a special resolution of shareholders to authorize and approve an amendment to the articles of incorporation of the Corporation to allow for the creation of a new class of preferred shares to be designated as “Class A Preferred Shares”, as more particularly described in the accompanying management information circular (“**Circular**”);
2. to transact such further or other business as may properly come before the Meeting or any adjournment or adjournments thereof.

Accompanying this notice is the Circular and a form of proxy. The accompanying Circular provides information relating to the matters to be addressed at the meeting and is incorporated into this Notice. Subject to section 190 of the *Canada Business Corporation Act*, dissenting shareholders are entitled to be paid the fair value of their shares.

Shareholders are entitled to vote at the Meeting either in person or by proxy in accordance with the procedures described in the Circular accompanying this Notice. Those who are unable to attend the meeting are requested to read, complete, sign and mail the enclosed form of proxy in accordance with the instructions set out in the proxy and in the Circular accompanying this Notice.

DATED at Toronto, Ontario, this 2<sup>nd</sup> of January, 2020.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) “*Nicolas Bonta*”

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Nicolas Bonta  
Chairman of the Board



**BITFARMS LTD.**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS &  
MANAGEMENT INFORMATION CIRCULAR**

February 4, 2020 at 9:30 am (Toronto time)

Offices of McCarthy Tétrault LLP, 66 Wellington Street West,  
Suite 5300, Toronto, Ontario

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**BITFARMS LTD.**

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DATED at Toronto, Ontario, this 2<sup>nd</sup> of January, 2020.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) “*Nicolas Bonta*”  
Nicolas Bonta  
Chairman of the Board



**BITFARMS LTD.**

**MANAGEMENT INFORMATION CIRCULAR**

(Containing information as at January 2<sup>nd</sup>, 2020 unless indicated otherwise)

**I. SOLICITATION OF PROXIES**

This Management Information Circular (the “**Circular**”) is furnished in connection with the solicitation of proxies by the management of Bitfarms Ltd. (“**Bitfarms**” or the “**Corporation**”) for use at the special meeting of holders (“**Shareholders**”) of common shares (“**Common Shares**”) of the Corporation and any adjournment thereof to be held at 9:30 a.m. (Toronto time) on February 4<sup>th</sup>, 2020 (the “**Meeting**”) at the place and for the purposes set forth in the accompanying notice of Meeting. The enclosed proxy is being solicited by the management of the Corporation.

While it is expected that the solicitation will be primarily by mail, proxies may be solicited personally, by facsimile or by telephone by the regular employees of the Corporation at nominal cost. All costs of solicitation by management will be borne by the Corporation. The Corporation may also retain, and pay a fee to, one or more professional proxy solicitation firms to solicit proxies from Shareholders.

The contents and the sending of this Circular have been approved by the directors of the Corporation. All references to the Corporation shall include its subsidiaries as the context may require.

**II. APPOINTMENT OF PROXYHOLDER**

The individuals named as proxyholders in the accompanying form of proxy are directors and/or officers of the Corporation. **A REGISTERED SHAREHOLDER WISHING TO APPOINT SOME OTHER PERSON (WHO NEED NOT BE A SHAREHOLDER) TO REPRESENT HIM OR HER AT THE MEETING HAS THE RIGHT TO DO SO, EITHER BY STRIKING OUT THE NAMES OF THOSE PERSONS NAMED IN THE ACCOMPANYING FORM OF PROXY AND INSERTING THE DESIRED PERSON’S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY AND SIGNING AND DATING THE PROXY, OR BY COMPLETING ANOTHER FORM OF PROXY.** A proxy will not be valid unless the completed form of proxy is received by TSX Trust Company, 100 Adelaide Street West, Suite 301, Toronto, Ontario, M5H 4H1 not less than forty-eight (48) hours (excluding Saturdays, Sundays and holidays) before the time for holding the Meeting or, with respect to any matters to be dealt with at any adjournment of the Meeting, before the time of the re-commencement of the adjourned Meeting. Proxies delivered after such time(s) will not be accepted. The time limit for the deposit of proxies may be waived or extended by the Chairperson of the Meeting at his or her discretion without notice.

**III. REVOCATION OF PROXIES**

A Shareholder who has given a proxy may revoke it prior to its use by an instrument in writing executed by the Shareholder or by his attorney duly authorized in writing or, where the Shareholder is a corporation, by a duly authorized officer or attorney of such corporation, and delivered to the registered office of the Corporation, at 1376 Bayview Avenue, Unit 1, Toronto, Ontario, M4G 3A1 (Attention: General Counsel) at any time up to and including the last business day preceding the day of the Meeting, or if adjourned, preceding any reconvening thereof, or to the Chairperson of the Meeting on the day of the Meeting or, if adjourned, any reconvening thereof, or in any other manner provided by law. A revocation of a proxy does not affect any matter on which a vote has been taken prior to the revocation.

#### IV. VOTING OF PROXIES

The Common Shares represented by a properly executed proxy in favour of persons designated as proxyholders in the enclosed form of proxy will:

- a. be voted or withheld from voting in accordance with the instructions of the person appointing the proxyholder on any ballot that may be called for; and
- b. where a choice with respect to any matter to be acted upon has been specified in the form of proxy, be voted in accordance with the specifications made on such proxy.

**SUCH SHARES WILL BE VOTED IN FAVOUR OF EACH MATTER FOR WHICH NO CHOICE HAS BEEN SPECIFIED OR WHERE BOTH CHOICES HAVE BEEN SPECIFIED BY THE SHAREHOLDER.**

The enclosed form of proxy, when properly completed and delivered and not revoked, confers discretionary authority upon the person appointed proxyholder thereunder to vote with respect to amendments or variations of matters identified in the notice of Meeting, and with respect to any other matters which may properly come before the Meeting. In the event that amendments or variations to matters identified in the notice of Meeting are properly brought before the Meeting or any further or other business is properly brought before the Meeting, it is the intention of the persons designated by management as proxyholders in the enclosed form of proxy to vote in accordance with their best judgment on such matters or business. At the time of the printing of this Circular, the management of the Corporation knows of no such amendment, variation or other matter that may be presented to the Meeting.

#### V. INFORMATION FOR NON-REGISTERED SHAREHOLDERS

Only registered Shareholders or proxyholders duly appointed by registered Shareholders are permitted to vote at the Meeting. Most Shareholders of the Corporation are “non-registered” shareholders because the Common Shares they own are not registered in their names but are instead registered in the name of a brokerage firm, bank or other intermediary or in the name of a clearing agency. Shareholders who do not hold their Common Shares in their own name (referred to herein as “**Beneficial Shareholders**”) should note that only registered Shareholders are entitled to vote at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those Common Shares will not be registered in such Shareholder’s name on the records of the Corporation. Such Common Shares will more likely be registered under the name of the Shareholder’s broker or an agent of that broker. In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depositary Services Inc., which company acts as nominee for many Canadian brokerage firms). Common Shares held by brokers (or their agents or nominees) on behalf of a broker’s client can only be voted (for or against resolutions) at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting Common Shares for the brokers’ clients. Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided by the Corporation to the registered Shareholders. However, its purpose is limited to instructing the registered Shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate the responsibility for obtaining instructions from clients to Broadridge Financial Solutions Inc. ("**Broadridge**"). Broadridge typically prepares a machine-readable voting instruction form, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. A Beneficial Shareholder who receives a Broadridge voting instruction form cannot use that form to vote Common Shares directly at the Meeting. The voting instruction form must be returned to Broadridge (or instructions respecting the voting of Common Shares must be communicated to Broadridge well in advance of the Meeting) in order to have the Common Shares voted.

The Meeting materials are being sent to both registered Shareholders and Beneficial Shareholders. Beneficial Shareholders fall into two categories – those who object to their identity being known to the issuers of securities which they own ("**Objecting Beneficial Owners**", or "**OBOs**") and those who do not object to their identity being made known to the issuers of the securities they own ("**Non-Objecting Beneficial Owners**", or "**NOBOs**"). Subject to the provisions of National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer*, issuers may request and obtain a list of their NOBOs from intermediaries via their transfer agents. If you are a Beneficial Shareholder, and the Corporation or its agent has sent proxy-related materials directly to you, your name, address and information about your holdings of Common Shares have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding the Common Shares on your behalf.

The Corporation's OBOs can expect to be contacted by Broadridge or their broker or their broker's agents as set out above. Management of the Corporation does not intend to pay for intermediaries to forward proxy-related materials to OBOs, and OBOs will not receive the materials unless the OBOs' intermediaries assume the cost of delivery.

Although Beneficial Shareholders may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of their broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered Shareholder and vote the Common Shares in that capacity. **Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the registered Shareholder should enter their own names in the blank space on the proxy or voting instruction card provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.**

All references to Shareholders in this Circular and the accompanying form of proxy and notice of Meeting are to registered Shareholders unless specifically stated otherwise.

## VI. INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Other than as set forth in this Circular, no person who has been a director or executive officer of the Corporation at any time since January 1, 2019, being the beginning of the Corporation's last completed financial year, nor any associate or affiliate of any of the foregoing, has or has had any material interest, directly or indirectly, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

## VII. VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The Corporation is authorized to issue an unlimited number of Common Shares without par value. As at the date of this Circular, the Corporation had 83,624,980 issued and outstanding Common Shares, with each Common Share carrying one vote per Common Share. Only Shareholders of record at the close of business (Toronto time) on January 6, 2019 (the "**Record Date**") who either personally attend the Meeting or who have completed and delivered a form of proxy in the manner and subject to the provisions described above shall be entitled to vote or to have their Common Shares voted at the Meeting. The list of Shareholders entitled to vote at the Meeting is available for inspection during normal business hours at the offices of the TSX Trust Company, 100 Adelaide Street West, Suite 301, Toronto, Ontario and will be available at the Meeting.

Other than as set out below, to the knowledge of the directors and executive officers of the Corporation, there are no persons or companies who beneficially own, or exercise control or direction over, directly or indirectly, Common Shares carrying more than ten percent (10%) of the voting rights attached to all outstanding Common Shares:

| Name of Beneficial Holder     | Share Class   | Quantity   | % of Class |
|-------------------------------|---------------|------------|------------|
| Emiliano Joel Grodzki         | Common Shares | 11,820,772 | 14.14%     |
| Nicolas Bonta                 | Common Shares | 11,210,706 | 13.41%     |
| Mathieu Vachon <sup>(1)</sup> | Common Shares | 8,484,403  | 10.15%     |

Notes:

(1) The shares of Matthieu Vachon are partially held by 9264-2644 Québec Inc. of which Mathieu Vachon is the sole beneficial shareholder.

Each of Emiliano Joel Grodzki, Nicolas Bonta, and Mathieu Vachon (collectively, the "**Founders**") have entered into supports agreement and have agreed to vote all Common Shares which they beneficially own, or exercise control or direction over, directly or indirectly (being an aggregate of 37.7% of the issued and outstanding Common Shares), in favour of the matters to be acted upon at the Meeting, including the special resolution to approval and authorization to amend the articles of incorporation of the Corporation to create a new class of Preferred Shares, all as described below under section X.

## VIII. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

At no time during the year ended December 31, 2019 (being the Corporation's last completed financial year), was any director, executive officer, employee of the Corporation or any associate of any such director, executive officer or employee or any former director, executive officer or employee of the Corporation or any of its subsidiaries, indebted to the Corporation or any of its subsidiaries or indebted to another entity where such indebtedness is or has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries, other than for routine indebtedness.

## IX. INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No informed person (as defined in National Instrument 51-102 – *Continuous Disclosure Obligations*), director of the Corporation, or any associate or affiliate of any informed person or director of the Corporation has, since January 1, 2019 (being the commencement of the Corporation's last completed financial year), had any material interest, direct or indirect, in any transactions which materially affected or would materially affect the Corporation or any of its subsidiaries.

## X. PARTICULARS OF MATTERS TO BE ACTED UPON

Unless otherwise directed, it is the intention of management's proxyholders to vote proxies in favour of the resolutions set forth herein.

### **Approval and authorization to amend the articles of incorporation of the Corporation to create a new class of Preferred Shares**

Shareholders are being asked to consider and, if thought appropriate, adopt a special resolution (the "**Preferred Share Resolution**") authorizing the filing of articles of amendment to create a new class of preferred shares to be designated as "Class A Preferred Shares" (the "**Preferred Shares**"). A "special resolution" means a resolution that is passed by at least two-thirds of the votes cast at the Meeting by the shareholders entitled to vote in person or by proxy on the resolution.

The Corporation would like to create the Preferred Shares to provide it with greater flexibility in its capital structure and in raising future capital. This proposed amendment to the articles will become effective upon the filing of articles of amendment reflecting the amendment pursuant to the *Canada Business Corporations Act* (Canada) ("**CBCA**").

The Preferred Shares will be issuable in one or more series, where the Board will be authorized to fix the number of shares of each series, and to determine for each series, subject to the terms and conditions set out herein, the designation, rights, privileges, restrictions and conditions, including dividend rates, redemption prices, conversion rights and other matters. A summary of the terms of the Preferred Shares is included below. Note that the following is a summary only and reference should be made to the full text of the terms and conditions attaching to the Preferred Shares as set out in the special resolution in Appendix A hereto.

### **Ranking and Priority**

Each series of Preferred Shares will be entitled to priority over the Common Shares and any other shares of the Corporation ranking junior to the Preferred Shares with respect to priority in the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, and any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs. The Preferred Shares of any series may also be given such other preferences, not inconsistent with the provisions hereof, over the Common Shares and any other shares of the Corporation ranking junior to the Preferred Shares, as may be determined by the Board.

**Parity Among Series**

Each series of Preferred Shares will rank on a parity with every other series of Preferred Shares with respect to priority in the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, and any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs.

**Participation Upon Liquidation, Dissolution or Winding Up**

In the event of the liquidation, dissolution or winding up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Preferred Shares will be entitled to receive from the assets of the Corporation any cumulative dividends, whether or not declared, or declared non-cumulative dividends or amounts payable on a return of capital which are not paid in full in respect of any Preferred Shares, before any amount is paid or any assets of the Corporation are distributed to the holders of any Common Shares or shares of any other class ranking junior to the Preferred Shares. After payment to the holders of the Preferred Shares of the amount so payable to them as above provided they will not be entitled to share in any further distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs.

**Dividends**

The holders of each series of Preferred Shares will be entitled to receive dividends (which may be cumulative or non-cumulative and variable or fixed) as and when declared by the Board.

**Conversion**

Preferred Shares may be convertible into any other class of shares, including another series of Preferred Shares.

**Redemption**

Each series of Preferred Shares may be redeemable by the Corporation on such terms as may be determined by the Board.

**Voting**

Holders of any series of Preferred Shares will not be entitled (except as otherwise provided by law and except for meetings of the holders of Preferred Shares or a series thereof) to receive notice of, attend at, or vote at any meeting of shareholders of the Corporation, unless the Board determines otherwise, in which case voting rights will only be provided in circumstances where the Corporation has failed to pay a certain number of dividends on such series of Preferred Shares, which determination and number of dividends and any other terms in respect of such voting rights, will be determined by the Board and set out in the designations, rights, privileges, restrictions and conditions of such series of Preferred Shares.

If shareholders approve the Preferred Share Resolution to create the new Preferred Shares and the Corporation's articles are amended, no further shareholder approval will be required to issue Preferred Shares of any series if and when the Board decides to issue any Preferred Shares.

The Board believes that amending the Corporation's articles to authorize the issuance of the Preferred Shares will provide the Corporation with increased flexibility in its capital structure and in raising future capital. The creation of Preferred Shares would permit the Board to negotiate with potential investors regarding the rights and preferences of a series of Preferred Shares that may be issued to meet market conditions and financing opportunities as they arise, without the expense and delay in connection with calling a shareholders' meeting to approve specific terms of any series of Preferred Shares. The Preferred Shares may be used by the Corporation for any appropriate corporate purpose, including, without limitation, as a means of obtaining additional capital for use in the Corporation's business and operations or in connection with acquisitions.

The availability of undesignated Preferred Shares may have certain negative effects on the rights of the holders of Common Shares. The actual effect of the issuance of any Preferred Shares upon the rights of holders of Common Shares cannot be fully stated until the Board determines all specific rights of the particular series of Preferred Shares. However, the Corporation's articles will set out certain terms and restrictions, as set out above, in respect of the Preferred Shares, and which provide the holders of Common Shares with an indication of the possible effects of an issuance of Preferred Shares, specifically with respect to dividends, liquidation, redemption, conversion and, voting rights. Such effects may include holders of Common Shares receiving less in the event of liquidation, dissolution or other winding-up of the Corporation, or a reduction in the amount of funds, if any, available for dividends on Common Shares.

The text of the special resolution authorizing the amendment to the Corporation's articles as described above is attached to this circular as Appendix A. This proposed amendment to the articles will become effective upon the filing of articles of amendment reflecting the amendment pursuant to the CBCA.

**The Board recommends that shareholders vote FOR the Preferred Share Resolution. Unless the shareholder directs that his or her Common Shares be otherwise voted, the persons named in the enclosed form of proxy will vote FOR the Preferred Share Resolution.**

The Board can revoke the above special resolution before it is acted on, even it is passed by shareholders, in its sole discretion and without further notice to or approval of shareholders.

#### **Dissenting Shareholders' Rights**

Pursuant to section 190 of the CBCA, a shareholder is entitled to dissent in respect of any Common Shares held and be paid the fair value of such shares if the shareholder objects to the Preferred Share Resolution and the Preferred Share Resolution is approved (a **"Dissenting Shareholder"**).

In order to dissent, a shareholder must (a) send to the registered office of the Corporation at 1376 Bayview Avenue, Unit 1, Toronto, Ontario, M4G 3A1 before the Meeting or deliver to the Corporation at the Meeting, a written objection (a **"Dissent Notice"**) to the Preferred Share Resolution from which the shareholder dissents (a proxy to vote against such resolution does not constitute a written objection thereto); (b) within 20 days after receipt from the Corporation of notice that the Preferred Share Resolution has been adopted or, if he or she does not receive such notice, within 20 days after he or she learns that the Preferred Share Resolution has been adopted, send to the Corporation a written notice containing: (i) his or her name and address, (ii) the number of shares in respect of which he or she dissents, (iii) a demand for payment of the fair value of such shares (the **"Demand for Payment"**); and (c) within 30 days thereafter, send to the Corporation the certificates representing such shares. A Dissenting Shareholder, on sending the notice containing the Demand for Payment, ceases to have any rights as a holder of such shares, other than the right to be paid the fair value of the shares, except where the Dissenting Shareholder withdraws such notice before the Corporation makes an offer to pay for such shares, or the Corporation fails to make such an offer to pay for such shares and the Dissenting Shareholder withdraws his or her notice, or the directors revoke the Preferred Share Resolution from which such Shareholder dissents, in any of such cases the Dissenting Shareholder's rights as a holder of such shares are reinstated as of the day on which he or she sent the notice containing the Demand For Payment. A Dissenting Shareholder who fails to forward his or her Dissent Notice, Demand For Payment or share certificates within the times required loses any right to make a claim for payment of the fair value of his or her shares.

The Corporation is required, within 10 days after the Preferred Share Resolution is adopted, to send to each holder of shares who has filed a Dissent Notice, a notice that the Preferred Share Resolution has been adopted. The Corporation is not required to send such notice to any holder of shares who voted for the Preferred Share Resolution or who has withdrawn his objection. The Corporation is also required to send an offer to the Dissenting Shareholder to pay for his shares in an amount considered by the Board to be the fair market value thereof, not more than seven days after the later of the completion of the transaction (the “**Dissent Effective Date**”) and the date of receipt of the Dissenting Shareholder’s Demand for Payment. If such offer is accepted by the Dissenting Shareholder, payment is required to be made within 10 days of acceptance. Any such offer lapses if not accepted within 30 days after it is made. If the Corporation fails to make such an offer, or if the Dissenting Shareholder fails to accept the offer, the Corporation may, within 50 days after the Dissent Effective Date or such further period as a court may allow, apply to a court to fix a fair value for the shares of the Dissenting Shareholder. If the Corporation fails to make such application, the Dissenting Shareholder may make a similar application within a further period of 20 days or such further period as the court may allow.

A Shareholder who complies with each of the steps required to dissent is entitled to be paid the fair value of the shares held by him in respect of which such Dissenting Shareholder dissents, determined as of the close of business on the day before the Preferred Share Resolution is adopted.

Notwithstanding the foregoing, the Corporation is not permitted to make a payment to a Dissenting Shareholder if there are reasonable grounds for believing that: (a) the Corporation is or would after the payment be unable to pay its liabilities as they become due; or (b) the realizable value of the Corporation’s assets would thereby be less than the aggregate of its liabilities.

A Shareholder may only exercise the right to dissent under section 190 of the CBCA in respect of shares which are registered in that Shareholder’s name. Failure by a Dissenting Shareholder to adhere strictly to the requirements of section 190 of the CBCA may result in the loss of such Dissenting Shareholder’s rights under that section. Beneficial Shareholders (for example, those persons who hold their shares through a broker, custodian, nominee or other intermediary) who wish to exercise dissent rights should be aware that only Registered Shareholders are entitled to dissent. A Beneficial Shareholder should ensure that his shares are registered in his name prior to the Meeting in order for his dissent to be properly made. A Registered Shareholder, such as a broker, who holds shares as nominee for several Beneficial Shareholders, some of whom wish to dissent, must ensure that such shares are validly registered in the names of such dissenting persons prior to the Meeting in order to ensure that dissent rights are not lost.

The foregoing is only a summary of section 190 of the CBCA, the full text of which is attached hereto as Appendix B. Shareholders considering exercising such right of dissent should specifically refer to section 190 of the CBCA. As failure to comply strictly with the provisions of the statute may prejudice the shareholder’s right of dissent, it is suggested that any shareholder seeking to exercise such right obtain his own legal advice as to the manner and the implications of exercising such right.

As described above, the Founders, who are disinterested Shareholders, have agreed to vote all Common Shares which they beneficially own, or exercise control or direction over, directly or indirectly, (being an aggregate of 37.7% of the issued and outstanding Common Shares) in favour of the Preferred Share Resolution.

## **XI. ADDITIONAL INFORMATION**

Additional information regarding the Corporation and its business activities is available under the Corporation’s profile on the SEDAR website located at [www.sedar.com](http://www.sedar.com). The Corporation’s financial information is provided in the Corporation’s audited consolidated financial statements and related management discussion and analysis for its most recently reported financial year is included in the Corporation’s prospectus dated June 12, 2019 and may be viewed on the Corporation’s profile on the SEDAR website at [www.sedar.com](http://www.sedar.com). Copies of the Corporation’s consolidated financial statements and related management discussion and analysis are available upon request, free of charge to Shareholders of the Corporation, by contacting the Chief Financial Officer, at the Corporation’s principal office located at 1376 Bayview Avenue, Unit 1, Toronto, Ontario, M4G 3A1.



## APPENDIX “A”

### SPECIAL RESOLUTION AUTHORIZING AN AMENDMENT TO THE CORPORATION’S ARTICLES TO ADD CLASS A PREFERRED SHARES

#### BE IT RESOLVED THAT:

1. the articles of Bitfarms Ltd. (the “**Corporation**”) be amended to create a new class of preferred shares designated as “Class A Preferred Shares”, issuable in series, such Class A Preferred Shares having attached thereto the following rights, privileges, restrictions and conditions:
  - (a) **Series:** The Class A Preferred Shares may at any time or from time to time be issued in one or more series. Subject to the provisions set out herein, the board of directors of the Corporation may from time to time before the issue thereof fix the number of shares in, and determine the designation, rights, privileges, restrictions and conditions attaching to the shares of, each series of Class A Preferred Shares.
  - (b) **Priority:** The Class A Preferred Shares are entitled to priority over the common shares and all other shares ranking junior to the Class A Preferred Shares with respect to the payment of dividends and the distribution of assets of the Corporation in the event of any liquidation, dissolution or winding up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs.
  - (c) **Other Preferences:** The Class A Preferred Shares of any series may also be given such other preferences, not inconsistent with the provisions hereof, over the common shares and any other shares of the Corporation ranking junior to the Class A Preferred Shares, as may be determined by the board of directors of the Corporation
  - (d) **Ranking of Each Series:** The Class A Preferred Shares of each series will rank on a parity with the Class A Preferred Shares of every other series with respect to priority in the payment of dividends and in the distribution of assets of the Corporation in the event of any liquidation, dissolution or winding up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs.
  - (e) **Participation Upon Liquidation, Dissolution or Winding Up:** In the event of the liquidation, dissolution or winding up of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preferred Shares will be entitled to receive from the assets of the Corporation any cumulative dividends, whether or not declared, or declared non- cumulative dividends or amounts payable on a return of capital which are not paid in full in respect of any Class A Preferred Shares, before any amount is paid or any assets of the Corporation are distributed to the holders of any common shares or shares of any other class ranking junior to the Class A Preferred Shares. After payment to the holders of the Class A Preferred Shares of the amount so payable to them as above provided they will not be entitled to share in any further distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs.

- (f) **Dividends:** The holders of each series of Class A Preferred Shares will be entitled to receive dividends as and when declared by the board of directors of the Corporation in respect of such series.
- (g) **Conversion Rights:** Class A Preferred Shares may be convertible into any other class of shares of the Corporation, including convertible into another series of Class A Preferred Shares.
- (h) **Redemption:** Each series of Class A Preferred Shares may be redeemable by the Corporation on such terms as may be determined by the board of directors of the Corporation.
- (i) **Voting:** Holders of any series of Class A Preferred Shares will not be entitled (except as otherwise provided by law and except for meetings of the holders of Class A Preferred Shares or a series thereof) to receive notice of, attend at, or vote at any meeting of shareholders of the Corporation, unless the board of directors of the Corporation determines otherwise, in which case voting rights will only be provided in circumstances where the Corporation has failed to pay a certain number of dividends on such series of Class A Preferred Shares, which determination and number of dividends and any other terms in respect of such voting rights, will be determined by the board of directors of the Corporation and set out in the designations, rights, privileges, restrictions and conditions of such series of Class A Preferred Shares.

2. any officer or director of the Corporation be, and is hereby authorized, for and on behalf of the Corporation, to execute and deliver such documents and instruments and to take such other actions as such officer or director may determine to be necessary or advisable to implement this resolution and the matters authorized hereby including, without limitation, the execution and filing of articles of amendment under the *Canada Business Corporations Act*, such determination to be conclusively evidenced by the execution and delivery of such documents or instruments and the taking of any such actions.

## APPENDIX “B”

### SECTIONS 190 OF THE CANADA BUSINESS CORPORATIONS ACT (CANADA)

#### Right to dissent

**190 (1)** Subject to sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(d) that affects the holder or if the corporation resolves to

- (a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;
- (b) amend its articles under section 173 to add, change or remove any restriction on the business or businesses that the corporation may carry on;
- (c) amalgamate otherwise than under section 184;
- (d) be continued under section 188;
- (e) sell, lease or exchange all or substantially all its property under subsection 189(3); or
- (f) carry out a going-private transaction or a squeeze-out transaction.

#### Further right

(2) A holder of shares of any class or series of shares entitled to vote under section 176 may dissent if the corporation resolves to amend its articles in a manner described in that section.

#### If one class of shares

(2.1) The right to dissent described in subsection (2) applies even if there is only one class of shares.

#### Payment for shares

(3) In addition to any other right the shareholder may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents or an order made under subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

#### No partial dissent

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

### **Objection**

(5) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of their right to dissent.

### **Notice of resolution**

(6) The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn their objection.

### **Demand for payment**

(7) A dissenting shareholder shall, within twenty days after receiving a notice under subsection

(6) or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing

(a) the shareholder's name and address;

(b) the number and class of shares in respect of which the shareholder dissents; and

(c) a demand for payment of the fair value of such shares.

### **Share certificate**

(8) A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

### **Forfeiture**

(9) A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.

### **Endorsing certificate**

(10) A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.

### **Suspension of rights**

(11) On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than to be paid the fair value of their shares as determined under this section except where

- o (a) the shareholder withdraws that notice before the corporation makes an offer under subsection (12),

- o (b) the corporation fails to make an offer in accordance with subsection (12) and the shareholder withdraws the notice, or
- o (c) the directors revoke a resolution to amend the articles under subsection 173(2) or 174(5), terminate an amalgamation agreement under subsection 183(6) or an application for continuance under subsection 188(6), or abandon a sale, lease or exchange under subsection 189(9),

in which case the shareholder's rights are reinstated as of the date the notice was sent.

#### **Offer to pay**

(12) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice

(a) a written offer to pay for their shares in an amount considered by the directors of the corporation to be the fair value, accompanied by a statement showing how the fair value was determined; or

(b) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

#### **Same terms**

(13) Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

#### **Payment**

(14) Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

#### **Corporation may apply to court**

(15) Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

#### **Shareholder application to court**

(16) If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

## **Venue**

(17) An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

## **No security for costs**

(18) A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

## **Parties**

(19) On an application to a court under subsection (15) or (16),

- o (a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and
- o (b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.

## **Powers of court**

(20) On an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

## **Appraisers**

(21) A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

## **Final order**

(22) The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of the shares as fixed by the court.

## **Interest**

(23) A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

## **Notice that subsection (26) applies**

(24) If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

### **Effect where subsection (26) applies**

**(25)** If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may

- (a)** withdraw their notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to their full rights as a shareholder; or
- (b)** retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

### **Limitation**

**(26)** A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

- (a)** the corporation is or would after the payment be unable to pay its liabilities as they become due; or
- (b)** the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.



**Bitfarms Ltd.**  
(the "Corporation")

**FORM OF PROXY ("PROXY")**

Special Meeting  
February 4, 2020 at 9:30 a.m. (Toronto time)  
Offices of McCarthy Tétrault LLP, 66 Wellington Street West  
Suite 5300, Toronto, Ontario  
(the "Meeting")

**RECORD DATE:** January 6, 2020  
**CONTROL NUMBER:**  
**SEQUENCE #:**  
**FILING DEADLINE FOR PROXY:** January 31, 2020 at 9:30 a.m. (Toronto time)

| VOTING METHOD                |                                                                                                                        |
|------------------------------|------------------------------------------------------------------------------------------------------------------------|
| <b>INTERNET</b>              | Go to <a href="http://www.voteproxyonline.com">www.voteproxyonline.com</a> and enter the 12 digit control number above |
| <b>FACSIMILE</b>             | 416-595-9593                                                                                                           |
| <b>MAIL or HAND DELIVERY</b> | TSX Trust Company<br>301 - 100 Adelaide Street West<br>Toronto, Ontario, M5H 4H1                                       |

The undersigned hereby appoints **Ryan Hornby, General Counsel and Executive Vice President** of the Corporation, whom failing **Wes Fulford, Chief Executive Officer** of the Corporation (the "Management Nominees"), or instead of any of them, the following Appointee

*Please print appointee name*

as proxyholder on behalf of the undersigned with the power of substitution to attend, act and vote for and on behalf of the undersigned in respect of all matters that may properly come before the Meeting and at any adjournment(s) or postponement(s) thereof, to the same extent and with the same power as if the undersigned were personally present at the said Meeting or such adjournment(s) or postponement(s) thereof in accordance with voting instructions, if any, provided below.

**- SEE VOTING GUIDELINES ON REVERSE -**

**RESOLUTIONS – MANAGEMENT VOTING RECOMMENDATIONS ARE INDICATED BY **HIGHLIGHTED** TEXT ABOVE THE BOXES**

**1. Approval and authorization to amend the articles of incorporation of the Corporation to create a new class of Preferred Shares**

To consider and, if deemed appropriate, to pass, with or without variation, a special resolution of shareholders to authorize and approve an amendment to the articles of incorporation of the Corporation to allow for the creation of a new class of preferred shares to be designated as "Class A Preferred Shares", as more particularly described in the accompanying management information circular.

**FOR** **AGAINST**

☐ ☐

This proxy revokes and supersedes all earlier dated proxies and **MUST BE SIGNED**

*PLEASE PRINT NAME*

*Signature of registered owner(s)*

*Date (MM/DD/YYYY)*



## Proxy Voting – Guidelines and Conditions

1. **THIS PROXY IS SOLICITED BY MANAGEMENT OF THE CORPORATION.**
2. **THIS PROXY SHOULD BE READ IN CONJUNCTION WITH THE MEETING MATERIALS PRIOR TO VOTING.**
3. **If you appoint the Management Nominees to vote your securities, they will vote in accordance with your instructions or, if no instructions are given, in accordance with the Management Voting Recommendations highlighted for each Resolution on the reverse. If you appoint someone else to vote your securities, they will also vote in accordance with your instructions or, if no instructions are given, as they in their discretion choose.**
4. This proxy confers discretionary authority on the person named to vote in his or her discretion with respect to amendments or variations to the matters identified in the Notice of the Meeting accompanying the proxy or such other matters which may properly come before the Meeting or any adjournment or postponement thereof.
5. **Each security holder has the right to appoint a person other than the Management Nominees specified herein to represent them at the Meeting or any adjournment or postponement thereof.** Such right may be exercised by inserting in the space labeled “*Please print appointee name*”, the name of the person to be appointed, who need not be a security holder of the Corporation.
6. To be valid, this proxy must be signed. Please date the proxy. If the proxy is not dated, it is deemed to bear the date of its mailing to the security holders of the Corporation.
7. To be valid, this proxy must be filed using one of the **Voting Methods** and *must be received by TSX Trust Company* before the **Filing Deadline for Proxies**, noted on the reverse or in the case of any adjournment or postponement of the Meeting not less than 48 hours (Saturdays, Sundays and holidays excepted) before the time of the adjourned or postponed meeting. Late proxies may be accepted or rejected by the Chairman of the Meeting in his discretion, and the Chairman is under no obligation to accept or reject any particular late proxy.
8. If the security holder is a corporation, the proxy must be executed by an officer or attorney thereof duly authorized, and the security holder may be required to provide documentation evidencing the signatory’s power to sign the proxy.
9. Guidelines for proper execution of the proxy are available at [www.stac.ca](http://www.stac.ca). Please refer to the Proxy Protocol.

## Investor inSite

TSX Trust Company offers at no cost to security holders, the convenience of secure 24-hour access to all data relating to their account including summary of holdings, transaction history, and links to valuable security holder forms and Frequently Asked Questions.

To register, please visit  
[www.tsxtrust.com/investorinsite](http://www.tsxtrust.com/investorinsite)

Click on, “*Register Online Now*” and complete the registration form. Call us toll free at 1-866-600-5869 with any questions.

[www.tsxtrust.com](http://www.tsxtrust.com)

**VANCOUVER CALGARY TORONTO MONTRÉAL**

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**TSX TRUST COMPANY**
**VIA ELECTRONIC TRANSMISSION**

January 14, 2020

**TO ALL APPLICABLE EXCHANGES AND COMMISSIONS:**
**RE: BITFARMS LTD.**


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We are pleased to confirm that copies of the following proxy-related materials were mailed on January 14, 2020 to the Registered Securityholders and the Non-Objecting Beneficial Owners ("NOBO"):

- 1 Proxy - Registered Securityholders
- 2 Voting Instruction Form - NOBOs
- 3 Notice of Meeting Combined with Information Circular
- 4 Proxy Return Envelope

Yours truly,  
**TSX Trust Company**

*"Kieran Webb"*  
 Relationship Manager  
 kieran.webb@tmx.com

**VANCOUVER**  
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 Suite 2700  
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**T 416 361-0930**

**MONTRÉAL**  
 1800 - 1190, avenue des  
 Canadiens-de-Montréal, C. P. 37  
 Montréal (Québec) H3B 0G7  
  
**T 514 395-5964**

## BITFARMS LTD.

SPECIAL MEETING OF HOLDERS OF SHARES  
HELD ON FEBRUARY 4, 2020

## Report of Voting Results under Section 11.3 of National Instrument 51-102

The following matter was voted on at the special meeting of holders of common shares of Bitfarms Ltd. (the “Company”) held on February 4, 2020. Details of this matter is set out in the Company’s notice of meeting and management information circular dated January 2, 2020, issued in connection with the meeting.

## 1. Approval of Articles of Amendment to Create New Clause of Preferred Shares

A special resolution approving articles of amendment to create a new class of preferred shares was passed by shareholders. The vote was conducted by ballot. The number of shares voted by proxy for or against such resolution was as indicated below:

| Votes For  | % Votes For | Votes Against | % Votes Against |
|------------|-------------|---------------|-----------------|
| 12,909,909 | 99.453      | 70,994        | 0.547           |

Dated February 4, 2020.

BITFARMS LTD.

By: “Ryan Hornby”

Ryan Hornby

General Counsel and Corporate Secretary



**Bitfarms Reaffirms Commitment to Blockchain Research at ETS, one of Quebec's  
Leading Engineering Schools**

**Toronto, Ontario and Brossard, Québec (February 20, 2020)** - Bitfarms Ltd. ("**Bitfarms**", or the "**Company**") (**TSXV:BTF**) is pleased to announce and reaffirm its support to the "High-Performance Blockchain Infrastructure for IoT Applications" project at the École de technologie supérieure, ÉTS Montréal, University of Québec ("**ETS**").

Bitfarms is committed to supporting ETS through monetary and in-kind contributions through to 2022. ETS will also receive funding for the project from the Natural Sciences and Engineering Research Council of Canada.

Under the leadership of Professor Kaiwen Zhang, the group of students is focused on developing novel blockchain applications including the following:

- Development of an e-health blockchain platform
- Survey of use cases and Proof-of-Concept development for Smart Homes
- Technical improvements to DLT (distributed ledger technology) for IoT devices
- Integration of M2M (machine to machine) communication for efficient cryptocurrency mining

As part of the Company's support of ETS' project, students involved with the collaboration will frequently visit our computing centres and meet with our team for technical support. Bitfarms will retain certain commercial intellectual property rights development through the project while ETS will retain the right to use intellectual property for academic purposes.

"We are grateful for Bitfarms' continued commitment to ETS and the funding of blockchain research in Québec" said Professor Zhang.

Blockchain technologies have the potential to profoundly impact both the public and private sectors. Research will be instrumental in demonstrating the utility of blockchains in the IoT domain, as well as the feasibility of implementing a blockchain platform using the Company's infrastructure. The Company supports the development of blockchain technologies in Québec and believes it will help to generate strong demand for a skilled workforce, including for the engineers trained during this collaboration.

"Bitfarms is invested in the research and development of blockchain innovations to improve the usability of blockchain systems for applications beyond cryptocurrency", commented Wes Fulford, Chief Executive Officer. "This project demonstrates our support towards the growth of the high-tech industry, and our view that Québec, a growing technology hub, can play an important role in supporting digital innovation."

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## **About Bitfarms Ltd.**

The Company owns and operates computing centres that power the global decentralized financial economy. Bitfarms provides computing power to cryptocurrency networks such as Bitcoin, earning fees from each network for securing and processing transactions. Powered by clean and competitively priced hydroelectricity, Bitfarms operates 5 computing centres in Québec, Canada. Bitfarms' experienced management team includes industrial-scale data centre operators and capital markets professionals, focused on building infrastructure for the future by developing and hosting the ecosystem growing around blockchain-based technologies.

### **For investor inquiries, please contact:**

Sonia Tercas  
Director, Investor Relations  
+1.647.348.9207  
stercas@bitfarms.io

### **For media inquiries, please contact:**

Marc Duchesne  
+1.514.277.3508  
marc@ryanap.com

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

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

### **Cautionary Statement**

*This news release may contain assumptions, estimates, and other forward-looking statements regarding future events. Such forward-looking statements involve inherent risks and uncertainties and are subject to factors, many of which are beyond the Company's control that may cause actual results or performance to differ materially from those currently anticipated in such statements.*

*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 TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

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**NEWS RELEASE**  
**Pierre-Luc Quimper Files Early Warning Report**

**February 28, 2020** – Pierre-Luc Quimper announces that he has filed an early warning report (the “**Early Warning Report**”) in accordance with National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues*, in connection with the purchase and sale of common shares (“**Common Shares**”) of Bitfarms Ltd. (the “**Corporation**”), as described below.

When the Corporation became a reporting issuer on June 13, 2019 (upon being issued a receipt for its final prospectus dated June 12, 2019), Mr. Quimper had control and direction (by way of Prosum Management Inc., a corporation of which he owns 100% of the outstanding securities) over 8,967,845 Common Shares, representing approximately 15.71% of the then-outstanding Common Shares.

Between June 12, 2019 and the time at which he seized to have control and direction over 10% of the of the outstanding Common Shares (which occurred on October 21, 2019), Mr. Quimper has sold an aggregate of 642,208 Common Shares and purchased an aggregate of 8,000 Common Shares (for a net decrease of 634,208 Common Shares), as set forth in the table below. As a result, Mr. Quimper holds fewer than 10% of the outstanding Common Shares.

| <b>Date</b>        | <b>Number of<br/>Common<br/>Shares Sold</b> | <b>Number of<br/>Common<br/>Shares<br/>Purchased</b> | <b>Market</b>                          | <b>Price per<br/>Common<br/>Share</b> | <b>Total<br/>Consideration</b> |
|--------------------|---------------------------------------------|------------------------------------------------------|----------------------------------------|---------------------------------------|--------------------------------|
| July 15, 2019      | 130,208                                     | -                                                    | Private sale                           | \$0.0008                              | \$104.1664                     |
| July 15, 2019      | 100,000                                     | -                                                    | Private sale                           | \$0.99                                | \$99,000                       |
| September 23, 2019 | 111,000                                     | -                                                    | TSX<br>Venture<br>Exchange<br>(“TSXV”) | \$0.9372                              | \$104,029.20                   |
| September 24, 2019 | 20,000                                      | -                                                    | TSXV                                   | \$0.95                                | \$19,000                       |
| September 25, 2019 | 14,500                                      | -                                                    | TSXV                                   | \$0.8586                              | \$12,449.70                    |
| September 26, 2019 | 20,000                                      | -                                                    | TSXV                                   | \$0.8445                              | \$16,890                       |
| September 27, 2019 | 2,500                                       | -                                                    | TSXV                                   | \$0.79                                | \$1,975                        |
| September 27, 2019 | 2,500                                       | -                                                    | TSXV                                   | \$0.81                                | \$2,025                        |
| September 27, 2019 | 35,000                                      | -                                                    | TSXV                                   | \$0.86                                | \$30,100                       |
| September 27, 2019 | 10,000                                      | -                                                    | TSXV                                   | \$0.87                                | \$8,700                        |
| September 30, 2019 | 2,500                                       | -                                                    | TSXV                                   | \$0.77                                | \$1,925                        |
| September 30, 2019 | 2,500                                       | -                                                    | TSXV                                   | \$0.78                                | \$1,950                        |

| Date               | Number of<br>Common<br>Shares Sold | Number of<br>Common<br>Shares<br>Purchased | Market | Price per<br>Common<br>Share | Total<br>Consideration |
|--------------------|------------------------------------|--------------------------------------------|--------|------------------------------|------------------------|
| September 30, 2019 | 5,000                              | -                                          | TSXV   | \$0.83                       | \$4,150                |
| October 11, 2019   | 1,000                              | -                                          | TSXV   | \$0.55                       | \$550                  |
| October 11, 2019   | -                                  | 5,000                                      | TSXV   | \$0.54                       | \$2,700                |
| October 11, 2019   | 3,000                              | -                                          | TSXV   | \$0.56                       | \$1,680                |
| October 11, 2019   | 3,500                              | -                                          | TSXV   | \$0.57                       | \$1,995                |
| October 11, 2019   | 22,500                             | -                                          | TSXV   | \$0.58                       | \$13,050               |
| October 11, 2019   | 44,500                             | -                                          | TSXV   | \$0.60                       | \$26,700               |
| October 11, 2019   | 10,000                             | -                                          | TSXV   | \$0.61                       | \$6,100                |
| October 11, 2019   | 3,500                              | -                                          | TSXV   | \$0.62                       | \$2,170                |
| October 11, 2019   | 1,000                              | -                                          | TSXV   | \$0.625                      | \$625                  |
| October 11, 2019   | 2,000                              | -                                          | TSXV   | \$0.64                       | \$1,280                |
| October 15, 2019   | -                                  | 1,000                                      | TSXV   | \$0.53                       | \$530                  |
| October 15, 2019   | -                                  | 1,000                                      | TSXV   | \$0.54                       | \$540                  |
| October 15, 2019   | 3,000                              | -                                          | TSXV   | \$0.54                       | \$1,620                |
| October 15, 2019   | -                                  | 1,000                                      | TSXV   | \$0.55                       | \$550                  |
| October 15, 2019   | 1,000                              | -                                          | TSXV   | \$0.56                       | \$560                  |
| October 15, 2019   | 1,000                              | -                                          | TSXV   | \$0.60                       | \$600                  |
| October 16, 2019   | 500                                | -                                          | TSXV   | \$0.51                       | \$255                  |
| October 16, 2019   | 14,500                             | -                                          | TSXV   | \$0.52                       | \$7,540                |
| October 16, 2019   | 5,000                              | -                                          | TSXV   | \$0.53                       | \$2,650                |
| October 17, 2019   | 4,000                              | -                                          | TSXV   | \$0.51                       | \$2,040                |
| October 17, 2019   | 10,000                             | -                                          | TSXV   | \$0.52                       | \$5,200                |
| October 17, 2019   | 10,000                             | -                                          | TSXV   | \$0.53                       | \$5,300                |
| October 17, 2019   | 5,000                              | -                                          | TSXV   | \$0.54                       | \$2,700                |
| October 17, 2019   | 5,000                              | -                                          | TSXV   | \$0.55                       | \$2,750                |
| October 18, 2019   | 4,000                              | -                                          | TSXV   | \$0.51                       | \$2,040                |
| October 18, 2019   | 24,000                             | -                                          | TSXV   | \$0.52                       | \$12,480               |
| October 18, 2019   | 2,000                              | -                                          | TSXV   | \$0.53                       | \$1,060                |
| October 21, 2019   | 6,500                              | -                                          | TSXV   | \$0.51                       | \$3,315                |

Mr. Quimper is party to an escrow agreement dated June 12, 2019 (the “**Escrow Agreement**”), under which his Common Shares are held in escrow by TSX Trust Company and will be released as per the following schedule:

| Date             | Number of Common Shares to be Released |
|------------------|----------------------------------------|
| July 16, 2020    | 896,784                                |
| January 16, 2021 | 896,784                                |
| July 16, 2021    | 1,345,177                              |
| January 16, 2022 | 1,345,177                              |
| July 16, 2022    | 3,587,139                              |

The Escrow Agreement does not limit Mr. Quimper’s ability to exercise the voting rights attached to his Common Shares held in escrow.

A copy of the Escrow Agreement is available on SEDAR.

Mr. Quimper, whose address is 630 Sherbrooke Street West, Suite 301, Montreal, Quebec H3A 1E4, holds his securities of the Corporation for investment purposes. Depending upon the circumstances, Mr. Quimper may, from time to time, acquire additional securities of the Corporation or sell all or a portion of the securities of the Corporation previously acquired.

**For further information or to obtain a copy of the Early Warning Report, please contact:**

Ali Amadee, Partner  
Dentons Canada LLP  
1 Place Ville Marie, 39<sup>th</sup> Floor  
Montreal, QC H3B 4M7  
(514) 878-8876



Form 62-103F1  
REQUIRED DISCLOSURE UNDER THE EARLY WARNING REQUIREMENTS

**Item 1– Security and Reporting Issuer**

**1.1 State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.**

Common shares (“**Common Shares**”) of Bitfarms Ltd. (the “**Issuer**”), head office located at 1376 Bayview Avenue, Unit 1, Toronto, Ontario, M4G 3A1.

**1.2 State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.**

See item 2.2 below.

**Item 2 – Identity of the Acquiror**

**2.1 State the name and address of the acquiror.**

Pierre-Luc Quimper (the “**Acquiror**”)  
630 Sherbrooke Street West, Suite 301  
Montreal, Quebec H3A 1E4.

**2.2 State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.**

When the Issuer became a reporting issuer on June 13, 2019 (upon being issued a receipt for its final prospectus dated June 12, 2019), the Acquiror had control and direction (by way of Prosum Management Inc., a corporation of which he owns 100% of the outstanding securities) over 8,967,845 Common Shares, representing approximately 15.71% of the then-outstanding Common Shares.

Between June 12, 2019 and the time at which he ceased to have control and direction over 10% of the of the outstanding Common Shares (which occurred on October 21, 2019), Mr. Quimper has sold an aggregate of 642,208 Common Shares and purchased an aggregate of 8,000 Common Shares (for a net decrease of 634,208 Common Shares), as set forth in the table below. As a result, Mr. Quimper holds fewer than 10% of the outstanding Common Shares.

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| Date               | Number of<br>Common Shares<br>Sold | Number of<br>Common<br>Shares<br>Purchased | Market                                 | Price per<br>Common Share | Total<br>Consideration |
|--------------------|------------------------------------|--------------------------------------------|----------------------------------------|---------------------------|------------------------|
| July 15, 2019      | 130,208                            | -                                          | Private sale                           | \$0.0008                  | \$104,1664             |
| July 15, 2019      | 100,000                            | -                                          | Private sale                           | \$0.99                    | \$99,000               |
| September 23, 2019 | 111,000                            | -                                          | TSX<br>Venture<br>Exchange<br>("TSXV") | \$0.9372                  | \$104,029.20           |
| September 24, 2019 | 20,000                             | -                                          | TSXV                                   | \$0.95                    | \$19,000               |
| September 25, 2019 | 14,500                             | -                                          | TSXV                                   | \$0.8586                  | \$12,449.70            |
| September 26, 2019 | 20,000                             | -                                          | TSXV                                   | \$0.8445                  | \$16,890               |
| September 27, 2019 | 2,500                              | -                                          | TSXV                                   | \$0.79                    | \$1,975                |
| September 27, 2019 | 2,500                              | -                                          | TSXV                                   | \$0.81                    | \$2,025                |
| September 27, 2019 | 35,000                             | -                                          | TSXV                                   | \$0.86                    | \$30,100               |
| September 27, 2019 | 10,000                             | -                                          | TSXV                                   | \$0.87                    | \$8,700                |
| September 30, 2019 | 2,500                              | -                                          | TSXV                                   | \$0.77                    | \$1,925                |
| September 30, 2019 | 2,500                              | -                                          | TSXV                                   | \$0.78                    | \$1,950                |
| September 30, 2019 | 5,000                              | -                                          | TSXV                                   | \$0.83                    | \$4,150                |
| October 11, 2019   | 1,000                              | -                                          | TSXV                                   | \$0.55                    | \$550                  |
| October 11, 2019   | -                                  | 5,000                                      | TSXV                                   | \$0.54                    | \$2,700                |
| October 11, 2019   | 3,000                              | -                                          | TSXV                                   | \$0.56                    | \$1,680                |
| October 11, 2019   | 3,500                              | -                                          | TSXV                                   | \$0.57                    | \$1,995                |
| October 11, 2019   | 22,500                             | -                                          | TSXV                                   | \$0.58                    | \$13,050               |
| October 11, 2019   | 44,500                             | -                                          | TSXV                                   | \$0.60                    | \$26,700               |
| October 11, 2019   | 10,000                             | -                                          | TSXV                                   | \$0.61                    | \$6,100                |
| October 11, 2019   | 3,500                              | -                                          | TSXV                                   | \$0.62                    | \$2,170                |
| October 11, 2019   | 1,000                              | -                                          | TSXV                                   | \$0.625                   | \$625                  |
| October 11, 2019   | 2,000                              | -                                          | TSXV                                   | \$0.64                    | \$1,280                |
| October 15, 2019   | -                                  | 1,000                                      | TSXV                                   | \$0.53                    | \$530                  |
| October 15, 2019   | -                                  | 1,000                                      | TSXV                                   | \$0.54                    | \$540                  |
| October 15, 2019   | 3,000                              | -                                          | TSXV                                   | \$0.54                    | \$1,620                |
| October 15, 2019   | -                                  | 1,000                                      | TSXV                                   | \$0.55                    | \$550                  |
| October 15, 2019   | 1,000                              | -                                          | TSXV                                   | \$0.56                    | \$560                  |
| October 15, 2019   | 1,000                              | -                                          | TSXV                                   | \$0.60                    | \$600                  |
| October 16, 2019   | 500                                | -                                          | TSXV                                   | \$0.51                    | \$255                  |
| October 16, 2019   | 14,500                             | -                                          | TSXV                                   | \$0.52                    | \$7,540                |
| October 16, 2019   | 5,000                              | -                                          | TSXV                                   | \$0.53                    | \$2,650                |
| October 17, 2019   | 4,000                              | -                                          | TSXV                                   | \$0.51                    | \$2,040                |
| October 17, 2019   | 10,000                             | -                                          | TSXV                                   | \$0.52                    | \$5,200                |
| October 17, 2019   | 10,000                             | -                                          | TSXV                                   | \$0.53                    | \$5,300                |
| October 17, 2019   | 5,000                              | -                                          | TSXV                                   | \$0.54                    | \$2,700                |
| October 17, 2019   | 5,000                              | -                                          | TSXV                                   | \$0.55                    | \$2,750                |
| October 18, 2019   | 4,000                              | -                                          | TSXV                                   | \$0.51                    | \$2,040                |
| October 18, 2019   | 24,000                             | -                                          | TSXV                                   | \$0.52                    | \$12,480               |
| October 18, 2019   | 2,000                              | -                                          | TSXV                                   | \$0.53                    | \$1,060                |
| October 21, 2019   | 6,500                              | -                                          | TSXV                                   | \$0.51                    | \$3,315                |

**2.3 State the names of any joint actors.**

Not applicable.

**Item 3— Interest in Securities of the Reporting Issuer**

**3.1 State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file the report and the change in the acquiror's securityholding percentage in the class of securities.**

See item 2.2 above.

**3.2 State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file the report.**

See item 2.2 above.

**3.3 If the transaction involved a securities lending arrangement, state that fact.**

Not applicable.

**3.4 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.**

See item 2.2 above.

**3.5 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities referred to in Item 3.4 over which (a) the acquiror, either alone or together with any joint actors, has ownership and control, (b) the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor, and (c) the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.**

See item 2.2 above.

**3.6 If the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the acquiror's securityholdings.**

See item 2.2 above.

**3.7 If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement. State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.**

Not applicable.

**3.8 If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.**

Not applicable.

#### **Item 4– Consideration Paid**

**4.1 State the value, in Canadian dollars, of any consideration paid or received per security and in total.**

See item 2.2 above.

**4.2 In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the acquiror.**

See item 2.2 above.

**4.3 If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.**

Not applicable.

#### **Item 5 – Purpose of the Transaction**

State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the acquiror and any joint actors may have which relate to or would result in any of the following:

- (a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer;
- (b) a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries;
- (c) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;
- (d) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;
- (e) a material change in the present capitalization or dividend policy of the reporting issuer;
- (f) a material change in the reporting issuer's business or corporate structure;
- (g) a change in the reporting issuer's charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company;
- (h) a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;
- (i) the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;
- (j) a solicitation of proxies from securityholders;
- (k) an action similar to any of those enumerated above.

The Acquiror holds his securities of the Issuer for investment purposes. Depending upon the circumstances, the Acquiror may, from time to time, acquire additional securities of the Issuer or sell all or a portion of the securities of the Issuer previously acquired.

#### **Item 6 – Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer**

Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder’s fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.

The Acquiror is party to an escrow agreement dated June 12, 2019 (the “**Escrow Agreement**”), under which his Common Shares are held in escrow by TSX Trust Company and will be released as per the following schedule:

| <b>Date</b>      | <b>Number of Common Shares to be Released</b> |
|------------------|-----------------------------------------------|
| July 16, 2020    | 896,784                                       |
| January 16, 2021 | 896,784                                       |
| July 16, 2021    | 1,345,177                                     |
| January 16, 2022 | 1,345,177                                     |
| July 16, 2022    | 3,587,139                                     |

The Escrow Agreement does not limit the Acquiror’s ability to exercise the voting rights attached to his Common Shares held in escrow.

A copy of the Escrow Agreement is available on SEDAR.

#### **Item 7 – Change in material fact**

If applicable, describe any change in a material fact set out in a previous report filed by the acquiror under the early warning requirements or Part 4 in respect of the reporting issuer’s securities.

Not applicable.

#### **Item 8 – Exemption**

If the acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.

Not applicable.

**Certificate**

**I, as the Acquiror, certify, or I, as the agent filing the report on behalf of an Acquiror, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.**

Dated this 28<sup>th</sup> day of February, 2020

(signed) "*Pierre-Luc Quimper*"

\_\_\_\_\_  
**PIERRE-LUC QUIMPER**



## **Bitfarms Announces Resignation of CEO and Issuance of Common Shares**

**Toronto, Ontario and Brossard, Québec (March 11, 2020)** - Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) ([TSXV:BITE](#)) announced today that Wes Fulford has elected to resign as Chief Executive Officer and Director of Bitfarms and its subsidiaries in order to pursue another professional opportunity. Mr. Fulford will remain a consultant to the Company for a limited period in order to assist with transitional and other matters.

The Board of Directors plans to commence an executive search to identify a permanent successor. In the interim, Emiliano Grodzki, Chief Strategy Officer and Director, will act as interim CEO. As a founder of the Company with strong business experience, Emiliano will oversee the execution of the Company’s plans in the near-term.

“On behalf of the Board of Directors, I would like to thank Wes for his many contributions to Bitfarms over the past two years. Under Wes’ stewardship, Bitfarms has successfully positioned itself as a leader within the North American public markets. We wish him all the best in his future endeavours,” commented Nicolas Bonta, Chairman of the Board of Directors.

“It’s been an incredible experience working with the team at Bitfarms. We became the first cryptocurrency company to successfully clear a prospectus with the Ontario Securities Commission, a testament to our operational expertise, governance and transparency. In addition, Bitfarms was the only publicly traded blockchain infrastructure company to raise significant new capital last year, despite challenging market conditions. I look forward to participating in the growth of this business as a supportive shareholder,” added Wes Fulford.

In addition to customary arrangements, the Company has agreed, subject to receipt of regulatory approval, to issue 500,000 common shares to Mr. Fulford in consideration for past services rendered and to satisfy certain historical entitlements. These common shares have a deemed value of \$0.54 per share.

### **About Bitfarms Ltd.**

The Company owns and operates computing centres that power the global decentralized financial economy. Bitfarms provides computing power to cryptocurrency networks such as Bitcoin, earning fees from each network for securing and processing transactions. Powered by clean and competitively priced hydroelectricity, Bitfarms operates 5 computing centres in Québec, Canada. Bitfarms’ experienced management team includes industrial- scale data centre operators and capital markets professionals, focused on building infrastructure for the future by developing and hosting the ecosystem growing around blockchain-based technologies.

### **For investor inquiries, please contact:**

Sonia Tercas  
Director, Investor Relations  
+1.647.348.9207  
[stercas@bitfarms.io](mailto:stercas@bitfarms.io)

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<https://www.linkedin.com/company/bitfarms/>  
Website: [www.bitfarms.com](http://www.bitfarms.com)

**Cautionary Statement**

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**Forward-Looking Statements**

*This news release contains certain “forward-looking information” within the meaning of applicable Canadian securities laws that are based on expectations, estimates and projections as at the date of this news release. The information in this release about future plans and objectives of the Company, are forward-looking information.*

*This forward-looking information is based on reasonable assumptions and estimates of management of the Company at the time it was 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. The forward-looking statements contained in this press release are made as of the date of this press release. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.*

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**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
1376 Bayview Ave, Unit 1  
Toronto, Ontario M4G 3A1

**Item 2 Date of Material Change**

March 11, 2020

**Item 3 News Release**

The press release attached as Schedule “A” was released over Business Wire on March 11, 2020.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

Wes Fulford elected to resign as Chief Executive Officer and Director of Bitfarms and its subsidiaries in order to pursue another professional opportunity. Mr. Fulford will remain a consultant to the Company for a limited period in order to assist with transitional and other matters.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Ryan Hornby  
Executive Vice President & General Counsel Bitfarms Ltd.  
rhornby@bitfarms.io  
(647) 348-9207

**Item 9 Date of Report**

March 21, 2020

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### **Bitfarms Announces Resignation of CEO and Issuance of Common Shares**

**Toronto, Ontario and Brossard, Québec (March 11, 2020)** - Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) ([TSXV:BTF](#)) announced today that Wes Fulford has elected to resign as Chief Executive Officer and Director of Bitfarms and its subsidiaries in order to pursue another professional opportunity. Mr. Fulford will remain a consultant to the Company for a limited period in order to assist with transitional and other matters.

The Board of Directors plans to commence an executive search to identify a permanent successor. In the interim, Emiliano Grodzki, Chief Strategy Officer and Director, will act as interim CEO. As a founder of the Company with strong business experience, Emiliano will oversee the execution of the Company’s plans in the near-term.

“On behalf of the Board of Directors, I would like to thank Wes for his many contributions to Bitfarms over the past two years. Under Wes’ stewardship, Bitfarms has successfully positioned itself as a leader within the North American public markets. We wish him all the best in his future endeavours,” commented Nicolas Bonta, Chairman of the Board of Directors.

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In addition to customary arrangements, the Company has agreed, subject to receipt of regulatory approval, to issue 500,000 common shares to Mr. Fulford in consideration for past services rendered and to satisfy certain historical entitlements. These common shares have a deemed value of \$0.54 per share.

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[https://twitter.com/Bitfarms\\_io](https://twitter.com/Bitfarms_io)  
<https://www.instagram.com/bitfarms/>  
<https://www.linkedin.com/company/bitfarms/>  
Website: [www.bitfarms.com](http://www.bitfarms.com)

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**Bitfarms Provides Update Regarding Impact of COVID-19 and Cost Efficiency Measures**

TORONTO & BROSSARD, Québec--(BUSINESS WIRE)--April 6, 2020--Bitfarms Ltd. ("Bitfarms" or the "Company") (TSXV:BITF) is a blockchain infrastructure company that operates one of the largest cryptocurrency mining operations in North America. Throughout the recent and ongoing economic and social turmoil related to the impact of the coronavirus (COVID-19) pandemic, Bitfarms has been able to optimize mining operations in real time to maintain maximum computer capacity. From the significant drop of Bitcoin price on March 12, 2020 until the price recovery at or above USD\$6,000 on March 19, 2020, the Company maintained an average daily hashrate of approximately 630 petahash per second (PH). Since March 19, 2020, the Company has maintained an average daily hashrate of approximately 750 PH.

"Cryptocurrency mining is essential to the Bitcoin blockchain and given the self-incentivized model upon which Bitcoin mining works, we firmly believe that the combination of network difficulty and Bitcoin price will continue to adjust to ensure profitability for mining for the largest and most efficient miners. Our strategy has always been to be a leader amongst our peers in efficiency and we are pleased to see that, despite the challenges to traditional markets, our scale and quality of operations has allowed us to continue to generate positive cash flow in these difficult times," said interim CEO and Chief Strategy Officer, Emiliano Grodzki.

In addition to temporary steps to reduce staffing in line with government guidance to help combat the spread of COVID-19, the Company has also implemented permanent measures to reduce overhead costs to ensure the Company continues to be well positioned to absorb short term economic changes and maintain long term viability.

"Once fully implemented over the next several weeks, we expect the cost saving measures to reduce our monthly general and administrative expenses by approximately 20 to 25%. We are also pleased to be benefitting recently from favourable US-CAD foreign exchange rates given the majority of our operating expenses are paid in Canadian dollars while revenue from Bitcoin is in US dollars. Seeking cost efficiencies is consistent with our business model and thesis that efficient miners like Bitfarms will be best positioned to be able to withstand short-term volatility in mining economics and remain profitable through the long-term, including potential challenges relating to the upcoming Bitcoin halving," said John Rim, Chief Financial Officer.

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

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

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

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

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

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## Forward-Looking Statements

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## **Contacts**

### **For investor inquiries, please contact:**

Ryan Hornby  
Executive Vice President and General Counsel  
+1.647.619.7804

### **For media inquiries, please contact:**

Marc Duchesne  
+1.514.277.3508  
[marc@ryanap.com](mailto:marc@ryanap.com)



**Bitfarms Announces the Appointment of a New Director and Provides Notice  
of Release of 2019 Annual Financial Statements**

**Toronto, Ontario and Brossard, Québec (April 17, 2020)** – Bitfarms Ltd. (“**Bitfarms**” or the “**Company**”) is pleased to announce that effective as of April 16, 2020, Mr. Brian Howlett has been appointed as a director of Bitfarms, filling a vacancy on the Board of Directors.

Mr. Howlett is a graduate from Concordia University and is a Chartered Professional Accountant (“CPA, CMA”) with over thirty years of experience in senior financial and management roles. Mr. Howlett has served as senior officer and director of numerous public companies over his career. He currently serves as President and CEO of Canadian Orebodies Inc. and CR Capital Corp., and he is a director of Nighthawk Gold Corp. and Dundee Sustainable Technologies Inc.

**Release of 2019 Financial Results**

Bitfarms also announces it will release its annual 2019 results on Wednesday April 29, 2020 prior to market open.

The Company’s senior management will be hosting a webcast presentation at 10:00 AM EDT on April 29, 2020 to discuss Bitfarms financial and operating results. To view the webcast presentation, please register using the following link:

<https://onlinexperiences.com/Launch/QReg/ShowUUID=5A867099-4608-42CB-A1F4-23B9E0732B36>

The financial results and presentation will also be available on our website at [www.bitfarms.com](http://www.bitfarms.com)

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<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/>

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

### **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 TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

### **Forward-Looking Statements**

*This news release contains certain “forward-looking information” within the meaning of applicable Canadian securities laws that are based on expectations, estimates and projections as at the date of this news release. The information in this release about estimates, projections, future plans and objectives of the Company are forward-looking statements.*

*This forward-looking information is based on reasonable assumptions and estimates of management of the Company at the time it was 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. The forward-looking statements contained in this press release are made as of the date of this press release. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.*

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**FORM 13-502F1**  
**CLASS 1 AND CLASS 3B REPORTING ISSUERS – PARTICIPATION FEE**

**MANAGEMENT CERTIFICATION**

I, John Rim, an officer of the reporting issuer noted below have examined this Form 13-502F1 (the **Form**) being submitted hereunder to the Ontario Securities Commission and certify that to my knowledge, having exercised reasonable diligence, the information provided in the Form is complete and accurate.

(s) "John Rim"  
 Name: John Rim  
 Title: Chief Financial Officer

Date: April 29, 2020

**Reporting Issuer Name:** Bitfarms Ltd.

**End date of previous financial year:** December 31, 2019

**Type of Reporting Issuer:** ☒ **Class 1 reporting issuer** ☐ **Class 3B reporting issuer**

**Highest Trading Marketplace:** TSX Venture  
 (refer to the definition of "highest trading marketplace" under OSC Rule 13-502 Fees)

**Market value of listed or quoted equity securities:**  
 (in Canadian Dollars - refer to section 7.1 of OSC Rule 13-502 Fees)

**Equity Symbol** BITF

**1<sup>st</sup> Specified Trading Period** (dd/mm/yy)  
 (refer to the definition of "specified trading period" under OSC Rule 13-502 Fees) 16/07/19 to 30/09/19

Closing price of the security in the class or series on the last trading day of the specified trading period in which such security was listed or quoted on the highest trading marketplace \$ 0.8700 (i)

Number of securities in the class or series of such security outstanding at the end of the last trading day of the specified trading period 83,620,630 (ii)

Market value of class or series (i) x (ii) \$ 72,749,948.1000 (A)

|                                                                                                                                                                                             |                |                        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|------------------------|
| <b>2<sup>nd</sup> Specified Trading Period</b> (dd/mm/yy)                                                                                                                                   |                |                        |
| (refer to the definition of “specified trading period” under OSC Rule 13-502 Fees)                                                                                                          |                |                        |
|                                                                                                                                                                                             | 01/10/19       | to 31/12/19            |
| Closing price of the security in the class or series on the last trading day of the specified trading period in which such security was listed or quoted on the highest trading marketplace |                |                        |
|                                                                                                                                                                                             | \$ 0.5000      | (iii)                  |
| Number of securities in the class or series of such security outstanding at the end of the last trading day of the specified trading period                                                 |                |                        |
|                                                                                                                                                                                             | 83,620,630     | (iv)                   |
| Market value of class or series                                                                                                                                                             | (iii) x (iv)   | \$ 42,062,490.0000 (B) |
| <b>3<sup>rd</sup> Specified Trading Period</b> (dd/mm/yy)                                                                                                                                   |                |                        |
| (refer to the definition of “specified trading period” under OSC Rule 13-502 Fees)                                                                                                          |                |                        |
|                                                                                                                                                                                             |                | to                     |
| Closing price of the security in the class or series on the last trading day of the specified trading period in which such security was listed or quoted on the highest trading marketplace |                |                        |
|                                                                                                                                                                                             | \$             | (v)                    |
| Number of securities in the class or series of such security outstanding at the end of the last trading day of the specified trading period                                                 |                |                        |
|                                                                                                                                                                                             |                | (vi)                   |
| Market value of class or series                                                                                                                                                             | (v) x (vi)     | \$ 0.0000 (C)          |
| <b>4<sup>th</sup> Specified Trading Period</b> (dd/mm/yy)                                                                                                                                   |                |                        |
| (refer to the definition of “specified trading period” under OSC Rule 13-502 Fees)                                                                                                          |                |                        |
|                                                                                                                                                                                             |                | to                     |
| Closing price of the security in the class or series on the last trading day of the specified trading period in which such security was listed or quoted on the highest trading marketplace |                |                        |
|                                                                                                                                                                                             |                | (vii)                  |
| Number of securities in the class or series of such security outstanding at the end of the last trading day of the specified trading period                                                 |                |                        |
|                                                                                                                                                                                             |                | (viii)                 |
| Market value of class or series                                                                                                                                                             | (vii) x (viii) | \$ 0.0000 (D)          |

---

|                                                                                                                                                                                                                                                                                           |                |                        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|------------------------|
| <b>5<sup>th</sup> Specified Trading Period</b> (dd/mm/yy)<br>(if applicable - refer to the definition of “specified trading period” under OSC Rule 13-502 Fees)                                                                                                                           |                |                        |
|                                                                                                                                                                                                                                                                                           | _____ to _____ |                        |
| Closing price of the security in the class or series on the last trading day of the specified trading period in which such security was listed or quoted on the highest trading marketplace                                                                                               |                | \$ _____ (ix)          |
| Number of securities in the class or series of such security outstanding at the end of the last trading day of the specified trading period                                                                                                                                               |                | _____ (x)              |
| Market value of class or series                                                                                                                                                                                                                                                           | (ix) x (x)     | \$ 0.0000 (E)          |
| <b>Average Market Value of Class or Series</b> (Calculate the simple average of the market value of the class or series of security for each applicable specified trading period (i.e. A through E above))                                                                                |                |                        |
|                                                                                                                                                                                                                                                                                           |                | \$ 57,406,219.0500 (1) |
| (Repeat the above calculation for each other class or series of equity securities of the reporting issuer (and a subsidiary pursuant to paragraph 2.8(1)(c) of OSC Rule 13-502 Fees, if applicable) that was listed or quoted on a marketplace at the end of the previous financial year) |                |                        |
| <b>Fair value of outstanding debt securities:</b><br>(See paragraph 2.8(1)(b), and if applicable, paragraph 2.8(1)(c) of OSC Rule 13-502 Fees)                                                                                                                                            |                |                        |
|                                                                                                                                                                                                                                                                                           |                | \$ _____ (2)           |
| (Provide details of how value was determined)                                                                                                                                                                                                                                             |                |                        |
| <b>Capitalization for the previous financial year</b>                                                                                                                                                                                                                                     | (1) + (2)      | \$ 57,406,219.0500     |
| <b>Participation Fee</b><br>(For Class 1 reporting issuers, from Appendix A of OSC Rule 13-502 Fees, select the participation fee)                                                                                                                                                        |                |                        |
|                                                                                                                                                                                                                                                                                           |                | \$ 6,390.00            |
| (For Class 3B reporting issuers, from Appendix A.1 of OSC Rule 13-502 Fees, select the participation fee)                                                                                                                                                                                 |                |                        |
| <b>Late Fee, if applicable</b><br>(As determined under section 2.7 of OSC Rule 13- 502 Fees)                                                                                                                                                                                              |                |                        |
|                                                                                                                                                                                                                                                                                           |                | \$ _____               |
| <b>Total Fee Payable</b><br>(Participation Fee plus Late Fee)                                                                                                                                                                                                                             |                | \$ 6,390.00            |

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**AND ITS SUBSIDIARIES  
CONSOLIDATED**

**FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2019**

**U.S. DOLLARS IN THOUSANDS**

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ey.com

## **INDEPENDENT AUDITOR'S REPORT**

**To the shareholders of**

**Bitfarms Ltd.**

### *Opinion*

We have audited the consolidated financial statements of Bitfarms Ltd. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of profit or loss and comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to the matter discussed in Note 1b regarding the Group's financial position as of December 31, 2019, the financing facility received in 2019, the Bitcoin halving expected in May 2020 and the management's assessment of the Group's ability to meet its obligations for at least one year from the date of the approval of the consolidated financial statements. The Group is primarily engaged in the cryptocurrency mining industry that is a highly volatile market with significant inherent risk. 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 Group's operations. Due to the volatility of the prices of cryptocurrencies and the effects of possible changes in the other aforementioned factors, there can be no assurance that future mining operations will be profitable. Based on internally prepared forecasted cash flows that take into consideration what management of the Group considers reasonably possible scenarios, management believes the Group will be able to achieve positive cash flows from operations that will enable the Group to meet its obligations for at least one year from the date of approval of the consolidated financial statements.

*Other information included in The Group's 2019 Management's Discussion and Analysis*

Other information consists of the information included in the Management's Discussion and Analysis, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The other information comprises:

- Management's discussion and analysis
- The information, other than the (consolidated) financial statements and our auditor's report thereon, in the Management's discussion and analysis

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained [Management's Discussion & Analysis] prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The partner in charge of the audit resulting in this independent auditor's report is Mr. Eli Barda.

Tel-Aviv, Israel  
April 29, 2020

KOST FORER GABBAY & KASIERER  
A Member of Ernst & Young Global

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

U.S. dollars in thousands

|                                                              | <b>Note</b> | <b>December 31,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|--------------------------------------------------------------|-------------|------------------------------|------------------------------|
| <b>ASSETS</b>                                                |             |                              |                              |
| <b>CURRENT ASSETS:</b>                                       |             |                              |                              |
| Cash and cash equivalents                                    | 5           | \$ 2,159                     | \$ 552                       |
| Trade receivables, net                                       | 6           | 1,108                        | 912                          |
| Other assets                                                 | 7           | 1,398                        | 429                          |
| Inventories                                                  | 8           | 135                          | 124                          |
| Income taxes receivable                                      | 16          | 1,743                        | -                            |
|                                                              |             | 6,543                        | 2,017                        |
| Assets held for sale                                         | 9           | 7                            | 1,278                        |
| <b>TOTAL CURRENT ASSETS</b>                                  |             | <b>6,550</b>                 | <b>3,295</b>                 |
| <b>NON-CURRENT ASSETS:</b>                                   |             |                              |                              |
| Property, plant and equipment, net                           | 10          | 37,774                       | 20,862                       |
| Right-of-use assets                                          | 15          | 6,233                        | -                            |
| Intangible assets, net                                       | 11          | 675                          | 1,013                        |
| Long-term deposits and advance payments on equipment         | 12          | 1,148                        | 1,063                        |
| Embedded derivative                                          | 14          | 476                          | -                            |
| <b>TOTAL NON-CURRENT ASSETS</b>                              |             | <b>46,306</b>                | <b>22,938</b>                |
| <b>TOTAL ASSETS</b>                                          |             | <b>\$ 52,856</b>             | <b>\$ 26,233</b>             |
| <b>LIABILITIES AND EQUITY</b>                                |             |                              |                              |
| <b>CURRENT LIABILITIES:</b>                                  |             |                              |                              |
| Current maturities of long-term debt                         | 14          | \$ 874                       | \$ 1,025                     |
| Current maturities of lease liabilities                      | 15          | 746                          | -                            |
| Accounts payable and accrued liabilities                     | 13          | 2,389                        | 2,820                        |
| Income taxes payable                                         | 16          | -                            | 761                          |
|                                                              |             | 4,009                        | 4,606                        |
| Liabilities held for sale                                    |             | -                            | 50                           |
| <b>TOTAL CURRENT LIABILITIES</b>                             |             | <b>4,009</b>                 | <b>4,656</b>                 |
| <b>NON-CURRENT LIABILITIES:</b>                              |             |                              |                              |
| Long-term debt                                               | 14          | 14,849                       | 693                          |
| Lease liabilities                                            | 15          | 5,717                        | -                            |
| Asset retirement provision                                   | 17          | 193                          | 232                          |
| <b>TOTAL NON-CURRENT LIABILITIES</b>                         |             | <b>20,759</b>                | <b>925</b>                   |
| <b>TOTAL LIABILITIES</b>                                     |             | <b>24,768</b>                | <b>5,581</b>                 |
| <b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:</b> |             |                              |                              |
| Share capital                                                | 18          | 33,944                       | 19,812                       |
| Obligation to issue shares                                   |             | -                            | 4,386                        |
| Accumulated deficit                                          |             | (5,856)                      | (8,755)                      |
|                                                              |             | 28,088                       | 15,443                       |
| Non-controlling interest                                     |             | -                            | 5,209                        |
| <b>TOTAL EQUITY</b>                                          |             | <b>28,088</b>                | <b>20,652</b>                |
| <b>TOTAL LIABILITIES &amp; EQUITY</b>                        |             | <b>\$ 52,856</b>             | <b>\$ 26,233</b>             |

The accompanying notes are an integral part of the consolidated financial statements.

April 29, 2020

Nicolas Bonta

Emiliano Grodzi

John Rim

Date of approval of the  
financial statementsNicolas Bonta Chairman of the  
Board of DirectorsEmiliano Grodzki  
Interim Chief Executive OfficerJohn Rim  
Chief Financial Officer

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME (LOSS)**

U.S. dollars in thousands (except earnings per share)

|                                                                                         | <b>Note</b> | <b>December 31,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|-----------------------------------------------------------------------------------------|-------------|------------------------------|------------------------------|
| Revenues                                                                                | 20a         | \$ 32,421                    | \$ 33,805                    |
| Cost of revenues                                                                        | 20b         | 20,982                       | 22,928                       |
| Gross profit                                                                            |             | <u>11,439</u>                | <u>10,877</u>                |
| General and administrative expenses                                                     | 20c         | 10,294                       | 8,815                        |
| Listing cost of reverse acquisition                                                     |             | -                            | 1,000                        |
| Impairment of property, plant and equipment                                             | 9           | 56                           | 19,060                       |
|                                                                                         |             | <u>10,350</u>                | <u>28,875</u>                |
| Operating income (loss)                                                                 |             | 1,089                        | (17,998)                     |
| Financial income                                                                        | 20d         | 2,252                        | -                            |
| Financial expenses                                                                      | 20e         | (3,825)                      | (179)                        |
| Loss before taxes on income                                                             |             | <u>(484)</u>                 | <u>(18,177)</u>              |
| Taxes on income (tax benefit)                                                           | 16          | (2,591)                      | 59                           |
| Net income (loss) and total comprehensive income (loss)                                 |             | \$ 2,107                     | \$ (18,236)                  |
| Attributable to:                                                                        |             |                              |                              |
| Equity holders of the Company                                                           |             | \$ 2,899                     | \$ (9,363)                   |
| Non-controlling interest                                                                |             | <u>(792)</u>                 | <u>(8,873)</u>               |
| Net earnings per share attributable to equity holders of the Company (in U.S. dollars): |             | <u>\$ 2,107</u>              | <u>\$ (18,236)</u>           |
| Basic and diluted earnings (loss) per share                                             | 24          | <u>\$ 0.04</u>               | <u>\$ (0.16)</u>             |

The accompanying notes are an integral part of the consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

U.S. dollars in thousands

|                                                                                 | Equity attributable to equity holders of the Company |                            |                                         |                  | Non-controlling interest | Total equity     |
|---------------------------------------------------------------------------------|------------------------------------------------------|----------------------------|-----------------------------------------|------------------|--------------------------|------------------|
|                                                                                 | Share capital                                        | Obligation to issue shares | Retained earnings (accumulated deficit) | Total            |                          |                  |
| <b>Balance as of January 1, 2019</b>                                            | \$ 19,812                                            | \$ 4,386                   | \$ (8,755)                              | \$ 15,443        | \$ 5,209                 | \$ 20,652        |
| Net income (loss) and total comprehensive income (loss)                         | -                                                    | -                          | 2,899                                   | 2,899            | (792)                    | 2,107            |
| Share-based payment                                                             | 2,712                                                | -                          | -                                       | 2,712            | -                        | 2,712            |
| Share-based payment in legal subsidiary                                         | -                                                    | -                          | -                                       | -                | 161                      | 161              |
| Exchange of share-based payment from legal subsidiary to the Company            | 907                                                  | -                          | -                                       | 907              | (907)                    | -                |
| Exchange of exchangeable shares issued in the reverse acquisition               | 4,386                                                | (4,386)                    | -                                       | -                | -                        | -                |
| Reclassification of warrant liability to equity                                 | 3,160                                                | -                          | -                                       | 3,160            | -                        | 3,160            |
| Deferred tax liability related to warrant issuance                              | (837)                                                | -                          | -                                       | (837)            | -                        | (837)            |
| Exercise of warrants                                                            | 100                                                  | -                          | -                                       | 100              | -                        | 100              |
| Forgiveness of loan from company controlled by shareholders                     | 33                                                   | -                          | -                                       | 33               | -                        | 33               |
| Acquisition of NCI by issuance of shares                                        | 3,671                                                | -                          | -                                       | 3,671            | (3,671)                  | -                |
| <b>Balance as of December 31, 2019</b>                                          | <b>\$ 33,944</b>                                     | <b>\$ -</b>                | <b>\$ (5,856)</b>                       | <b>\$ 28,088</b> | <b>\$ -</b>              | <b>\$ 28,088</b> |
| <b>Balance as of January 1, 2018</b>                                            | <b>\$ 22,999</b>                                     | <b>\$ -</b>                | <b>\$ 4,905</b>                         | <b>\$ 27,904</b> | <b>\$ -</b>              | <b>\$ 27,904</b> |
| Net loss and total comprehensive loss                                           | -                                                    | -                          | (9,363)                                 | (9,363)          | (8,873)                  | (18,236)         |
| Issuance of share capital and exchangeable shares on the reverse                | 5,852                                                | 4,386                      | -                                       | 10,238           | -                        | 10,238           |
| Equity attributable to non-controlling interest on the reverse acquisition date | (9,039)                                              | -                          | (4,297)                                 | (13,336)         | 13,336                   | -                |
| Share-based payment in legal subsidiary                                         | -                                                    | -                          | -                                       | -                | 746                      | 746              |
| <b>Balance as of December 31, 2018</b>                                          | <b>\$ 19,812</b>                                     | <b>\$ 4,386</b>            | <b>\$ (8,755)</b>                       | <b>\$ 15,443</b> | <b>\$ 5,209</b>          | <b>\$ 20,652</b> |

The accompanying notes are an integral part of the consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

U.S. dollars in thousands

|                                                                                          | December 31,<br>2019 | December 31,<br>2018 |
|------------------------------------------------------------------------------------------|----------------------|----------------------|
| <b>Cash flows from operating activities:</b>                                             |                      |                      |
| Net income (loss)                                                                        | \$ 2,107             | \$ (18,236)          |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |                      |                      |
| Depreciation and amortization                                                            | 6,843                | 12,548               |
| Impairment loss on property, plant and equipment                                         | 56                   | 19,060               |
| Financial expenses                                                                       | 3,825                | 49                   |
| Deferred taxes, net                                                                      | (837)                | (702)                |
| Listing costs of reverse acquisition                                                     | -                    | 1,000                |
| Share-based payment                                                                      | 2,873                | 746                  |
| Financial income                                                                         | (2,252)              | 9                    |
| Interest and financial expenses paid                                                     | (3,114)              | (49)                 |
| Income taxes paid                                                                        | (768)                | (527)                |
| Provision for asset retirement and loss on disposition of property, plant and equipment  | 313                  | 25                   |
|                                                                                          | <u>6,939</u>         | <u>32,159</u>        |
| Changes in non-cash working capital components (A)                                       | (3,026)              | (162)                |
| Net cash provided by operating activities                                                | <u>6,020</u>         | <u>13,761</u>        |
| <b>Cash flows from investing activities:</b>                                             |                      |                      |
| Purchase of property, plant and equipment and intangible assets                          | (23,651)             | (22,392)             |
| Proceeds from sale of property, plant and equipment                                      | 1,414                | 145                  |
| Advance payments for equipment                                                           | (127)                | (399)                |
| Acquisition of a subsidiary (B)                                                          | -                    | 387                  |
| Reverse acquisition transaction (C)                                                      | -                    | 182                  |
| Net cash used in investing activities                                                    | <u>(22,364)</u>      | <u>(22,077)</u>      |
| <b>Cash flows from financing activities:</b>                                             |                      |                      |
| Issuance of ordinary shares in 2017                                                      | -                    | 2,942                |
| Issuance of warrants                                                                     | 4,936                | -                    |
| Exercise of warrants                                                                     | 100                  | -                    |
| Proceeds from long-term debt, net                                                        | 14,664               | 1,886                |
| Repayment of lease liabilities                                                           | (664)                | -                    |
| Repayment of long-term debt                                                              | (1,062)              | (496)                |
| Net cash provided by financing activities                                                | <u>17,974</u>        | <u>4,332</u>         |
| Exchange rate differences on currency translation                                        | <u>(23)</u>          | <u>18</u>            |
| Increase (decrease) in cash and cash equivalents                                         | 1,607                | (3,966)              |
| Cash and cash equivalents at beginning of year                                           | 552                  | 4,518                |
| Cash and cash equivalents at end of year                                                 | <u>\$ 2,159</u>      | <u>\$ 552</u>        |

The accompanying notes are an integral part of the consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

U.S. dollars in thousands

|                                                                         | December 31,<br>2019 | December 31,<br>2018 |
|-------------------------------------------------------------------------|----------------------|----------------------|
| (A) <u>Changes in working capital components:</u>                       |                      |                      |
| Increase in trade receivables, net                                      | \$ (2)               | \$ (338)             |
| Decrease (increase) in other current assets                             | (1,068)              | 490                  |
| Decrease (increase) in inventories                                      | (5)                  | 407                  |
| Increase in long-term deposits                                          | (142)                | (664)                |
| Decrease in accounts payable and accrued liabilities                    | (16)                 | (107)                |
| Increase in income taxes receivable                                     | (1,743)              | -                    |
| Increase (decrease) in liabilities held for sale                        | (50)                 | 50                   |
|                                                                         | <u>\$ (3,026)</u>    | <u>\$ (162)</u>      |
| (B) <u>Acquisition of a subsidiary consolidated for the first time:</u> |                      |                      |
| Trade receivables                                                       | \$ -                 | \$ (971)             |
| Inventories and other receivables                                       | -                    | (120)                |
| Property, plant and equipment                                           | -                    | (163)                |
| Intangible assets – customer lists                                      | -                    | (50)                 |
| Trade payables                                                          | -                    | 1,135                |
| Deferred revenues                                                       | -                    | 27                   |
| Income taxes payable                                                    | -                    | 9                    |
| Deferred taxes                                                          | -                    | 10                   |
| Long-term debt                                                          | -                    | 111                  |
| Elimination of company payable to subsidiary upon its acquisition       | -                    | 399                  |
|                                                                         | <u>\$ -</u>          | <u>\$ 387</u>        |
| (C) <u>Reverse acquisition transaction:</u>                             |                      |                      |
| Trade receivables                                                       | \$ -                 | \$ (311)             |
| Property, plant and equipment                                           | -                    | (9,000)              |
| Listing cost of reverse acquisition                                     | -                    | (1,000)              |
| Trade payables                                                          | -                    | 255                  |
| Issuance of Ordinary shares                                             | -                    | 5,852                |
| Obligation to issue shares                                              | -                    | 4,386                |
|                                                                         | <u>\$ -</u>          | <u>\$ 182</u>        |
| (D) <u>Significant non-cash transactions:</u>                           |                      |                      |
| Forgiveness of loan from company controlled by shareholders             | \$ 33                | \$ -                 |
| Addition of right-of-use assets and related lease liabilities           | \$ 2,292             | \$ -                 |
| Purchase of property, plant and equipment financed by short-term credit | \$ 447               | \$ 1,007             |
| Acquisition of non-controlling interest by issuance of shares           | \$ 24,938            | \$ -                 |

The accompanying notes are an integral part of the consolidated financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency****NOTE 1: GENERAL**

- a. The Company was incorporated under the Canada Business Corporations Act on October 11, 2018 and has its registered and head office located at 1376 Bayview Avenue, Suite 1, Toronto, ON M4G 3A1. On June 12, 2019 the Company and Bitfarms Ltd. (Israel) completed a reorganization under which all of the outstanding shares of Bitfarms Ltd. (Israel) were exchanged for newly issued common shares of the Company on a 1:1 basis. On the same date, all outstanding exchangeable shares of Backbone Hosting Solutions Inc. were exchanged on a 1:1 basis for newly issued common shares in the Company (both of the preceding will be referred to as the "Arrangement"). Prior to completion of the Arrangement Bitfarms Ltd. (Israel) delisted from the Tel Aviv Stock Exchange. On July 16, 2019 the Company began trading on the TSX Venture Exchange ("TSXV"). On August 15, 2019 the Company completed the acquisition of all remaining issued and outstanding shares of Backbone (non-controlling interest) that were not included in the Arrangement through a 1:1 share exchange – see Note 18.
- b. For the year ended December 31, 2019, the Company had a pretax loss of \$484. As of December 31, 2019, the Company had positive working capital of \$2,541 and an accumulated deficit of \$5,856. In March 2019, the Company entered into a secured debt financing facility for \$20,000, described in Note 14. The financing enabled the Company to make investments in mining infrastructure and equipment that the Company's management believes will allow the Company to continue growing its cryptocurrency operations.

The Group is primarily engaged in the cryptocurrency mining industry, which is a highly volatile market with significant inherent risk. 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 Group's operations. Due to the volatility of the prices of cryptocurrencies and the effects of possible changes in the other aforementioned factors, there can be no assurance that future mining operations will be profitable.

The Bitcoin protocol has rewarded miners with 12.5 Bitcoin per block mined since July 2016. Approximately every four years, the block reward is reduced by 50%, referred to as a "halving". In May 2020, the third bitcoin halving is expected to occur, reducing the block reward from 12.5 to 6.25 bitcoin rewarded per block mined; directly impacting the profitability of miners. In recent years, when mining profitability has dropped abruptly due to price volatility, the network difficulty had adjusted to allow lower cost miners to remain profitable. Furthermore, the halving reduces the new supply of Bitcoin entering the marketplace, which has resulted in Bitcoin price increases after previous halvings. The Company believes that the expected network difficulty and price adjustments, as well as the higher efficiency miners acquired with the proceeds from the Dominion Capital Loan described in Note 14, will allow the Company to continue operating at a scale that is profitable.

Based on internally prepared forecasted cash flows that take into consideration what management of the Group considers reasonably possible scenarios, management believes that the Group will continue to be able to achieve positive cash flows from operations that will enable the Group to meet its obligations for at least one year from the date of approval of the consolidated financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 1: GENERAL (Cont.)**

## c. Definitions:

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

|     |                                                  |   |                               |
|-----|--------------------------------------------------|---|-------------------------------|
| 1.  | Bitfarms Ltd.                                    | - | Bitfarms Ltd. or the Company  |
| 2.  | Backbone Hosting Solutions Inc.                  | - | Backbone                      |
| 3.  | 9159-9290 Quebec Inc.                            | - | Volta                         |
| 4.  | Bitfarms Ltd. (Israel)                           | - | Bitfarms Ltd. pre-Arrangement |
| 5.  | The Company and its subsidiaries                 | - | The Group                     |
| 6.  | Bitcoin                                          | - | BTC                           |
| 7.  | Bitcoin Cash                                     | - | BCH                           |
| 8.  | Litecoin                                         | - | LTC                           |
| 9.  | Ethereum                                         | - | ETH                           |
| 10. | Blockchain Verification and Validation Equipment | - | BVVE                          |
| 11. | Graphic Processing Unit                          | - | GPU                           |

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

## a. Basis of presentation of the financial statements:

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a cost basis, except for derivative financial instruments and assets or liabilities held for sale that have been measured at fair value. The consolidated financial statements are presented in US dollars and all values are rounded to the nearest thousand, except where otherwise indicated.

The Company has elected to present the profit or loss items using the function of expense method.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**


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**U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency**


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**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)****b. The operating cycle:**

The Group's activities have one operating cycle, which is one year. Accordingly, the assets and liabilities directly attributable to this activity are classified in the statement of financial position as current assets and liabilities based on the Group's operating cycle. The operating cycle of Backbone is to mine cryptocurrency and then convert to fiat currency after mining using institutional exchanges.

**c. Consolidated financial statements:**

These financial statements consolidate the Company's subsidiaries from the date of acquisition until the date that control is lost. The subsidiaries are controlled by the Company, where control is achieved when the company is exposed to or has the right to variable returns from its involvement with the investee and has the current ability to direct the activities of the investee that significantly affect the investee's returns.

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

Non-controlling interests in subsidiaries represent the equity of the subsidiaries that cannot be attributed, directly or indirectly, to the parent company. The non-controlling interests are presented separately in the Company's equity. Profit or loss and any component of other comprehensive income are allocated to the Company and to non-controlling interests. Losses are attributed to non-controlling interests even if the balance of non-controlling interests in the consolidated statement of financial position is negative.

**d. Business combinations:**

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition, plus non-controlling interests in the acquiree. In each business combination the Company determines whether to measure the non-controlling interest in the acquiree at the fair value at the date of acquisition, or at their proportionate share of the fair value of the net identifiable assets of the acquiree. Transaction costs related to the acquisition are expensed as incurred in the statement of profit or loss.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency****NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

e. Functional currency, presentation currency and transactions in foreign currency:

1. Functional currency and presentation currency:

The financial statements are presented in U.S. Dollars, which is the Company's functional currency. The functional currency is the currency that best reflects the economic environment in which the Company operates and conducts its transactions.

The Company determines the functional currency of each company in the Group. Assets and liabilities of subsidiaries constituting foreign operations, including fair value adjustments upon acquisition, are translated using the exchange rate in effect at each reporting date. Revenues and expenses are translated using the average exchange rates in effect for all periods presented. The resulting translation differences are included in other comprehensive income. The loss on foreign currency translation of Volta was immaterial for the years ended December 31, 2019 and December 31, 2018.

2. Transactions, assets and liabilities in foreign currency:

Transactions in foreign currency are initially recorded at the exchange rate in effect on the transaction date. Monetary assets and liabilities in foreign currency are subsequently translated into the functional currency at the exchange rate in effect at each reporting date. Exchange rate differences, other than those capitalized to qualifying assets or carried to equity in hedging transactions, are included in profit or loss. Non-monetary assets and liabilities in foreign currency stated at cost are translated at the exchange rate in effect at the transaction date. Non-monetary assets and liabilities in foreign currency carried at fair value are translated at the exchange rate at the date on which the fair value was determined.

f. Cash equivalents:

Cash and cash equivalents are highly liquid investments, including short-term bank deposits which are not restricted by liens, whose original term to maturity is up to three months from the investment date. Bank deposits whose original terms to maturity are greater than three months are included in cash and cash equivalents if they can be withdrawn immediately without penalty.

g. Inventories:

The Company receives cryptocurrency in exchange for blockchain validation and verification services. The cryptocurrency is accounted for as inventory until it is sold in exchange for fiat currency. Inventories of cryptocurrency are measured at the lower of cost to produce and net realizable value. The cost of inventory comprises the costs incurred with respect to the validation and verification of blockchain transactions, consisting mainly of electricity and depreciation. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency**

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**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)****h. Revenue recognition:**

Revenue from contracts with customers is recognized when control over the goods or services is transferred to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes). The following are the specific revenue recognition criteria which must be met before revenue is recognized:

**1. Revenues from cryptocurrency mining:**

The Group, through Backbone, operates server farms supporting the verification and validation of blockchain transactions. The Company receives cryptocurrency in exchange for these services, the cost of which is recorded as inventories. Revenue is recognized when the cryptocurrency is converted into fiat currency or when the cryptocurrency is transferred to another party in settlement of a debt to this party.

**2. Revenues from electrical services:**

The Group, through Volta, sells electrical components and provides electrician installation for those components, as well as repair and maintenance services.

Revenues from providing services are recognized according to the stage of completion of the transaction as at the balance sheet date. The stage of completion is estimated based on the costs incurred for the transaction compared to the estimated cost of completion for the project. According to this method, revenues are recognized in the reporting period in which the services are provided. In the event that the outcome of the contract cannot be measured reliably, the revenues are recognized to the extent of the recoverable expenses incurred.

Any amounts received in advance for future services to be provided are recorded as deferred revenues (contract liability) and recognized as revenue in profit or loss when the services are rendered.

**i. Taxes on income:**

The income tax expense for the year comprises current and deferred taxes. These taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or loss or directly in shareholders' equity.

**1. Current taxes:**

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with tax liabilities in respect of previous years.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**


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**U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency**

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**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

## 2. Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes. Deferred taxes are measured at the tax rate that is expected to apply when the asset is realized, or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilized. Deductible carryforward losses and temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that their utilization is probable.

Taxes that would apply in the event of the disposal of investments in investees have not been taken into account in computing deferred taxes, as long as the disposal of the investments in investees is not probable in the foreseeable future. Also, deferred taxes that would apply in the event of distribution of earnings by investees as dividends have not been taken into account in computing deferred taxes, since the distribution of dividends does not involve an additional tax liability or since it is the Company's policy not to initiate distribution of dividends from a subsidiary that would trigger an additional tax liability.

## j. Leases:

As described in Note 2w regarding the initial adoption of IFRS 16, "Leases" ("the Standard"), The Group adopted IFRS 16 effective January 1, 2019. The accounting policy for leases applied until December 31, 2018 is as follows:

The criteria for classifying a lease as a finance or operating lease depend on the substance the agreements and are made at the inception of the lease in accordance with the following principles as prescribed in IAS 17:

The Group as lessee:

## 1. Finance leases:

When substantially all risks and rewards associated with ownership of the leased asset are transferred the lease is classified as a finance lease. The leased asset is measured at inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

The leased asset is depreciated over the lesser of its useful life or the lease term.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency**

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

2. Operating leases:

When all of the risks and rewards associated with ownership of the leased asset are not transferred, the lease is classified as an operating lease. Lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

The accounting policy for leases applied commencing January 1, 2019, is as follows:

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee:

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

1. Right-of-use assets:

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

|                           |            |
|---------------------------|------------|
| <b>Farming facilities</b> | 4-10 years |
| <b>Vehicles and other</b> | 3-5 years  |

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (n) Impairment of non-financial assets.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**


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**U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency**


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**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)****2. Lease liabilities:**

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in- substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

**3. Short-term leases and leases of low-value assets:**

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low- value assets are recognized as expense on a straight-line basis over the lease term.

**k. Non-current assets held for sale:**

Non-currents assets or a disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the assets must be available for immediate sale in their present condition, the Company must be committed to sell, there must be a program to locate a buyer and it is highly probable that a sale will be completed within one year from the date of classification. From the date of such initial classification, these assets are no longer depreciated and are presented separately as current assets at the lower of their carrying amount and fair value less costs to sell. Other comprehensive income (loss) in respect to a non-current asset or a group of non-current assets that is classified as held for sale is presented separately in equity.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

When an entity no longer plans to sell an asset in a sale transaction, it ceases the classification of the asset as held for sale and measures it at the lower of its carrying amount had it not been classified as held for sale or the recoverable amount of the asset on the date of the decision not to sell the asset.

**l. Property, plant and equipment:**

Property, plant and equipment are carried at cost, including directly attributable costs, less accumulated depreciation, accumulated impairment losses and any related investment grants and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that are used in connection with plant and equipment. The cost of an item of property, plant and equipment comprises the initial estimate of the costs of dismantling and removing the item and restoring the site on which the item is located.

Property, plant and equipment are depreciated as follows:

|                                                           |   |                                      |
|-----------------------------------------------------------|---|--------------------------------------|
| Blockchain validation and verification equipment ("BVVE") | - | Sum of years, declining over 5 years |
| Mineral assets *                                          | - | Units of production method           |
| Electrical equipment                                      | - | Sum of years, declining over 5 years |
| Leasehold improvements                                    | - | See below                            |
| Buildings                                                 | - | Declining balance, 4%                |
| Vehicles                                                  | - | Declining balance, 30%               |

\* Since the acquisition of mineral assets in 2018, there has been no production.

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Group and intended to be exercised) and the expected life of the improvement.

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

The sum of years depreciation method is calculated as follows:

|                   | <b>Year 1</b> | <b>Year 2</b> | <b>Year 3</b> | <b>Year 4</b> | <b>Year 5</b> |
|-------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Rate</b>       | 5/15          | 4/15          | 3/15          | 2/15          | 1/15          |
| <b>Percentage</b> | 33.33%        | 26.67%        | 20%           | 13.33%        | 6.67%         |

**m. Intangible assets:**

Intangible assets acquired separately are initially measured at cost plus direct acquisition costs. Intangible assets acquired in business combinations are measured at their fair value as at the acquisition date.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

Intangible assets with a finite useful life are amortized over their useful lives using the sum of years method and are reviewed for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at each year end. Intangible assets consist of acquired software used in the Company's blockchain validation and verification operations and customer lists acquired in a business combination and are amortized using the sum of years method.

**Software:**

The Group's assets include computer systems, comprised of hardware and software. Certain hardware come pre-installed with firmware. Without this firmware, the hardware could not function and therefore both the hardware and firmware are classified within property plant and equipment. In contrast, stand-alone software that adds functionality to the hardware is classified as an intangible asset

The sum of years depreciation method for computer software is calculated as follows:

|                   | <b>Year 1</b> | <b>Year 2</b> | <b>Year 3</b> | <b>Year 4</b> | <b>Year 5</b> |
|-------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Rate</b>       | 5/15          | 4/15          | 3/15          | 2/15          | 1/15          |
| <b>Percentage</b> | 33.33%        | 26.67%        | 20%           | 13.33%        | 6.67%         |

The sum of years depreciation method for customer lists is calculated as follows:

|                   | <b>Year 1</b> | <b>Year 2</b> | <b>Year 3</b> |
|-------------------|---------------|---------------|---------------|
| <b>Rate</b>       | 3/6           | 2/6           | 1/6           |
| <b>Percentage</b> | 50%           | 33.33%        | 16.67%        |

**n. Impairment of non-financial assets:**

The Company evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency**

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**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

## o. Financial instruments:

## 1. Financial assets:

## Initial recognition and measurement:

Financial assets are initially measured at fair value plus transaction costs that can be directly attributed to the acquisition of the financial asset, except in the case of a financial asset measured at fair value through profit or loss in respect of which transaction costs are charged to profit or loss.

## Subsequent measurement:

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Group's financial assets at amortized cost includes trade receivables and certain items included in other assets. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. This category includes the embedded derivative arising from the repayment terms of the Dominion loan described in Note 14. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

## Impairment:

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

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**


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**U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency**


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**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)****2. Financial liabilities:****Initial recognition and measurement:**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include accounts payable and accrued liabilities and long-term debt.

**Subsequent measurement:**

Financial liabilities are either measured at fair value through profit or loss or at amortized cost. Financial liabilities at fair value through profit or loss included a warrant liability, prior to the amendment of the warrant terms as described in Note 14. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as financial expenses in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 14.

**3. Derecognition of financial assets:**

Financial assets are derecognized when the contractual rights to receive the cash flows from the financial asset expire, or when the Company transfers the contractual rights to receive the cash flows from the financial asset or assumes an obligation to pay the cash flows received in full to a third party without significant delay.

**4. Derecognition of financial liabilities:**

Financial liabilities are derecognized when and only when they are extinguished - that is, when the obligation defined in the contract is fulfilled, cancelled or expires. A financial liability is fulfilled when the debtor repays the liability by paying cash, other financial assets, goods or services, or is otherwise legally released from the liability.

**p. Fair value measurement:**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**


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**U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency**


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**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Fair value measurement of non-financial assets takes into account the ability of a market participant to derive economic benefits from the asset through its best use, or by selling it to another market participant capable of using the asset to its best use.

Assets and liabilities measured at fair value, or whose fair value is disclosed are classified into categories within the fair value hierarchy, based on the lowest level input that is significant to the overall fair value measurement:

- Level 1 - Unadjusted quoted prices in an active market of identical assets and liabilities
- Level 2 - Non-quoted prices included in Level 1 that are either directly or indirectly observable
- Level 3 - Data that is not based on observable market information, such as valuation techniques without the use of observable market data

**q. Provisions:**

Under IAS 37, provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligations and the amounts can be reliably estimated. When the Group expects that part or all of the expense will be refunded to the Company, such as an insurance claim, the refund will be recognized as a separate asset only on the date when there is certainty of receiving the asset. The expense will be recognized in the statement of profit or loss net of the expected refund.

**Asset retirement provisions:**

These provisions relate to Backbone's legal obligation, in relation to its leased properties, to restore the properties to their original condition at the end of the lease period. The provisions are calculated at the present value of the expected costs to settle the obligations using estimated future cash flows discounted at a rate that reflects the risks specific to the obligations. Changes in the estimated future costs, or in the discount rate applied, are recorded as an adjustment of the cost of the related asset.

**Lawsuits:**

A provision for legal claims against the Group is recorded when the Group has a present legal or constructive obligation as a result of past events, that is more likely than not to be settled with an outflow of economic resources that can be measured reliably.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency**

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**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

## r. Share-based transactions:

Certain employees of the Company are entitled to benefits by way of share-based payment settled with equity instruments.

## Transactions settled with equity instruments:

The cost of employee services paid in equity instruments is measured at the fair value of the equity instruments as at the grant date. The fair value is determined using a generally accepted option pricing model. Equity settled transactions with other services providers is measured at the fair value of the goods or services received in return for the equity instruments. The cost of equity-settled transactions is recognized in profit or loss together with a corresponding increase in equity during the period which the performance and/or service conditions are to be satisfied ending on the date on which the relevant employees become entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest.

Expenses related to grants that do not vest are not recognized, except for grants whose vesting is contingent on market conditions that are treated as vested regardless of these conditions, assuming all other vesting conditions (service and/or performance) were met.

When the Company modifies the terms of equity-settled transactions, an additional expense is recognized, calculated as the increase in the fair value of the compensation granted in excess of the original expense, on the date of the modification. Cancellation of equity settlement that has not vested is treated as if it had vested on the date of cancellation, with the unrecognized expense recognized immediately. However, if the cancellation is subsequently replaced by a new agreement and is designated as an alternative settlement, then it is treated as a modification of the original agreement as described above.

## s. Earnings per share:

Earnings per share is calculated by dividing the net income attributable to the Company's shareholders by the actual number of common shares outstanding during the period. Potential common shares are included in the calculation of diluted earnings per share if their effect dilutes earnings per share from continuing operations. Potential common shares that were converted during the period are included in diluted earnings per share only up to the conversion date, and from that date are included in basic earnings per share. The Company's share in the earnings of investees is calculated according to its share in the earnings per share of those investees multiplied by the number of shares held by the Company.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**


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**U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency**

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**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)****t. Share capital:**

Share capital represents the amount received on the issuance of shares, less issuance costs net of any underlying income tax benefit from these issuance costs.

**u. Employee benefits:**

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as: paid vacation leave, maternity and paternal leave, sick leave, bonuses, and group insurance benefits) is recognized in the period in which the services are rendered.

**v. Issue of a unit of securities:**

The issue of a unit of securities involves the allocation of the proceeds received before issue expenses to the securities issued in the unit based on the following order: financial derivatives and other financial instruments measured at fair value in each period. Then fair value is determined for financial liabilities that are measured at amortized cost. The proceeds allocated to equity instruments are determined to be the residual amount. Issue costs are allocated to each component pro rata to the amounts determined for each component in the unit.

**w. Adoption of new accounting standards:***IFRS 16, "Leases"*

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). The effect of adoption IFRS 16 as of January 1, 2019 is as follows:

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)****Assets**

|                     |           |
|---------------------|-----------|
| Right-of-use assets | \$ 5,303* |
|---------------------|-----------|

**Liabilities**

|                                         |     |
|-----------------------------------------|-----|
| Current maturities of lease liabilities | 621 |
|-----------------------------------------|-----|

|                                             |       |
|---------------------------------------------|-------|
| Non-current maturities of lease liabilities | 4,498 |
|---------------------------------------------|-------|

|                   |                 |
|-------------------|-----------------|
| Total liabilities | <u>\$ 5,119</u> |
|-------------------|-----------------|

\* Includes \$184 previously presented in long-term deposits and advance payments on equipment prior to the adoption of IFRS 16 on January 1, 2020.

**Nature of the effect of adoption of IFRS 16:**

The Group has lease contracts for various farming facilities, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under other assets and accounts payable and accrued liabilities, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group. The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

The lease liabilities as of January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

|                                                                                                                               |    |       |
|-------------------------------------------------------------------------------------------------------------------------------|----|-------|
| Farming facilities operating lease commitments as of December 31, 2018                                                        | \$ | 3,737 |
| Less:                                                                                                                         |    |       |
| Commitments relating to short-term leases                                                                                     |    | (37)  |
| Adjusted farming facilities operating lease commitments as of December 31, 2018                                               |    | 3,700 |
| Add:                                                                                                                          |    |       |
| Payments in optional extension periods not recognized as of December 31, 2018                                                 |    | 3,033 |
| Adjusted farming facilities operating lease commitments and optional extension periods not recognized as of December 31, 2018 |    | 6,733 |
| Discount rate for portfolio of leases                                                                                         |    | 8%    |
| Lease liabilities as of January 1, 2019                                                                                       |    | 5,017 |
| Vehicle operating lease commitments as of December 31, 2018                                                                   |    | 105   |
| Discount rate for portfolio of leases                                                                                         |    | 3.49% |
| Discounted operating lease commitments at January 1, 2019                                                                     |    | 102   |
| Lease liabilities as of January 1, 2019                                                                                       |    | 102   |
| Total lease liabilities as of January 1, 2019                                                                                 | \$ | 5,119 |

*IFRIC 23, "Uncertainty over Income Tax Treatments":*

In June 2017, the IASB issued IFRIC 23, "Uncertainty over Income Tax Treatments" ("the Interpretation"). The Interpretation clarifies the accounting for recognition and measurement of assets or liabilities in accordance with the provisions of IAS 12, "Income Taxes", in situations of uncertainty involving income taxes.

The Interpretation provides guidance on considering whether some tax treatments should be considered collectively, examination by the tax authorities, measurement of the effects of uncertainty involving income taxes on the financial statements and accounting for changes in facts and circumstances in respect of the uncertainty. The Interpretation has been initially applied in these financial statements. The initial adoption of the Interpretation did not have a material effect on the consolidated financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**


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**U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency**

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**NOTE 3: SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the 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.

Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

a. Judgements

*Revenue recognition:*

There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for accounting for the revenue recognition from cryptocurrency mining. Management has determined that accounting for cryptocurrency mining should be analogized to the accounting for the mining of mineral interests. The basis for this comparison is that Backbone invests in mining equipment, in the form of computer hardware, to attempt to solve an algorithm in exchange for a reward. The process is similar in nature to investing in traditional mining exploration in order to extract minerals from a mine. The Company believes that the award of cryptocurrency is not a trigger to recognize revenues as there is no specific individual counterparty to the blockchain protocol that awards the revenues. Accordingly, cryptocurrencies mined are accounted for as inventory under IAS 2 until the cryptocurrency is sold and exchanged for a fiat currency, at which time it is recorded as revenues. In order to allow users to better understand the performance of the Company, management has disclosed the quantity and fair market value of coins mined during the period and on-hand at year-end - see Note 20 and Note 8, respectively. Management has exercised significant judgement in determining the appropriate accounting treatment. In the event authoritative guidance is issued by the IASB, the Company may be required to change its accounting policies, which could have a material effect on the Company's financial statements.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**


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**U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency**


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**NOTE 3: SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Cont.)**

*Significant judgement in determining the lease term of contracts with renewal options:*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, under some of its leases to lease the assets for additional terms of three to ten years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Group included the renewal period as part of the lease term for leases of most farming facilities due to the significance of these assets to its operations. The Group has not included renewal periods for farming facilities beginning after 2029.

b. Estimates and assumptions

*Property, plant and equipment and intangible assets:*

Estimates of useful lives, residual values and methods of depreciation are reviewed annually. Any changes, based on additional available information, are accounted for prospectively as a change in accounting estimate.

*Impairment of property, plant and equipment and intangibles:*

The Company evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The Company reviews the need for recording impairment of mineral assets, as detailed in Note 10c, for which purpose it engaged an independent external appraiser to assist in determining the value of the assets. The fair value was determined through use of the market approach, which includes analyzing similar and comparable mineral properties and making adjustments for differences between those properties, and the subject, among certain identifiable parameters

*Long-term debt:*

The Company entered into a secured debt financing facility with Dominion Capital LLC consisting of four equal loan tranches. Upon the drawdown of each loan tranche, management exercised significant judgement in determining the effective interest rates and the fair market value of the warrants issued in connection with each tranche. Management also exercised significant judgement in determining the fair market value of the embedded derivative. The key assumptions and methodologies used by management are described in Note 14.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 4: OPERATING SEGMENTS**

## a. General:

The operating segments are identified on the basis of information that is reviewed by the chief operating decision maker ("CODM") to make decisions about resources to be allocated and assess its performance. Accordingly, for management purposes, the Group is organized into operating segments based on the products and services of its business units and has operating segments as follows:

- Backbone - Backbone operates server farms that support the validation and verification of transactions on the blockchain, earning cryptocurrencies for providing these services.
- Volta - Volta provides electrician services to both commercial and residential customers in Quebec.

The segment results reported to the CODM include items that are allocated directly to the segments and items that can be allocated on a reasonable basis. Items that were not allocated, mainly corporate expenses related to Bitfarms Ltd. (Israel) and financial expenses are managed on a group basis.

## b. Reporting on operating segments:

|                                             | Year ended December 31, 2019 |          |             |           |
|---------------------------------------------|------------------------------|----------|-------------|-----------|
|                                             | Backbone                     | Volta    | Adjustments | Total     |
| Revenues:                                   |                              |          |             |           |
| External customers                          | \$ 29,347                    | \$ 3,074 | \$ -        | \$ 32,421 |
| Inter segment revenues                      | -                            | 3,165    | (3,165)     | -         |
| Total revenues                              | 29,347                       | 6,239    | (3,165)     | 32,421    |
| Cost of revenues                            | 18,479                       | 5,327    | (2,824)     | 20,982    |
| Gross profit                                | 10,868                       | 912      | (341)       | 11,439    |
| General and administrative expenses         | 9,416                        | 644      | -           | 10,060    |
| Impairment on property, plant and equipment | 56                           | -        | -           | 56        |
| Segment profit                              | \$ 1,396                     | \$ 268   | \$ (341)    | \$ 1,323  |
| Unallocated corporate expenses              |                              |          |             | 234       |
| Financial expenses, net                     |                              |          |             | 1,573     |
| Loss before taxes on income                 |                              |          |             | \$ (484)  |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 4: OPERATING SEGMENTS (Cont.)

|                                                                   | Year ended December 31, 2018 |          |             |             |
|-------------------------------------------------------------------|------------------------------|----------|-------------|-------------|
|                                                                   | Backbone                     | Volta    | Adjustments | Total       |
| Revenues:                                                         |                              |          |             |             |
| External customers                                                | \$ 31,641                    | \$ 2,164 | \$ -        | \$ 33,805   |
| Inter segment revenues                                            | -                            | 4,920    | (4,920)     | -           |
| Total revenues                                                    | 31,641                       | 7,084    | (4,920)     | 33,805      |
| Cost of revenues                                                  | 21,349                       | 6,193    | (4,614)     | 22,928      |
| Gross profit                                                      | 10,292                       | 891      | (306)       | 10,877      |
| General and administrative expenses                               | 7,510                        | 616      | -           | 8,126       |
| Impairment on property, plant and equipment and intangible assets | 19,254                       | -        | (194)       | 19,060      |
| Segment profit (loss)                                             | \$ (16,472)                  | \$ 275   | \$ (112)    | \$ (16,309) |
| Unallocated corporate expenses                                    |                              |          |             | 1,689       |
| Financial expenses, net                                           |                              |          |             | 179         |
| Loss before taxes on income                                       |                              |          |             | \$ (18,177) |

## NOTE 5: CASH AND CASH EQUIVALENTS

|                                        | December 31, |        |
|----------------------------------------|--------------|--------|
|                                        | 2019         | 2018   |
| Cash for immediate withdrawal - in USD | \$ 1,131     | \$ 95  |
| Cash for immediate withdrawal - in CAD | 1,018        | 451    |
| Cash for immediate withdrawal - in NIS | 10           | 6      |
|                                        | \$ 2,159     | \$ 552 |

## NOTE 6: TRADE RECEIVABLES

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). As of December 31, 2019, most trade receivables are derived from the sale of electrical components and services to external customers by the Group's wholly owned subsidiary, Volta Électrique. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

## a. Movement in allowance for doubtful accounts:

|                            | December 31, |      |
|----------------------------|--------------|------|
|                            | 2019         | 2018 |
| Balance as of January 1    | \$ -         | \$ - |
| Provision for the year     | 76           | 19   |
| Derecognition of bad debts | (36)         | (19) |
| Balance as of December 31  | \$ 40        | \$ - |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 6: TRADE RECEIVABLES (Cont.)**

b. Following is information about the credit risk exposure of the Company's trade receivables as of December 31, 2019

|                                 | Trade receivables aging |              |              |          |          |
|---------------------------------|-------------------------|--------------|--------------|----------|----------|
|                                 | Not Past due            | 30 – 60 days | 61 – 90 days | >91 days | Total    |
| Gross carrying amount           | \$ 418                  | \$ 241       | \$ 99        | \$ 390   | \$ 1,148 |
| Allowance for doubtful accounts | \$ -                    | \$ -         | \$ -         | \$ 40    | \$ 40    |

As of December 31, 2019, trade receivables includes \$18 (December 31, 2018 - \$nil) receivable from a former director of the Company and companies controlled by directors of the Company.

**NOTE 7: OTHER ASSETS**

|                               | December 31,    |               |
|-------------------------------|-----------------|---------------|
|                               | 2019            | 2018          |
| Sales taxes receivable        | \$ 398          | \$ 345        |
| Prepaid expenses              | 558             | 84            |
| Electricity credit receivable | 442             | -             |
|                               | <u>\$ 1,398</u> | <u>\$ 429</u> |

**NOTE 8: INVENTORIES**

|                          | December 31,  |               |
|--------------------------|---------------|---------------|
|                          | 2019          | 2018          |
| Electrical components    | \$ 135        | \$ 85         |
| Cryptocurrency inventory | -             | 39            |
|                          | <u>\$ 135</u> | <u>\$ 124</u> |

Details of the Company's cryptocurrency inventory, consisting only of Bitcoin is as follows:

|              | December 31, |       |
|--------------|--------------|-------|
|              | 2019         | 2018  |
| Quantity     | -            | 11    |
| Cost         | \$ -         | \$ 39 |
| Fair Value * | \$ -         | \$ 39 |

\* The Company based the fair value of the cryptocurrency inventory on the prices quoted on [www.coinmarketcap.com](http://www.coinmarketcap.com), calculated by taking the weighted average prices, based on volume, reported in each cryptocurrency market as at December 31, 2018. The fair value measurement is categorized as level 1 in the fair value hierarchy. The Company did not hold any cryptocurrency inventory as of December 31, 2019

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 9: ASSETS HELD FOR SALE

On May 24, 2019, the Company's management decided to sell 2,500 Antminer L3+ and committed to carry out a plan for the sale of the equipment. As at December 31, 2019, the Company had located a purchaser and received non-refundable deposits totaling approximately \$332, and has made the mining hardware available to the purchaser. The purchaser has not collected the mining hardware, which is no longer in use by the Company. As a result, the Company has recorded an impairment of \$56 on the assets because they do not present economic benefits through use or sale. The Company has deferred recognizing a gain on the disposition of the assets, as it is not reasonably certain that the transaction will be completed. The proceeds received from the purchaser have been accounted for as a liability included in accounts payable. Included in assets held for sale are \$7 of mining hardware sold, for which ownership had not yet transferred as of December 31, 2019. A loss of \$9 was recorded on disposal of the assets to reduce their carrying amount to approximate the estimated selling price. Assets held for sale as at December 31, 2019, excluding the Antminer L3+, and 2018, were sold in January 2020 and February 2019, respectively, for approximately their carrying amount.

## NOTE 10: PROPERTY, PLANT AND EQUIPMENT

a. As of December 31, 2019, and 2018, property, plant and equipment consisted of:

|                                                                  | <b>BVVE and<br/>electrical<br/>components</b> | <b>Mineral assets</b> | <b>Land and<br/>buildings</b> | <b>Leasehold<br/>improvements</b> | <b>Vehicles</b> | <b>Total</b>     |
|------------------------------------------------------------------|-----------------------------------------------|-----------------------|-------------------------------|-----------------------------------|-----------------|------------------|
| <b>Cost:</b>                                                     |                                               |                       |                               |                                   |                 |                  |
| <b>Balance as of January 1, 2019</b>                             | \$ 35,439                                     | \$ 9,000              | \$ 2,033                      | \$ 2,140                          | \$ 333          | \$ 48,945        |
| Additions during the period                                      | 21,967                                        | -                     | 688                           | 275                               | 73              | 23,003           |
| Dispositions during the period                                   | (3,193)                                       | -                     | -                             | -                                 | (25)            | (3,218)          |
| Transfer to assets held for sale                                 | (86)                                          | -                     | -                             | -                                 | -               | (86)             |
| <b>Balance as of December 31, 2019</b>                           | <u>54,127</u>                                 | <u>9,000</u>          | <u>2,721</u>                  | <u>2,415</u>                      | <u>381</u>      | <u>68,644</u>    |
| <b>Balance as of January 1, 2018</b>                             | 21,758                                        | -                     | -                             | 412                               | -               | 22,170           |
| Acquisition through reverse acquisition and business combination | 18                                            | 9,000                 | -                             | 15                                | 130             | 9,163            |
| Additions during the period                                      | 13,837                                        | -                     | 3,865                         | 1,713                             | 208             | 19,623           |
| Dispositions during the period                                   | (174)                                         | -                     | -                             | -                                 | (5)             | (179)            |
| Transfer to assets held for sale                                 | -                                             | -                     | (1,832)                       | -                                 | -               | (1,832)          |
| <b>Balance as of December 31, 2018</b>                           | <u>35,439</u>                                 | <u>9,000</u>          | <u>2,033</u>                  | <u>2,140</u>                      | <u>333</u>      | <u>48,945</u>    |
| <b>Accumulated Depreciation:</b>                                 |                                               |                       |                               |                                   |                 |                  |
| <b>Balance as of January 1, 2019</b>                             | 26,424                                        | -                     | 38                            | 1,530                             | 91              | 28,083           |
| Depreciation                                                     | 5,318                                         | -                     | 63                            | 111                               | 71              | 5,563            |
| Dispositions during the period                                   | (2,753)                                       | -                     | -                             | -                                 | (10)            | (2,763)          |
| Transfer to assets held for sale                                 | (13)                                          | -                     | -                             | -                                 | -               | (13)             |
| <b>Balance as of December 31, 2019</b>                           | <u>28,976</u>                                 | <u>-</u>              | <u>101</u>                    | <u>1,641</u>                      | <u>152</u>      | <u>30,870</u>    |
| <b>Balance as of January 1, 2018</b>                             | 807                                           | -                     | -                             | 22                                | -               | 829              |
| Depreciation                                                     | 10,348                                        | -                     | 81                            | 362                               | 93              | 10,884           |
| Dispositions during the period                                   | (39)                                          | -                     | -                             | -                                 | (2)             | (41)             |
| Impairment losses                                                | 15,308                                        | -                     | 511                           | 1,146                             | -               | 16,965           |
| Transfer to assets held for sale                                 | -                                             | -                     | (554)                         | -                                 | -               | (554)            |
| <b>Balance as of December 31, 2018</b>                           | <u>26,424</u>                                 | <u>-</u>              | <u>38</u>                     | <u>1,530</u>                      | <u>91</u>       | <u>28,083</u>    |
| Net book value as of                                             |                                               |                       |                               |                                   |                 |                  |
| <b>December 31, 2019</b>                                         | <u>\$ 25,151</u>                              | <u>\$ 9,000</u>       | <u>\$ 2,620</u>               | <u>\$ 774</u>                     | <u>\$ 229</u>   | <u>\$ 37,774</u> |
| <b>December 31, 2018</b>                                         | <u>\$ 9,015</u>                               | <u>\$ 9,000</u>       | <u>\$ 1,995</u>               | <u>\$ 610</u>                     | <u>\$ 242</u>   | <u>\$ 20,862</u> |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 10: PROPERTY, PLANT AND EQUIPMENT (Cont.)

b. Further details of the quantity of BVVE held by the Company are as follows:

|                                 | Bitmain<br>Antminer<br>S9<br>(BTC/BCH) | Bitmain<br>New Gen<br>Antminers<br>(BTC/BCH)<br>** | Bitmain<br>Antminer<br>L3+ (LTC) | Innosilicon<br>T3 & T2T<br>(BTC/BCH)<br>*** | GPU (ETH) | Canaan<br>Avalon A10<br>(BTC/BCH) | Whatsminer<br>M20S<br>(BTC/BCH) |
|---------------------------------|----------------------------------------|----------------------------------------------------|----------------------------------|---------------------------------------------|-----------|-----------------------------------|---------------------------------|
| Balance as of January 1, 2019*  | 16,688                                 | -                                                  | 500                              | -                                           | 2,226     | -                                 | -                               |
| Additions during the period     | -                                      | 2,071                                              | 2,400                            | 6,543                                       | -         | 2,490                             | 2,470                           |
| Dispositions during the period  | (1,529)                                | -                                                  | (2,500)                          | -                                           | (2,226)   | -                                 | -                               |
| Balance as of December 31, 2019 | 15,159                                 | 2,071                                              | 400                              | 6,543                                       | -         | 2,490                             | 2,470                           |
| Balance as of January 1, 2018*  | 10,597                                 | -                                                  | 500                              | -                                           | 2,823     | -                                 | -                               |
| Additions during the period     | 6,091                                  | -                                                  | -                                | -                                           | -         | -                                 | -                               |
| Dispositions during the period  | -                                      | -                                                  | -                                | -                                           | (597)     | -                                 | -                               |
| Balance as of December 31, 2018 | 16,688                                 | -                                                  | 500                              | -                                           | 2,226     | -                                 | -                               |

\* Excludes Antminer S7 and Antminer D3 whose carrying value was written off in 2018. All Antminer S7 and Antminer D3 were not operational due to reduced profitability resulting from changes in economic conditions rendering their use unfavorable.

\*\* Includes 1,554 Antminer T15, 116 Antminer S17, 399 Antminer S15, and 2 Antminer S11.

\*\*\* Includes 5,095 T3 and 1,448 T2T.

During the year ended December 31, 2019 the Group disposed of all Ethereum mining hardware, consisting of 2,361 GPU'S with a net book value of \$178 for proceeds of \$135 and impaired 2,500 Antminer L3+ mining hardware with a net book value of \$56 for an impairment loss of \$56. The group also consolidated the hashboards of 1,429 Antminer S9's which would not have been profitable to repair. The consolidation process of the Antminer S9's consisted of combining parts from machines that were not fully operational, in order to create fully functional machines, 1,429 machines were discarded as a result of this process.

In addition to the equipment details listed above, Backbone entered into profit sharing agreements with two parties to host 1,165 Antminer S9's. The profit-sharing agreements are structured such that Backbone does not share the profits with the other parties unless minimum profitability thresholds are met. Once the profitability threshold is met, the other parties are entitled to 39% of the revenues and Backbone must pay all related electricity costs. The contracts can be terminated by either party at any time. For the year ended December 31, 2019, Backbone mined a total of approximately 165 Bitcoin (December 31, 2018 – 63) using the hosted Antminer S9's. As at December 31, 2019 accounts payable and accrued liabilities included \$14 (December 31, 2018 – \$nil) payable to the two parties, as the profitability threshold was met during the year.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 10: PROPERTY, PLANT AND EQUIPMENT (Cont.)

## c. 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 mine held by the acquiree. According to the findings of a resource valuation prepared for Suni in 2011 (by JORC Code, The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves) with estimated dilution of 20%, the deposit consists of about 280.2 million tons at about 28% of Fe of which about 95.1 million tons at about 28.5% in the indicated category and about 185.1 million tons at about 27.8% in the inferred category. The appraiser's valuation report was based on the 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. The independent appraiser was engaged also to determine Suni's fair value as at December 31, 2019 and 2018. Using the same valuation techniques, the appraiser determined that the value of Suni was not below \$9,000 and that there was no impairment to Suni's value. The fair value measurement is categorized as level 2 in the fair value hierarchy. The Company also holds interests in three additional mineral properties, Hidden Lake gold mine, Victorine Gold mine and Pembroke silver mine. It is management's view that these three mines are unlikely to be of significant value and as a result they were not reflected in the purchase price allocation of the reverse acquisition. The abovementioned mineral assets, including Suni, were inactive during the reporting periods and as of the date of approval of the consolidated financial statements.

## NOTE 11: INTANGIBLE ASSETS

|                                                  | Systems<br>software | Customer lists | Total    |
|--------------------------------------------------|---------------------|----------------|----------|
| <b>Cost:</b>                                     |                     |                |          |
| Balance as of January 1, 2019                    | \$ 5,000            | \$ 50          | \$ 5,050 |
| Additions                                        | 88                  | -              | 88       |
| Balance as of December 31, 2019                  | 5,088               | 50             | 5,138    |
| Balance as of January 1, 2018                    | 5,000               | -              | 5,000    |
| Additions through business combination           | -                   | 50             | 50       |
| Balance as of December 31, 2018                  | 5,000               | 50             | 5,050    |
| <b>Accumulated amortization and impairment :</b> |                     |                |          |
| Balance as of January 1, 2019                    | 4,012               | 25             | 4,037    |
| Amortization                                     | 410                 | 16             | 426      |
| Balance as of December 31, 2019                  | 4,422               | 41             | 4,463    |
| Balance as of January 1, 2018                    | 278                 | -              | 278      |
| Amortization                                     | 1,639               | 25             | 1,664    |
| Impairment loss                                  | 2,095               | -              | 2,095    |
| Balance as of December 31, 2018                  | 4,012               | 25             | 4,037    |
| Net book value as of                             |                     |                |          |
| December 31, 2019                                | \$ 666              | \$ 9           | \$ 675   |
| December 31, 2018                                | \$ 988              | \$ 25          | \$ 1,013 |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 12: LONG-TERM DEPOSITS AND ADVANCE PAYMENTS ON EQUIPMENT

|                                                        | December 31,    |                 |
|--------------------------------------------------------|-----------------|-----------------|
|                                                        | 2019            | 2018            |
| Security deposits for rent, energy and insurance       | \$ 1,021        | \$ 644          |
| Advance payments on equipment                          | 127             | 399             |
| Prepaid transaction fees related to financing facility | -               | 20              |
|                                                        | <u>\$ 1,148</u> | <u>\$ 1,063</u> |

## NOTE 13: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

|                                                    | December 31,    |                 |
|----------------------------------------------------|-----------------|-----------------|
|                                                    | 2019            | 2018            |
| Trade accounts payable and accrued liabilities     | \$ 2,272        | \$ 2,622        |
| Government remittances                             | 102             | 125             |
| Trade payable to companies controlled by directors | 15              | 73              |
|                                                    | <u>\$ 2,389</u> | <u>\$ 2,820</u> |

## NOTE 14: LONG-TERM DEBT

|                                           | December 31,     |               |
|-------------------------------------------|------------------|---------------|
|                                           | 2019             | 2018          |
| Dominion Capital loan                     | \$ 15,084        | \$ -          |
| Backbone vendor financing                 | 394              | 1,438         |
| Volta notes payable                       | 122              | 125           |
| Volta vendor financing                    | 123              | 155           |
| Total long-term debt                      | 15,723           | 1,718         |
| Less current maturities of long-term debt | (874)            | (1,025)       |
| Non-current maturities of long-term debt  | <u>\$ 14,849</u> | <u>\$ 693</u> |

## a. Dominion Capital loan

On March 15, 2019, the Group entered into a secured debt financing facility for up to \$20,000 with Dominion Capital LLC (the Lender). The debt facility is structured into four separate loan tranches of \$5,000 per tranche. Each loan tranche bears interest at 10% per annum and the term of each loan tranche is 24 months with a balloon payment for any remaining outstanding balance at the end of the term. A monthly payment equivalent to 10% of the value of cryptocurrencies mined by Backbone during the month is required in repayment of the total loan tranches drawn. The monthly payments shall be applied to interest and the balance to principal, and in the event that the amount of the cryptocurrency mined is less than the amount of interest owing, such additional amounts shall be remitted such that the interest is payable in full on a current basis.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**


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**U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency**


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**NOTE 14: LONG-TERM DEBT (Cont.)**

The loan contains a “make-whole” clause which stipulates that the 10% interest rate is calculated on the initial principal balance of the loan tranche and does not decrease as the principal balance is repaid. The 10% interest rate is calculated over the 24-month term of each loan tranche regardless of whether the loan tranche is repaid prior to its maturity. Any unpaid interest at the earlier of the loan tranche’s early repayment, or the loan tranche’s 24-month maturity, is included in the balloon payment.

The loan tranches are fully secured by the assets of the Group on a first-priority basis. Pursuant to the terms with the Lender, the Company is required to comply with certain covenants as long as any amount is outstanding. The significant covenants are to maintain a bank balance of \$1,000 at all times. However, Dominion Capital reached an agreement with the Company in order to postpone this loan covenant until December 31, 2019. The Company must also respect restrictions on issuing additional debt or selling property, plant and equipment without re-investing the proceeds into new purchases of property, plant and equipment. As of December 31, 2019, the Company is in compliance with all loan covenants.

The Company drew down all four \$5,000 loan tranches in March, April, June and August 2019. As of December 31, 2019, the carrying amount, less capitalized transaction fees and plus accrued interest, was \$15,084.

In addition, Bitfarms Ltd. issued 1,666,667 Lender warrants, which vested upon issuance, to acquire 1,666,667 shares of Bitfarms Ltd. for each loan tranche drawn with an exercise price of \$0.40 USD per share and an expiration date of five years. As a result, an aggregate of 6,666,668 Lender warrants to acquire 6,666,668 shares have been issued, of which 250,000 were exercised as of December 31, 2019. An additional 500,000 warrants were exercised subsequent to December 31, 2019 as described in Note 26.

The loan features result in a loan liability measured at amortized cost, a warrant liability component measured at fair value through profit or loss, which was subsequently modified as described below under Warrant issuance, and an embedded derivative measured at fair value through profit or loss.

*Loan liability*

The loan liability is initially measured as the residual amount of the proceeds received, net of transaction costs and the fair value of the warrant issuance. The loan is then measured at amortized cost using the effective interest method. Management used significant judgement and estimates when determining the effective interest rate. Payment amounts are determined as 10% of the cryptocurrency mined by Backbone. In order to calculate the effective interest rate, management had to estimate Backbone’s future cryptocurrency mining revenues in order to estimate the timing and amount of future loan repayments. The effective interest rate was determined to be 26.93%, 30.16%, 37.10 % and 38.02% for the first, second, third and fourth tranches, respectively. The carrying amount of the loan liability approximates its fair value. Included in financial expenses for the year ended December 31, 2019 is \$2,817 (December 31, 2018 - \$nil) of interest expense related to the loan.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**


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**U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency**


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**NOTE 14: LONG-TERM DEBT (Cont.)***Key assumptions*

Key assumptions used in recording the above loan features as of December 31, 2019, are described below. These assumptions are subject to change based on future developments and such changes could have a material effect on the embedded derivative.

*Revenues* - Two optimistic, two pessimistic and one status quo scenario were used in estimating future bitcoin price and network difficulty, which are key factors in predicting revenues from cryptocurrency mining. Management assigned probabilities to each scenario, which were used to calculate weighted average expected outcomes. The weighted average bitcoin price and network difficulty used in the projections upon the inception of Tranches #1 and #2 were \$5.4 and  $5.36 \times 10^{12}$ , respectively. The weighted average bitcoin price and network difficulty used in the projections upon the inception of Tranche #3 were \$10.2 and  $7.82 \times 10^{12}$ , respectively. The weighted average bitcoin price and network difficulty used in the projections upon the inception of Tranche #4 were \$13.9 and  $1.33 \times 10^{13}$ , respectively.

*Internal hashrate* - Management was required to predict the growth of the Company's internal hashrate, one of the main revenue drivers in combination with bitcoin price and network difficulty, to predict revenues. Accordingly, management was required to make assumptions regarding the timing of all four loan tranche drawdowns as well as the pricing and availability of cryptocurrency mining hardware.

*Transaction fees*

Backbone incurred transaction fees of \$626 in order to secure the \$20,000 debt financing facility. The transaction fees were allocated on a pro rata basis between loan tranche drawdowns and warrant issuances. The allocation resulted in transaction fees of \$150 being allocated to the warrant issuances, which were expensed as incurred. The remaining transaction fees of \$476 were allocated to the four loan tranches, which were deducted from the carrying amount of the loan and will be amortized over the term of the loan agreement.

*Warrant issuance*

In March, April, June and August 2019 Bitfarms Ltd. drew down all four loan tranches, requiring the issuance of 1,666,667 warrants per loan tranche to the Lender to purchase 1,666,667 shares of Bitfarms Ltd. at an exercise price of \$0.40 USD per share, for a total of 6,666,668 warrants.

The following table lists the inputs to the Black Scholes model used for the fair value measurement for the above issuance of warrants at their initial issuance dates, as well as at the remeasurement date as described below. The fair value measurement of the warrants is based upon level 2 inputs:



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 14: LONG-TERM DEBT (Cont.)

|                                     | Tranche 1     | Tranche 2       | Tranche 3       | Tranche 4       | September 27,<br>2019 |
|-------------------------------------|---------------|-----------------|-----------------|-----------------|-----------------------|
| Dividend yield (%)                  | -             | -               | -               | -               | -                     |
| Expected share price volatility (%) | 110%          | 114%            | 114%            | 115%            | 114%                  |
| Risk-free interest rate (%)         | 2.40%         | 2.40%           | 1.80%           | 1.60%           | 1.57%                 |
| Expected life of warrants (years)   | 5             | 5               | 5               | 5               | 4.47-4.87             |
| Share price (U.S. Dollar)           | 0.62          | 0.73            | 0.83*           | 1.06            | 0.57                  |
| Warrant value (U.S. Dollar)         | 0.57          | 0.68            | 0.77            | 0.94            | 0.47                  |
| Quantity of warrants                | 1,666,667     | 1,666,667       | 1,666,667       | 1,666,667       | 6,666,668             |
| <b>Total value</b>                  | <b>\$ 946</b> | <b>\$ 1,137</b> | <b>\$ 1,283</b> | <b>\$ 1,570</b> | <b>\$ 3,160</b>       |

\* As of the drawdown date of tranche #3 as well as at June 30, 2019 the Company was not publicly traded. As a result, a linear regression model was used to estimate the share price as of the valuation dates. The linear regression model used a weighted average of the last five days of trading on the Tel Aviv Stock Exchange as well as the five days of trading on the TSXV ending August 2, 2019.

Based on the above inputs, the fair value of the warrants issued in connection with the four tranche drawdowns, were determined to be \$0.57 USD, \$0.68 USD, \$0.77 USD and \$0.94 USD per warrant, for a total of \$946, \$1,137, \$1,283 and \$1,570, respectively for a total of \$4,936, upon their respective issuance dates.

Upon inception of the loan, the warrants contained an anti-dilutive feature that could have resulted in a reduction in the exercise price in the event that the Company were to issue shares at a price lower than the exercise price. As a result of this feature, the warrants would not necessarily have resulted in a fixed number of shares being issued for a fixed price. The possibility of variation in the settlement price resulted in the warrants being classified as a liability that was measured at fair value through profit or loss. On September 27, 2019, the Company received all necessary approvals in order to remove the anti-dilutive feature, resulting in the reclassification of the warrants to equity at their fair market value as remeasured on the reclassification date, based on the above inputs. In exchange for removal of the anti-dilutive feature, the Company agreed not to issue common shares below the exercise price of \$0.40 USD during the term of the loan with the Lender. The remeasurement resulted in a gain of \$1,776 for the year ended December 31, 2019 (December 31, 2018 - \$nil), included in financial income.

*Embedded derivative*

The value of the “make-whole” clause described above will vary based on management’s projections of the timing of the loan repayment, which are based on Backbone’s cryptocurrency mining revenues. This interest feature has been accounted for as an embedded derivative that is measured at fair value through profit or loss. Since this is a non-option derivative, the fair value upon initial recognition of the loan liability is nil.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 14: LONG-TERM DEBT (Cont.)**

As of December 31, 2019, management revised its projections of the timing of the loan repayment and discounted future payments to their present value using the effective interest rates determined upon inception of each loan tranche. The weighted average bitcoin price and network difficulty used in the projections in order to determine the fair value of the embedded derivative were \$10.6 and  $1.24 \times 10^{13}$ , respectively. The fair value measurement is based upon level 3 inputs, as a result management has performed a sensitivity analysis using varying discount rates:

|                                 | Scenario 1 | Scenario 2 | Scenario 3 |
|---------------------------------|------------|------------|------------|
| Discount rate                   | 30.05%     | 33.05%     | 36.05%     |
| Total value - asset (liability) | \$ (174)   | \$ 483     | \$ 1,103   |

As of December 31, 2019, management recognized an embedded derivative asset with a fair value of \$476 (December 31, 2018 - \$nil) resulting in an unrealized gain of \$476 included in financial income (December 31, 2018 - \$nil) for the year ended December 31, 2019.

## b. Backbone vendor financing

Backbone signed an agreement to purchase BVVE in the amount of \$2,000, with an outstanding balance of \$394 as of December 31, 2019 (December 31, 2018 - \$1,438). According to the agreement, the abovementioned amount will be repaid in 20 equal monthly instalments commencing on June 15, 2018. A discount rate of 8% was used to calculate the present value of the installments and record the BVVE in the amount of \$1,826 upon acquisition.

## c. Volta vehicle leases

Volta signed several agreements to purchase vehicles, with an outstanding balance of \$122 (CAD \$159,000) as of December 31, 2019 (December 31, 2018 - \$125). Eleven notes payable, bearing interest between 3.49% and 8.2% repayable in monthly instalments totaling \$5.1 (CAD \$6,700) principal and interest, maturing between January 2020 and October 2025, secured by vehicles having a net carrying value of \$156.

## d. Volta vendor financing

Volta received long-term vendor financing with an outstanding balance of \$123 (CAD \$160,000) as of December 31, 2019 (December 31, 2018 - \$155), bearing interest at 5%, payable by monthly instalments of \$4 (CAD \$5,198) principal and interest, maturing September 2022.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 15: LEASES**

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

|                              | <b>Farming<br/>facilities</b> | <b>Vehicles</b> | <b>Other<br/>equipment</b> | <b>Total ROU<br/>assets</b> | <b>Lease<br/>liabilities</b> |
|------------------------------|-------------------------------|-----------------|----------------------------|-----------------------------|------------------------------|
| As of January 1, 2019 *      | \$ 5,201                      | \$ 102          | \$ -                       | \$ 5,303                    | \$ 5,119                     |
| Additions and extensions **  | 2,108                         | 129             | 60                         | 2,297                       | 2,292                        |
| Lease terminations           | (489)                         | (24)            | -                          | (513)                       | (551)                        |
| Depreciation                 | (786)                         | (50)            | (8)                        | (854)                       | -                            |
| Payments                     | -                             | -               | -                          | -                           | (1,045)                      |
| Interest                     | -                             | -               | -                          | -                           | 381                          |
| FX loss on lease liabilities | -                             | -               | -                          | -                           | 267                          |
| As of December 31, 2019      | \$ 6,034                      | \$ 157          | \$ 52                      | \$ 6,233                    | \$ 6,463                     |

\* Includes \$184 previously presented in long-term deposits and advance payments on equipment prior to the adoption of IFRS 16 on January 1, 2020.

\*\* The addition and lease termination included in farming facilities represents the termination of the lease agreement with a company controlled by certain directors, and the signing of a new agreement with an arm's length party. The key terms of the lease agreement feature a ten-year initial lease term with two five-year renewal options. Monthly rent approximates \$17 (\$22,000 CAD) with an annual increase based on the Consumer Price Index (CPI) per Statistics Canada on December 31. The future potential payments not included in the initial recognition of the lease include the two five-year renewal terms, with payments totaling approximately \$2,000 (\$2,640,000 CAD) exclusive of annual increases based on the CPI.

The Group recognized rent expense from short-term leases of \$62 for the year ended December 31, 2019.

**NOTE 16: INCOME TAXES**

## a. Deferred taxes:

Deferred taxes are computed at a tax rate of 26.6% (2018 - 26.7%), 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, the Dominion Capital Loan described in Note 14 as well as the deferred gain on assets held for sale described in Note 9. Backbone currently has federal and provincial loss carryforwards of \$8,700 and \$13,400, respectively which can be carried forward for a period of 20 years, expiring in 2039. Management has concluded that the loss carryforwards do not meet the relevant recognition criteria under IFRS, and as a result did not realize a deferred tax asset.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 16: INCOME TAXES (Cont.)**

b. Taxes on income included in profit or loss:

|                                | <b>Year ended December 31,</b> |              |
|--------------------------------|--------------------------------|--------------|
|                                | <b>2019</b>                    | <b>2018</b>  |
| Current tax expense (benefit)  |                                |              |
| Current year                   | \$ (1,768)                     | \$ 27        |
| Prior year                     | (9)                            | 734          |
| Deferred tax expense (benefit) |                                |              |
| Current year                   | (837)                          | -            |
| Prior year                     | 23                             | (702)        |
|                                | <u>\$ (2,591)</u>              | <u>\$ 59</u> |

In addition to the taxes on income included in profit or loss, \$837 of deferred tax was charged directly to equity as it related to a temporary difference arising on items charged to equity.

c. Effective tax rate:

Tax on the Group's loss before income taxes differs from the theoretical amount that would arise using the statutory tax rate applicable to earnings as follows:

|                                                                                     | <b>Year ended December 31,</b> |              |
|-------------------------------------------------------------------------------------|--------------------------------|--------------|
|                                                                                     | <b>2019</b>                    | <b>2018</b>  |
| Income tax expense at statutory rate of 26.6% (2018-26.7%)                          | \$ (129)                       | \$ (4,853)   |
| Increase (decrease) in taxes resulting from:                                        |                                |              |
| Foreign rate differential                                                           | 9                              | 25           |
| Prior year                                                                          | (32)                           | -            |
| Non-deductible expenses                                                             | 636                            | 178          |
| Losses and other temporary differences for which deferred tax assets not recognized | -                              | 4,245        |
| Recognition of tax benefit due to loss carryback                                    | (2,779)                        | -            |
| Foreign exchange on non-monetary assets                                             | (296)                          | 464          |
|                                                                                     | <u>\$ (2,591)</u>              | <u>\$ 59</u> |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 17: ASSET RETIREMENT PROVISION**

As of December 31, 2018, the Group estimated the costs of restoring its leased premises to their original state at the end of their respective lease terms to be \$311, discounted to present value of \$232 using a discount rate of 8% over the lease periods, which were estimated to range from two to five years depending on the location. Management has revised its estimate of the lease terms to be from two to ten years. The reason for the change in estimate was primarily based on securing the \$20,000 financing facility described in Note 14, as well as the local energy tribunal's decision to reject a proposed increase in electricity prices on cryptocurrency miners. These two factors have resulted in management's estimate that certain leases containing asset retirement provisions will be renewed, thus delaying the cash outlay required to restore the properties. The change in estimate resulted in a reduction of the asset retirement provision of \$51.

**NOTE 18: SHARE CAPITAL**

|                               | <u>Authorized</u> | <u>Issued and outstanding at<br/>December 31,</u> |                   |
|-------------------------------|-------------------|---------------------------------------------------|-------------------|
|                               |                   | <u>2019</u>                                       | <u>2018</u>       |
|                               |                   | <u>Number of shares</u>                           |                   |
| Common shares of no par value | <u>Unlimited</u>  | <u>83,620,630</u>                                 | <u>39,739,785</u> |

On June 12, 2019 Bitfarms Ltd. (Israel) completed the Arrangement, which resulted in 39,739,785 Bitfarms Israel shares being exchanged on a 1:1 basis for 39,739,785 newly issued shares in the Company. The transaction has been accounted for as a reverse acquisition that does not constitute a business combination. For accounting purposes, the legal subsidiary, Bitfarms Ltd. (Israel), has been treated as the acquirer of the Company. Accordingly, these consolidated financial statements reflect a continuation of the financial position, operating results and cash flows of the Company's legal subsidiary, Bitfarms Ltd. Israel. On the same date, 17,335,090 Backbone exchangeable shares were exchanged for shares in the Company on a one to one basis.

On August 15, 2019 the Company completed the acquisition of all remaining issued and outstanding shares of Backbone that were not included in the Arrangement (non-controlling interest) through a 1:1 share exchange in which 26,295,655 Backbone shares were exchanged for 26,295,655 newly issued shares in the Company. The fair value of the Company's shares issued in the exchange in the amount of \$24,938 was credited to share capital. The excess of the fair value of the issued shares over the carrying amount of the non-controlling interest at the date of the exchange in the amount of \$21,267 was recorded as a reduction of share capital.

The Company was incorporated on October 11, 2018 for the purposes of obtaining a listing on the TSXV and engaging in the share exchange described above. The Company remained inactive from inception until the share exchange and had assets of \$100 CAD and shareholders' equity of \$100 CAD, with 100 issued and outstanding shares.

On November 22, 2019 Dominion Capital exercised 250,000 warrants to acquire 250,000 Common shares resulting in proceeds of \$100 being paid to the Company. See Note 14a for details of the warrants issued in 2019.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 19: FINANCIAL INSTRUMENTS**

## a. Financial assets at amortized cost:

|                        | December 31, |        |
|------------------------|--------------|--------|
|                        | 2019         | 2018   |
| Trade receivables, net | 1,108        | 912    |
|                        | \$ 1,108     | \$ 912 |

## b. Financial assets at fair value through profit or loss:

|                     | December 31, |      |
|---------------------|--------------|------|
|                     | 2019         | 2018 |
| Embedded derivative | 476          | -    |
|                     | \$ 476       | \$ - |

Note 14 a. includes a discussion of significant assumptions used in calculating the fair value of the embedded derivative.

## c. Financial liabilities:

|                                          | December 31, |          |
|------------------------------------------|--------------|----------|
|                                          | 2019         | 2018     |
| Financial liabilities at amortized cost  |              |          |
| Accounts payable and accrued liabilities | \$ 2,389     | \$ 2,820 |
| Long-term debt                           | 15,723       | 1,718    |
| Lease liabilities                        | 6,463        | -        |
|                                          | \$ 24,575    | \$ 4,538 |

The carrying amounts of trade receivables, accounts payable and accrued liabilities and long-term debt presented in the tables above, are a reasonable approximation of their fair value.

## d. Risk management policy:

The Company is exposed to foreign currency risk, credit risk and liquidity risk. The Company's senior management monitors these risks.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 19: FINANCIAL INSTRUMENTS (Cont.)**

## e. Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's functional currency is the US Dollar as all of its revenues, most of its capital expenditures and most of its financing are transacted in US dollars.

The Group is exposed to variability in the Canadian dollar to US dollar exchange rate when paying operating expenses incurred and payable in Canadian dollars. The Group funds foreign currency transactions by buying the foreign currency at the spot rate when required.

A 5% increase or decrease in the USD/CAD exchange rates may have an impact of an increase or decrease of \$181 on net income or equity at December 31, 2019 (December 31, 2018 - \$116). Amounts denominated in Canadian dollars included in the consolidated statements of financial position, presented in U.S. dollars in thousands, are as follows:

|                                          | <b>December 31,</b> |                   |
|------------------------------------------|---------------------|-------------------|
|                                          | <b>2019</b>         | <b>2018</b>       |
| Cash and cash equivalents                | \$ 1,018            | \$ 451            |
| Other receivables                        | 1,182               | 345               |
| Trade receivables, net                   | 1,091               | 890               |
| Income taxes receivable                  | 1,743               | -                 |
| Accounts payable and accrued liabilities | (1,743)             | (2,731)           |
| Income taxes payable                     | (7)                 | (765)             |
| Long-term debt                           | (245)               | (279)             |
| Lease liabilities                        | (6,463)             | -                 |
| Asset retirement provision               | (193)               | (232)             |
|                                          | <u>\$ (3,617)</u>   | <u>\$ (2,321)</u> |

## f. Credit risk:

Credit risk is the risk of an unexpected loss if a third party fails to meet its contractual obligations, including cash and cash equivalents. The risk regarding cash and cash equivalents is mitigated by holding the 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 determined with respect to those amounts that the Company has determined to be doubtful of collection. The 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 19: FINANCIAL INSTRUMENTS (Cont.)**

g. Liquidity risk:

Liquidity risk is a risk that the Group will not be able to pay its financial obligations when they are due. The Group's policy is to monitor its cash balances and planned cash flows generated from operations to ensure, as far as possible, that it maintains sufficient liquidity in order to pay its projected financial liabilities. The contractual maturities of trade and other payables are less than three months. Long-term debt includes financial obligations with contractual maturities as follows, inclusive of interest as of December 31, 2019:

|                     | <b>December 31,<br/>2019</b> |
|---------------------|------------------------------|
| 2020                | \$ 4,002                     |
| 2021                | 17,918                       |
| 2022 and thereafter | 93                           |
|                     | <b>\$ 22,013</b>             |

Lease liabilities includes financial obligations with contractual maturities as follows, inclusive of interest, as of December 31, 2019:

|                     | <b>December 31,<br/>2019</b> |
|---------------------|------------------------------|
| 2020                | \$ 1,197                     |
| 2021                | 1,170                        |
| 2022                | 1,050                        |
| 2023                | 893                          |
| 2024 and thereafter | 3,846                        |
|                     | <b>\$ 8,156</b>              |

Movement in long-term debt for the years ending December 31, 2019 and 2018 is as follows:

|                                                          | <b>Year ended December 31,</b> |                 |
|----------------------------------------------------------|--------------------------------|-----------------|
|                                                          | <b>2019</b>                    | <b>2018</b>     |
| Balance as at January 1                                  | 1,718                          | -               |
| Long-term debt acquired through business combination     | -                              | 111             |
| Accounts payable converted to long-term vendor financing | -                              | 217             |
| Issuance of long-term debt                               | 14,664                         | 1,886           |
| Payments                                                 | (3,546)                        | (559)           |
| Interest on long-term debt                               | 2,887                          | 63              |
|                                                          | <b>\$ 15,723</b>               | <b>\$ 1,718</b> |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 20: ADDITIONAL DETAILS IN REGARD TO THE STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME***a. Revenues:*

Details of the cryptocurrency mined by the Bitfarms operating segment and their related fair values at the time of mining are as follows:

| <b>Year ended December 31, 2019</b> |                |                     |             |                  |                 |                 |
|-------------------------------------|----------------|---------------------|-------------|------------------|-----------------|-----------------|
|                                     | <b>Bitcoin</b> | <b>Bitcoin Cash</b> | <b>Dash</b> | <b>Lite Coin</b> | <b>Ethereum</b> | <b>Total \$</b> |
| Quantity                            | 3,865          | -                   | -           | 7,561            | -               | -               |
| Fair value *                        | 28,733         | -                   | -           | 653              | -               | 29,386          |

| <b>Year ended December 31, 2018</b> |                |                     |             |                  |                 |                 |
|-------------------------------------|----------------|---------------------|-------------|------------------|-----------------|-----------------|
|                                     | <b>Bitcoin</b> | <b>Bitcoin Cash</b> | <b>Dash</b> | <b>Lite Coin</b> | <b>Ethereum</b> | <b>Total \$</b> |
| Quantity                            | 3,252          | 2,577               | 611         | 6,234            | 964             | -               |
| Fair value *                        | 25,747         | 4,178               | 153         | 734              | 536             | 31,348          |

The above figures differ from those included in Revenues as the Company's revenue recognition policy is to recognize revenues upon conversion of cryptocurrencies to fiat currency or when the cryptocurrency is transferred to another party in settlement of a debt to this party.

\* The Company based the fair value of the cryptocurrency mined at the time of mining on the prices quoted on [www.coinmarketcap.com](http://www.coinmarketcap.com), which calculates the price by taking the weighted average prices, based on volume, reported in each cryptocurrency market. The fair value measurement is categorized as level 1 in the fair value hierarchy.

*b. Cost of Revenues:*

|                                        | <b>December 31,</b> |                  |
|----------------------------------------|---------------------|------------------|
|                                        | <b>2019</b>         | <b>2018</b>      |
| Energy and infrastructure              | \$ 11,666           | \$ 8,487         |
| Depreciation and amortization          | 6,843               | 12,548           |
| Purchases of electrical components     | 1,260               | 708              |
| Electrician salaries and payroll taxes | 1,174               | 793              |
| Net change in inventory                | 39                  | 392              |
|                                        | <u>\$ 20,982</u>    | <u>\$ 22,928</u> |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 20: ADDITIONAL DETAILS IN REGARD TO THE STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME (Cont.)**

## c. General and administrative expenses:

|                                 | <b>December 31,</b> |                 |
|---------------------------------|---------------------|-----------------|
|                                 | <b>2019</b>         | <b>2018</b>     |
| Salaries and payroll taxes      | \$ 6,002            | \$ 3,899        |
| Professional services           | 2,374               | 3,039           |
| Advertising and promotion       | 110                 | 272             |
| Insurance and other             | 1,167               | 644             |
| Travel, motor vehicle and meals | 350                 | 621             |
| Hosting and telecommunications  | 291                 | 340             |
|                                 | <u>\$ 10,294</u>    | <u>\$ 8,815</u> |

## d. Financial income:

|                                 | <b>December 31,</b> |             |
|---------------------------------|---------------------|-------------|
|                                 | <b>2019</b>         | <b>2018</b> |
| Gain on revaluation of warrants | \$ 1,776            | \$ -        |
| Gain on embedded derivative     | 476                 | -           |
|                                 | <u>\$ 2,252</u>     | <u>\$ -</u> |

## e. Financial expenses:

|                                  | <b>December 31,</b> |               |
|----------------------------------|---------------------|---------------|
|                                  | <b>2019</b>         | <b>2018</b>   |
| Interest on long-term debt       | \$ 2,887            | \$ 63         |
| Interest on lease liabilities    | 381                 | -             |
| Loss (gain) on currency exchange | 200                 | (25)          |
| Warrant issuance costs           | 150                 | -             |
| Other financial expenses         | 207                 | 141           |
|                                  | <u>\$ 3,825</u>     | <u>\$ 179</u> |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 21: TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

## a. Balances with related parties:

|                                                               | December 31,    |              |
|---------------------------------------------------------------|-----------------|--------------|
|                                                               | 2019            | 2018         |
| Accounts receivable:                                          |                 |              |
| Companies controlled by directors                             | \$ 18           | \$ -         |
| Accounts payable:                                             |                 |              |
| Directors' remuneration (included in accrued liabilities)     | \$ -            | \$ 26        |
| Companies controlled by certain directors and consulting fees | 15              | 73           |
|                                                               | <u>\$ 15</u>    | <u>\$ 99</u> |
| Lease liabilities:                                            |                 |              |
| Companies controlled by directors                             | <u>\$ 2,000</u> | <u>\$ -</u>  |

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

## b. Transactions with related parties:

During the year ended December 31, 2019:

1. One of the companies in the Group was charged approximately \$152 for the year ended December 31, 2019 (year ended December 31, 2018 - \$235) for telecommunication expenses by a company in which a director has significant influence.

In addition, one of the companies in the Group made rent payments totaling approximately \$528 for the year ended December 31, 2019 (year ended December 31, 2018- \$597) to companies controlled by certain directors. For the year ended December 31, 2019 the rent payments were classified as interest included in financial expenses and principal repayment of lease liabilities. For the year ended December 31, 2018 rent payments were included in cost of revenues.

2. One of the companies in the Group entered into consulting agreements with two of the directors. The consulting fees charged by directors totaled approximately \$400 for the year ended December 31, 2019 (year ended December 31, 2018 - \$448).

3. One of the companies in the group sold 627 Bitcoin for the year ended December 31, 2019 (year ended December 31, 2018 – 3,346 Bitcoin and 1,790 Bitcoin Cash) to a company of which, at the time of such sales, had a director who was also a shareholder of Bitfarms Ltd. (Israel) for \$2,283 (year ended December 31, 2018 - \$28,323). The Bitcoin sold includes the conversion of other cryptocurrencies to bitcoin using arm's length exchanges. The company of which one of the Bitfarms shareholders is a director ceased operating in the cryptocurrency industry as of March 11, 2019, and since that date Bitfarms has not transacted with this company.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 21: TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont.)**

4. A former director of the group was rendered electrician services in the amount of \$12 for the year ended December 31, 2019 (year ended December 31, 2018 - \$nil).

5. As described in Note 18, on June 12, 2019, two Bitfarms founding shareholders exchanged 17,335,090 exchangeable shares of Backbone into 17,335,090 common shares of the Company.

The transactions described in 1-4 above were incurred in the normal course of operations. These transactions were included in consolidated statements of profit or loss and comprehensive income as follows:

|                                     | December 31, |           |
|-------------------------------------|--------------|-----------|
|                                     | 2019         | 2018      |
| Revenues                            | \$ 2,283     | \$ 28,323 |
| Cost of revenues                    | (442)        | (597)     |
| General and administrative expenses | (588)        | (715)     |
| Financial expenses                  | (184)        | -         |

c. Compensation of key management and directors:

Key management includes the Group's President, Chief Executive Officer, Chief Financial Officer, Chief Strategy Officer, Executive Vice President, Vice President of Operations and Vice President of Infrastructure. The remuneration paid to directors and members of key management personnel are as follows:

|                      | December 31,    |                 |
|----------------------|-----------------|-----------------|
|                      | 2019            | 2018            |
| Short-term benefits  | \$ 791          | \$ 753          |
| Share based payments | 2,873           | 746             |
|                      | <u>\$ 3,664</u> | <u>\$ 1,499</u> |

**NOTE 22: CAPITAL MANAGEMENT POLICIES AND PROCEDURES**

The Group's capital management objectives are to ensure its ability to maximize the return of its shareholders. The Group's definition of capital includes all components of equity. Capital for the reporting period is summarized in Note 18 and in the consolidated statement of changes in equity. In order to meet its objectives, the Group monitors its capital structure and makes adjustments as required in light of changes in economic conditions and the risk characteristics of the underlying assets. These objectives will be achieved by maintaining a strong capital base so as to maintain investor confidence to sustain future development of the business, maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations and ensuring sufficient liquidity to pursue organic growth. In order to maintain or adjust the capital structure, the Group may issue new common shares or funded debt. As at December 31, 2019, the Group requires consent from Dominion Capital in order to issue common shares at a price lower than \$0.40 USD.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 23: INVESTMENTS IN INVESTEEES**

In 2011, the Bitfarms Ltd. (Israel) established AU Acquisition VI, LLC ("AU") which is incorporated in the State of Nevada, USA and is wholly owned and controlled by the Company. AU is registered as the legal owner of the mineral assets, Hidden Lake and Victorine. Also, in 2011, Bitfarms established Pembroke & Timberland, LLC ("Pembroke") in the State of Maine, USA which is also wholly owned and controlled by Bitfarms. Pembroke is registered as the legal owner of the Pembroke mineral asset as described in Note 10c.

| Company name | Security type   | No. of shares | Main place of business | Securities | Equity | Voting |
|--------------|-----------------|---------------|------------------------|------------|--------|--------|
| AU           | Ordinary shares | 100           | USA                    | 100%       | 100%   | 100%   |
| Pembroke     | Ordinary shares | 100           | USA                    | 100%       | 100%   | 100%   |
| Volta        | Ordinary shares | 7,503         | CDA                    | 100%       | 100%   | 100%   |
| Backbone     | Ordinary shares | 83,624,980    | CDA                    | 100%       | 100%   | 100%   |

Excluding the mineral assets with a carrying amount of \$9,000, substantially all of the other assets, liabilities, revenues, expenses and cash flows in the consolidated financial statements are those of Backbone and of Volta.

**NOTE 24: NET EARNINGS (LOSS) PER SHARE**

Details of the number of shares and income (loss) used in the computation of net earnings (loss) per share:

|                                                                                      | Year ended December 31,             |                                                            |                                     |                                                          |
|--------------------------------------------------------------------------------------|-------------------------------------|------------------------------------------------------------|-------------------------------------|----------------------------------------------------------|
|                                                                                      | 2019                                |                                                            | 2018                                |                                                          |
|                                                                                      | Weighted average shares outstanding | Net income attributable to the shareholders of the Company | Weighted average shares outstanding | Net loss attributable to the shareholders of the Company |
|                                                                                      | Number of shares (in thousands)     |                                                            | Number of shares (in thousands)     |                                                          |
| Total shares for the calculation of basic net earnings (loss) per share              | 67,044                              | -                                                          | 39,581                              | -                                                        |
| Total exchangeable shares                                                            | -                                   | -                                                          | 17,335                              | -                                                        |
| Total shares for the calculation of basic net earnings (loss) per share              | 67,044                              | -                                                          | 56,916                              | -                                                        |
| The effect of dilutive potential common shares                                       | 4,014                               | -                                                          | -                                   | -                                                        |
| Total shares for the purpose of calculating diluted earnings (loss) per share        | 71,058                              | -                                                          | -                                   | -                                                        |
| Net income (loss) for the calculation of basic and diluted earnings (loss) per share | -                                   | \$ 2,899                                                   | 56,916                              | \$ (9,363)                                               |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 24: NET EARNINGS (LOSS) PER SHARE (Cont.)**

For 2019, vested options whose exercise price exceeded the average share price during the period were not included in the calculation of diluted earnings per share (see note 25). For 2018, potentially dilutive securities (options and warrants – see Note 25) have not been included in the calculation of diluted earnings (loss) per share because their effect is antidilutive.

|                                             | <b>Year ended December 31</b> |             |
|---------------------------------------------|-------------------------------|-------------|
|                                             | <b>2019</b>                   | <b>2018</b> |
| Basic and diluted earnings (loss) per share | 0.04                          | (0.16)      |

**NOTE 25: SHARE BASED PAYMENT**

The expense recognized in the financial statements for employee services received is as follows:

|                                                             | <b>December<br/>31,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|-------------------------------------------------------------|----------------------------------|------------------------------|
| Equity-settled share-based payment plans                    | 2,873                            | 746                          |
| Total expense arising from share-based payment transactions | 2,873                            | 746                          |

The share-based payment transactions entered into between the Group and its employees during year ended December 31, 2019 are described below. On June 20, 2019, the Board of Directors approved a stock option plan which includes a maximum of 11,414,975 options to purchase 11,414,975 shares in the Company, exercisable within 5 years of the grant date. The plan that was approved June 20, 2019 included the grant of 7,555,000 options to purchase 7,555,000 shares which can be separated into three separate tranches. Two additional grants for a total of 810,000 options were approved during the twelve months ended December 31, 2019. All options become exercisable when they vest and can be exercised for a period of 5 years from the date of the grants.

| <b>Grant date</b>                      | <b>June 20, 2019</b> |           | <b>Other</b> |         |
|----------------------------------------|----------------------|-----------|--------------|---------|
| Dividend yield (%)                     | -                    | -         | -            | -       |
| Expected share price volatility (%)    | 95%                  | 95%       | 95%          | 95%     |
| Risk-free interest rate (%)            | 1.76%                | 1.76%     | 1.76%        | 1.76%   |
| Expected life of stock options (years) | 3                    | 3         | 3            | 3       |
| Share price (U.S. Dollar) *            | 0.83                 | 0.83      | 0.96         | 0.48    |
| Exercise price (Canadian Dollar)       | 0.99                 | 1.19      | 1.5          | 0.99    |
| Fair value of options (USD)            | 0.52                 | 0.48      | 0.56         | 0.33    |
| Vesting period (years)                 | 2                    | 1         | 1.75         | 2       |
| Quantity of options granted *          | 4,805,000            | 1,623,679 | 1,126,321    | 810,000 |

\* Of the tranche of 4,805,000 options granted June 20, 2019 2,601,667 vested up front with the remainder vesting over two years.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 25: SHARE BASED PAYMENT (Cont.)**

Details of the outstanding stock options as of December 31, 2019 and 2018 are as follows:

|                          | 2019                 |                                               | 2018                 |                                               |
|--------------------------|----------------------|-----------------------------------------------|----------------------|-----------------------------------------------|
|                          | Number of<br>Options | Weighted<br>Average Exercise<br>Price (\$CAD) | Number of<br>Options | Weighted Average<br>Exercise Price<br>(\$CAD) |
| Outstanding, January 1   | 500,000              | 0.87                                          | -                    | -                                             |
| Granted                  | 8,365,000            | 1.06                                          | 500,000              | 0.87                                          |
| Exercised                | -                    | -                                             | -                    | -                                             |
| Forefeited               | (520,000)            | 0.99                                          | -                    | -                                             |
| Outstanding, December 31 | 8,345,000            | 1.06                                          | 500,000              | 0.87                                          |
| Exercisable, December 31 | 4,220,583            | 0.99                                          | 166,666              | 0.87                                          |

The weighted average contractual life of the stock options in 2019 was 4.5 years (2018 – 9.25 years).

The plan also approved the modification of the 500,000 options to purchase 500,000 shares in Backbone and 100,000 restricted shares in Backbone previously granted to the CEO and CFO, respectively. The modification resulted in the options and shares previously granted to the CEO and CFO by Backbone to be replaced with the option to purchase 500,000 shares in Bitfarms and 100,000 restricted shares, respectively, in Bitfarms. The strike price of the options remains unmodified, and both the shares and options that were modified were deemed to be 67% vested as at the modification date and 33% over the next twelve months, effective June 20, 2019. As of December 31, 2018, 166,666 stock options and 24,999 restricted shares had vested with a fair market value of \$1.74 USD and \$1.6 USD determined at their grant dates, respectively. As a result of the replacement of stock compensation in Backbone with stock compensation in the Company, the amounts originally recorded in non- controlling interest were transferred to shareholder's equity.

**NOTE 26: SUBSEQUENT EVENTS****COVID-19:**

In March 2020, the World Health Organization declared COVID-19 a pandemic. The global response to the pandemic is constantly evolving, including various measures implemented at the global, national, provincial and local levels. The major impacts that COVID-19 is expected to have on the Backbone operating segment include potential increases in cryptocurrency price volatility, difficulty obtaining new financing due to global economic slowdown, and delays in receiving future orders of mining hardware and parts sourced from overseas. While the Backbone operating segment is expected to continue operating throughout the pandemic, government-imposed restrictions encouraging social distancing may impact the number of employees permitted to work in the mining facilities. A reduction in workforce in the mining facilities may reduce the Company's ability to maximize operational efficiency. Volta's services are considered to be essential by government authorities and are expected to continue throughout the pandemic. The impacts of COVID-19 on the Volta operating segment are expected to reduce revenues from the sale of electrician services and parts, as well as result in longer collection periods for outstanding trade receivables, and potential increases in bad debts resulting from the economic impact of COVID-19 on existing customers.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency**

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**NOTE 26: SUBSEQUENT EVENTS (Cont.)***Warrant exercise:*

On both January 13, 2020 and February 12, 2020 Dominion Capital exercised a combined total of 500,000 warrants to acquire 500,000 common shares resulting in proceeds of \$200 being paid to the Company.

*Resignation of Chief Executive Officer and Director:*

On March 11, 2020 Wes Fulford elected to resign as Chief Executive Officer and Director of Bitfarms and its subsidiaries. The Company issued 500,000 Common shares in consideration for past services. On the same day Emiliano Grodzki was appointed as interim Chief Executive Officer of Bitfarms. On April 16, 2020 Brian Howlett was appointed a director of Bitfarms.

*Authorization of class A preferred shares:*

On February 4, 2020, shareholders approved an amendment to the articles of incorporation of the Company to authorize the issuance of class A preferred shares.





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## Introduction

The following Management's Discussion and Analysis ("MD&A") for Bitfarms Ltd. (together with its subsidiaries, the "Company" or "Bitfarms") should be read in conjunction with the Company's audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2019. In addition, the following MD&A should be read in conjunction with the Company's "Caution Regarding Forward-Looking Statements" beginning on page 40 of this MD&A.

The Company's audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company's audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2019 include the accounts of the Company and other entities that the Company controls and are reported in US dollars, except where otherwise noted.

Under IFRS, certain expenses and income must be recognized that are not necessarily reflective of the Company's underlying 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 on page 41 for more information. This MD&A contains various terms related to the Company's business and industry. Please refer to the Glossary of Terms on page 42 of this MD&A.

## Company Overview

The Company operates through two operating corporate subsidiaries and reportable operating segments: Backbone Hosting Solutions Inc. ("Backbone") and 9159-9290 Quebec Inc. (operating as Volta Electrique, "Volta"). Backbone owns and operates server farms, comprised of computers (referred to as a "Miners") designed for the purpose of validating transactions, primarily on the Bitcoin Blockchain. The Miners operate 24 hours a day and revenues are earned from Block Rewards and transaction fees issued in the form of cryptocurrencies by the Bitcoin network that the Company receives in return for validating transactions (referred to as "Mining"). Backbone regularly exchanges cryptocurrencies mined into U.S. dollars through reputable and established cryptocurrency trading platforms.

As of the date of this MD&A, Bitfarms currently operates five server farm facilities in Québec, Canada, which use approximately 53 MW to produce approximately 780 Petahash per second (PH/s) of hashrate for Mining Bitcoin. The Company has contracts securing an aggregate of 160 MW of hydro-electric green energy in Quebec. In addition, Bitfarms owns proprietary software that is used to control, manage, report and secure mining operations. The software scans and reports the location, computing power and temperature of all Miners at regular intervals to allow the Company to monitor performance and ensure Miners are operating at maximum capacity and up-time. Volta provides electrician services to both commercial and residential customers in Quebec, while assisting Bitfarms in building and maintaining its server farms.

Full Year 2019 Highlights:

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

| For the periods ended as indicated    | Three months ended |                 |           |          | Twelve months ended |                 |           |          |
|---------------------------------------|--------------------|-----------------|-----------|----------|---------------------|-----------------|-----------|----------|
|                                       | Dec. 31<br>2019    | Dec. 31<br>2018 | \$ Change | % Change | Dec. 31<br>2019     | Dec. 31<br>2018 | \$ Change | % Change |
| Revenues                              | 10,536             | 4,654           | 5,882     | 126%     | 32,421              | 33,805          | (1,384)   | (4%)     |
| Cost of Sales                         | 7,702              | 6,872           | 830       | 12%      | 20,982              | 22,928          | (1,946)   | (8%)     |
| Gross profit                          | 2,834              | (2,218)         | 5,052     | (228%)   | 11,439              | 10,877          | 562       | 5%       |
| Gross margin                          | 27%                | (48%)           | -         | -        | 35%                 | 32%             | -         | -        |
| G&A and other expenses                | 2,712              | 1,712           | 1,000     | 58%      | 10,294              | 9,815           | 479       | 5%       |
| Impairment of PP&E and Intangibles    | -                  | 19,060          | (19,060)  | (100%)   | 56                  | 19,060          | (19,004)  | (100%)   |
| Operating income (loss)               | 122                | (22,990)        | 23,112    | (101%)   | 1,089               | (17,998)        | 19,087    | (106%)   |
| Operating margin                      | 1%                 | (494%)          | -         | -        | 3%                  | (53%)           | -         | -        |
| Financial income                      | 55                 | -               | 55        | 100%     | 2,252               | -               | 2,252     | 100%     |
| Interest expense (income)             | 1,122              | (58)            | 1,180     | (2,034%) | 3,268               | 63              | 3,205     | 5,087%   |
| Other financial expenses (income)     | 504                | 63              | 441       | 700%     | 557                 | 116             | 441       | 380%     |
| Total Financial expenses              | 1,626              | 5               | 1,621     | 32,420%  | 3,825               | 179             | 3,646     | 2,037%   |
| Pre-tax loss                          | (1,449)            | (22,995)        | 21,546    | (94%)    | (484)               | (18,177)        | 17,693    | (97%)    |
| Income tax expense (recovery)         | (2,574)            | (1,732)         | (842)     | 49%      | (2,591)             | 59              | (2,650)   | (4,492%) |
| Net income (loss)                     | 1,125              | (21,263)        | 22,388    | (105%)   | 2,107               | (18,236)        | 20,343    | (112%)   |
| Net income (loss) per share - basic   | 0.02               | (0.02)          | 0.04      | (200%)   | 0.04                | (0.16)          | 0.20      | (127%)   |
| Gross mining profit <sup>(1)</sup>    | 5,488              | 1,676           | 3,812     | 227%     | 17,681              | 23,154          | (5,473)   | (24%)    |
| Gross mining margin <sup>(1)</sup>    | 56%                | 45%             | -         | -        | 60%                 | 73%             | -         | -        |
| EBITDA <sup>(1)</sup>                 | 2,299              | (19,839)        | 22,138    | (112%)   | 9,627               | (5,566)         | 15,193    | (273%)   |
| EBITDA margin <sup>(1)</sup>          | 22%                | (426%)          | -         | -        | 30%                 | (16%)           | -         | -        |
| Adjusted EBITDA <sup>(1)</sup>        | 2,986              | (603)           | 3,589     | (595%)   | 10,617              | 15,265          | (4,648)   | (30%)    |
| Adjusted EBITDA margin <sup>(1)</sup> | 28%                | (13%)           | -         | -        | 33%                 | 45%             | -         | -        |

- Consolidated revenue of \$32.4 million; gross profit of \$11.4 million (35% gross profit margin), operating income of \$1.1 million (3% operating margin), and net income of \$2.1 million;
- Mining operations segment gross mining profit<sup>1</sup> of \$17.7 million (60% gross mining margin);
- \$9.6 million EBITDA (30% EBITDA margin) and \$10.6 million Adj. EBITDA (33% Adj. EBITDA margin);
- Mined 3,865 Bitcoin and 7,561<sup>2</sup> Litecoin with a 2019 average break-even<sup>3</sup> Bitcoin price of \$2,996 and average break-even Litecoin price of \$49;
- Completed and deployed \$20.0 million debt financing to increase infrastructure capacity from 34 MW to 64 MW (88% increase) and hashrate capacity to 780 PH (~270% increase) by the end of 2019;
- Concurrently completed de-listing from Tel Aviv Stock Exchange and listing process for the TSXV, being the first crypto company to receive approval from the OSC through a full prospectus filing; and
- Completed reorganization to result in Bitfarms Ltd. owning 100% of Backbone Hosting Solutions Inc., the Company's main operating entity.

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

<sup>2</sup> The company mined Litecoin at varying levels from January 2019 to August 2019.

<sup>3</sup> Represents the break-even cost of Bitcoin and Litecoin based on variable cost of electricity and is calculated by taking the total electricity costs related to the Mining of each of Bitcoin and Litecoin divided by the total number of Bitcoin and Litecoin mined, respectively, in the relevant period.

## Revenue

### Q4 2019 Compared to Q4 2018

Revenue was \$10.5 million for the three month period ended December 31, 2019 ("Q4 2019") compared to \$4.7 million for the comparable three month period in 2018 ("Q4 2018"). Revenue for Q4 2019 increased \$5.9 million or 126% compared to the revenue in Q4 2018.

| (U.S. \$ in thousands except where indicated)                                                                                       | Note | Bitcoin | (USD)  | % Change |
|-------------------------------------------------------------------------------------------------------------------------------------|------|---------|--------|----------|
| Revenue based on actual coins sold during the three-month period ended December 31, 2018 and Volta external revenue                 |      | 794     | 4,654  | -        |
| Impact of increase in average Bitfarms' Bitcoin hashrate in excess of average network difficulty during Q4 2019 compared to Q4 2018 | 1    | 636     | 3,307  | 71%      |
| Impact of increase in Q4 2019 average Bitcoin sale price compared to Q4 2018 average Bitcoin sale price                             | 2    |         | 3,271  | 70%      |
| Impact of Q3 2018 Altcoin inventory plus additional Altcoins mined in Q4 2018 exchanged into Bitcoin in Q4 2018                     | 3    | (28)    | (184)  | (4%)     |
| Difference in Bitcoin inventory at end of 2019 compared to end of 2018                                                              | 4    | 11      | 87     | 2%       |
| Q3 2018 BTC Inventory sold in Q4 2018                                                                                               | 5    | (158)   | (822)  | (18%)    |
| Volta decrease in external revenues and other mining variances                                                                      |      | (36)    | 223    | 5%       |
| Revenue for three months ended December 31, 2019                                                                                    |      | 1,219   | 10,536 | 126%     |

### Notes

- 1 Calculated as the difference in Bitcoin mined in Q4 2019 compared to Q4 2018 (i.e. 1,219 - 583) multiplied by Q4 2018 average Bitcoin price (i.e. \$5,200)
- 2 Calculated as the difference in average realized Bitcoin price in Q4 2019 compared to Q4 2018 (i.e. \$7,883 - \$5,200) multiplied by the Bitcoin sold in Q4 2019 (i.e. 1,219)
- 3 Calculated as the total Bitcoin Cash, Dash, Ethereum, and Litecoin (each an "Altcoin" and collectively "Altcoins") exchanged into Bitcoin and sold in Q4 2018 multiplied by the Q4 2018 average realized Bitcoin price (i.e. \$5,200)
- 4 Calculated as the difference in Bitcoin inventory as at Q4 2018 compared to Q4 2019 (i.e. 11 - 0) multiplied by the average realized Bitcoin price in Q4 2019 (i.e. \$7,883)
- 5 Calculated as the ending inventory on September 30, 2018 multiplied by the average realized Bitcoin price in Q4 2018 (i.e. \$5,200)

The most significant factors influencing the net increase to Bitfarms' revenue in Q4 2019 compared to Q4 2018 are presented in the table above. Revenue increased \$3.3 million or 71% due to increased Bitcoin mined resulting from higher average Bitfarms hashrate in excess of average network difficulty and \$3.3 million or 70% due to a higher average realized Bitcoin sale price of \$7,883 compared to \$5,200 in Q4 2019 versus Q4 2018.

The preceding factors leading to the comparative increase to Bitfarms' net revenue in Q4 2019 compared to Q4 2018 were offset by a decrease of \$0.8 million or 18% due to Bitcoin sold in Q4 2018 that was in inventory at the end of Q3 2018 in addition to a decrease of \$0.2 million or 4% related to Altcoins mined and sold in Q4 2018.

*Year Ended 2019 Compared to Year Ended 2018*

Bitfarms' total revenue for 2019 was \$32.4 million compared to \$33.8 million for 2018. Revenue in 2019 decreased \$1.4 million or 4% compared to the revenue in 2018. The factors which had the greatest impact on the decrease in revenue in 2019 compared to 2018 are provided in the following table:

| (U.S. \$ in thousands except where indicated)                                                                                             | Note | Bitcoin | (USD)   | % Change |
|-------------------------------------------------------------------------------------------------------------------------------------------|------|---------|---------|----------|
| Revenue based on actual coins sold during the twelve-month period ended December 31, 2018 and Volta external revenue                      |      | 3,966   | 33,805  | -        |
| Impact of increase in average Bitfarms' Bitcoin hashrate average in excess of increase in network difficulty during 2019 compared to 2018 | 1    | 613     | 4,845   | 14%      |
| Impact of difference in average Bitcoin sale price in 2019 compared to 2018                                                               | 2    |         | (1,907) | (6%)     |
| Impact of Altcoins mined, converted to Bitcoin and sold in 2018 less ending Altcoin inventory versus Altcoins sold in 2019                | 3    | (649)   | (4,857) | (14%)    |
| Difference in Bitcoin inventory at year-end in 2019 compared to 2018                                                                      | 4    | 11      | 82      | 0%       |
| BTC received for sales of miners during 2019                                                                                              |      | (16)    | (171)   | (1%)     |
| Other mining variances                                                                                                                    |      | (49)    | (277)   | (1%)     |
| Increase in Volta third party revenue in 2019 compared to 2018                                                                            |      |         | 901     | 3%       |
| Revenue for twelve months ended December 31, 2019                                                                                         |      | 3,876   | 32,421  | (5%)     |

Notes

- 1 Calculated as the difference in Bitcoin mined in 2019 compared to 2018 (i.e. 3,865 - 3,252) multiplied by 2018 average Bitcoin price (i.e. \$7,904)
- 2 Calculated as the difference in average realized Bitcoin price in 2019 compared to 2018 (i.e. \$7,412 - \$7,904) multiplied by Bitcoin sold in 2019 (i.e. 3,876)
- 3 Calculated as the total Bitcoin Cash, Dash, Ether, and Litecoin (each an "Altcoin" and collectively "Altcoins") exchanged into Bitcoin and sold in 2018 multiplied by the 2018 average realized Bitcoin price (i.e. \$7,904)
- 4 Calculated as the difference in Bitcoin inventory as at 2018 compared to 2019 (i.e. 11 - 0) multiplied by the average realized Bitcoin price for 2019 (i.e. \$7,412)

The most significant factors influencing the net decrease to Bitfarms' revenue in 2019 compared to 2018 presented in the table above are the decrease of \$1.9 million or 6% resulting from the lower average realized sale price per Bitcoin of \$7,412 in 2019 compared to \$7,904 in 2018 and the decrease of \$4.9 million or 14% resulting from the decrease in mining and sale of Altcoins in 2019 compared to 2018. These decreases were substantially offset by an increase of \$4.8 million or 14% due to increased Bitcoin mined resulting from higher average Bitfarms hashrate in excess of average network difficulty in 2019 compared to 2018. The Company recognizes revenue when the Bitcoin are sold and it is the practice of the Company to sell its cryptocurrencies for fiat (i.e. U.S. dollar), within one to four days after the cryptocurrencies are mined. The Company sells its cryptocurrency through cryptocurrency trading platforms operated by Tagomi Holdings, Inc. and Gemini Trust Company, LLC, two licensed digital asset exchanges regulated by the New York State Department of Financial Services and operated out of New York, New York, USA. In certain specific and limited cases, Bitfarms does not convert Bitcoin directly into fiat and uses Bitcoin to directly pay for payment obligations, including the Dominion loan described below.



Bitfarms' cryptocurrencies mined in 2019 compared to 2018 are summarized in the table below:

| For the periods ended as indicated | Three months ended |                 |          | Twelve months ended |                 |          |
|------------------------------------|--------------------|-----------------|----------|---------------------|-----------------|----------|
|                                    | Dec. 31<br>2019    | Dec. 31<br>2018 | % Change | Dec. 31<br>2019     | Dec. 31<br>2018 | % Change |
| Bitcoin                            | 1,219              | 583             | 109%     | 3,865               | 3,252           | 19%      |
| Bitcoin Cash                       | -                  | 263             | 0%       | -                   | 2,577           | (100%)   |
| Litecoin                           | -                  | 1,553           | (100%)   | 7,561               | 6,234           | 21%      |
| Dash                               | -                  | 95              | (100%)   | -                   | 611             | (100%)   |
| Ethereum                           | -                  | 167             | (100%)   | -                   | 964             | (100%)   |

### Cost of Sales

#### Q4 2019 Compared to Q4 2018

Bitfarms' cost of sales for Q4 2019 was \$7.7 million compared to \$6.9 million in Q4 2018. Costs of sales include energy and infrastructure expenses, depreciation and amortization, electrician salaries, and, purchases and net change in inventory which are summarized in the table below:

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

| For the periods ended as indicated    | Three months ended |                 |           |          | Twelve months ended |                 |           |          |
|---------------------------------------|--------------------|-----------------|-----------|----------|---------------------|-----------------|-----------|----------|
|                                       | Dec. 31<br>2019    | Dec. 31<br>2018 | \$ Change | % Change | Dec. 31<br>2019     | Dec. 31<br>2018 | \$ Change | % Change |
| Energy and infrastructure             | 4,229              | 2,076           | 2,153     | 104%     | 11,666              | 8,487           | 3,179     | 37%      |
| Depreciation and amortization         | 2,626              | 3,214           | (588)     | (18%)    | 6,843               | 12,548          | (5,705)   | (45%)    |
| Electrician salaries                  | 335                | 466             | (131)     | (28%)    | 1,174               | 793             | 381       | 48%      |
| Purchases and net change in inventory | 512                | 1,116           | (604)     | (54%)    | 1,299               | 1,100           | 199       | 18%      |
| Cost of sales                         | 7,702              | 6,872           | 830       | 12%      | 20,982              | 22,928          | (1,946)   | (8%)     |

Energy and infrastructure expenses increased by \$2.2 million or 104% in Q4 2019 compared to Q4 2018, primarily due to an increase in electricity expense, which was approximately \$2.4 million higher in Q4 2019 compared to Q4 2018 as the Company added new Miners which increased electrical consumption from 22 MW at the end of Q4 2018 to 53 MW at the end of Q4 2019. This increase was primarily offset by a decrease in facility rent expense in Q4 2019 of approximately \$0.2 million compared to Q4 2018 due to the adoption of the new accounting standard IFRS 16. Rent expenses have been reclassified as depreciation and interest expense due to the adoption of IFRS 16 by the Company in 2019.

Depreciation and amortization expense decreased by \$0.6 million or 18% in Q4 2019 compared to Q4 2018 primarily resulting from a decrease of \$1.7 million in connection with the impairment loss of \$18.5 million on property, plant and equipment and intangible assets recorded by the Company in Q4 2018, offset by depreciation expense recorded on newly acquired property, plant and equipment. The decrease in depreciation and amortization expense was further offset by an increase in depreciation expense of \$0.2 million in Q4 2019 compared to Q4 2018 resulting from the adoption of IFRS 16 by the Company in January 2019 as the Company depreciates right of use assets over the term of the relevant leases.

Finally, purchases and net change in inventory decreased by \$0.6 million or 54% in Q4 2019 compared to Q4 2018. This was primarily due to the fact that the Company sold Bitcoin inventory that it held as at Q3 2018 in Q4 2018. In 2019, there was no Bitcoin inventory at the end of Q3 that was sold in Q4.

#### Year Ended 2019 Compared to Year Ended 2018

Bitfarms' cost of sales for 2019 was \$11.7 million compared to \$8.5 million in 2018. Energy and infrastructure expenses increased by \$3.2 million or 37% in 2019 compared to 2018, primarily due to an increase in electricity expense, which was approximately \$3.8 million higher in 2019 compared to 2018 as the Company added new Miners which had the effect of increasing electrical consumption from 22 MW at the end of 2018 to 53 MW by the end of 2019. The increase in energy and infrastructure cost in 2019 compared to 2018 was primarily offset by a decrease in facility rent expense in 2019 of approximately \$0.8 million compared to 2018 due to the adoption of the new accounting standard IFRS 16. Rent expenses have been reclassified as depreciation and interest expense due to the adoption of IFRS 16 by the Company in 2019.

Depreciation and amortization expense decreased by \$5.7 million or 45% in 2019 compared to 2018, with a decrease of \$7.3 million resulting from the impairment loss of \$18.5 million on property, plant and equipment and intangible assets recorded by the Company in 2019. The decrease in depreciation and amortization expense was partially offset by an increase in depreciation on newly acquired property, plant and equipment and an increase in depreciation expense of \$854,000 in 2019 compared to 2018, resulting from the adoption of IFRS 16 by the Company in January 2019 as the Company amortizes right of use assets over the term of the relevant leases.

#### *Gross Profit*

##### *Q4 2019 Compared to Q4 2018*

Bitfarms' gross profit for Q4 2019 was \$2.8 million compared to a gross loss of \$2.2 million for Q4 2018. The gross profit margin increased from a loss of 48% to profit of 27% in Q4 2019 compared to Q4 2018 primarily due to the increase in Bitcoin mined and average realized Bitcoin sale price, as described in detail in the analysis of revenue above as well as the decrease in depreciation and amortization expense.

##### *Year Ended 2019 Compared to Year Ended 2018*

Bitfarms' gross profit for 2019 was \$11.4 million compared to \$10.9 million for 2018. The gross profit margin increased from 32% to 35% in 2019 compared to 2018 primarily due to the sustained revenue as described in detail in the analysis of revenue combined with the decrease in overall cost of sales that was primarily due to lower depreciation and amortization as described above.

##### *General & Administrative & Other Expenses Q4 2019 Compared to Q4 2018*

Bitfarms' general and administrative and other expenses increased \$1.0 million or 58% in Q4 2019 compared to Q4 2018. The main reasons for the increase were higher non-cash expenses of approximately \$0.3 million in Q4 2019 compared to Q4 2018 related to employee stock options approved and granted in 2019 that did not exist in Q4 2018. In addition, there was a reversal of approximately \$0.4 million of accrued bonus expense in Q4 2018, compared to \$nil in Q4 2019 and a loss on disposal of \$0.3 million in Q4 2019 related to 1,429 Antminer S9 ASICs that were no longer operational.

##### *Year Ended 2019 Compared to Year Ended 2018*

Bitfarms' general and administrative expenses increased \$0.5 million or 5% in 2019 compared to 2018. The main reasons for the increase was that there were higher non-cash expenses of approximately \$2.1 million in 2019 compared to 2018 related to employee stock options approved and granted in 2019 that did not exist in 2018. This increase was offset by a decrease of \$1.0 million in 2019 compared to 2018 related to non-cash listing fees incurred in 2018 as the Company listed on the Tel Aviv Stock Exchange, as well as a net decrease of a total of \$0.6 million for professional fees and other general and administrative expenses, relating primarily to professional fees incurred in connection with the reverse acquisition of Bitfarms Ltd. (Israel) in 2018 and the preparation of the Company's preliminary prospectus filed in 2018.

#### Financial Income and Expenses

##### Q4 2019 Compared to Q4 2018

Bitfarms' financial income for Q4 2019 was \$0.05 million compared to financial income of \$nil in Q4 2018 resulting from the revaluation of the embedded derivative creating a non-cash gain in connection with the Dominion Capital loan described below. Financial expenses for Q4 2019 was \$1.6 million compared to \$4,000 in Q4 2018. The increase is primarily related to interest expense of \$1.2 million incurred on the Dominion Capital loan, as described under Financial Instruments and Risks, which did not exist in Q4 2018, as well as \$0.1 million of interest expense related to lease liabilities resulting from the adoption of IFRS 16. Financial income and expenses are comprised of interest on the Dominion Capital loan, warrant issuance costs, gain on embedded derivative and revaluation of the warrants, interest payments in respect of vendor financing, classification of a portion of rent as interest expense on the lease liabilities on adoption of IFRS 16, unrealized foreign exchange losses on monetary items in Canadian dollars to the functional currency in US dollars, and interest on Volta's long-term debt repayments and bank charges.

##### Year Ended 2019 Compared to Year Ended 2018

Bitfarms' financial income for 2019 was \$2.3 million compared to financial income of \$4,000 in 2018 resulting from the revaluation of the embedded derivative and the warrant liability creating a non-cash gain in connection with the Dominion Capital loan described below. Financial expenses for 2019 was \$3.8 million compared to \$0.2 million in 2018. The increase is primarily related to interest expense of \$2.8 million incurred on the Dominion Capital loan, as described under Financial Instruments and Risks, which did not exist in 2018, as well as \$0.4 million of interest expense related to the adoption of IFRS 16 and warrant issuance costs of \$0.2 million in 2019 not incurred in 2018.

## Selected Annual Information

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

| For the years ended December 31,            | 2019 (52 weeks) | 2018 (52 weeks) | 2017 (8 weeks) |
|---------------------------------------------|-----------------|-----------------|----------------|
| Revenues                                    | 32,421          | 33,805          | 8,663          |
| Operating income (loss)                     | 1,089           | (17,998)        | 6,892          |
| Net earnings attributable to:               |                 |                 |                |
| Shareholders                                | 2,899           | (9,363)         | 4,905          |
| Non-controlling interest                    | (792)           | (8,873)         | -              |
| Basic and diluted earnings (loss) per share | 0.04            | (0.16)          | 0.08           |
| Total current assets                        | 6,550           | 3,295           | 8,485          |
| Total non-current assets                    | 46,306          | 22,938          | 26,063         |
| Total assets                                | 52,856          | 26,233          | 34,548         |
| Total current liabilities                   | 4,009           | 4,656           | 5,735          |
| Long-term debt                              | 14,849          | 693             | -              |
| Lease liabilities                           | 5,717           | -               | -              |
| Other non-current liabilities               | 193             | 232             | 909            |
| Total non-current liabilities               | 20,759          | 925             | 909            |
| Total liabilities                           | 24,768          | 5,581           | 6,644          |
| Total equity                                | 28,088          | 20,652          | 27,904         |

There have not been any distributions or cash dividends declared per share on any class of shares in any of the three years disclosed in the table above.

## Reconciliation of Net Income to EBITDA and Adjusted EBITDA

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

|                                    | Three months ended |                 |           |          | Twelve months ended |                 |           |          |
|------------------------------------|--------------------|-----------------|-----------|----------|---------------------|-----------------|-----------|----------|
|                                    | Dec. 31<br>2019    | Dec. 31<br>2018 |           |          | Dec. 31<br>2019     | Dec. 31<br>2018 |           |          |
| For the periods ended as indicated |                    |                 | \$ Change | % Change |                     |                 | \$ Change | % Change |
| Net income (loss)                  | 1,125              | (21,262)        | 22,387    | (105%)   | 2,107               | (18,236)        | 20,343    | (112%)   |
| Interest expense                   | 1,122              | (58)            | 1,180     | (2,034%) | 3,268               | 63              | 3,205     | 5,087%   |
| Income tax expense (recovery)      | (2,574)            | (1,732)         | (842)     | 49%      | (2,591)             | 59              | (2,650)   | (4,492%) |
| Depreciation/amortization          | 2,626              | 3,214           | (588)     | (18%)    | 6,843               | 12,548          | (5,705)   | (45%)    |
| EBITDA                             | 2,299              | (19,838)        | 22,137    | (112%)   | 9,627               | (5,566)         | 15,193    | (273%)   |
| Stock compensation expense         | 430                | 165             | 265       | 161%     | 2,873               | 746             | 2,127     | 285%     |
| Financial income                   | (55)               | -               | (55)      | -        | (2,252)             | -               | (2,252)   | -        |
| Listing cost                       | -                  | -               | -         | -        | -                   | 1,000           | (1,000)   | (100%)   |
| Impairment                         | -                  | 19,060          | (19,060)  | (100%)   | 56                  | 19,060          | (19,004)  | (100%)   |
| Other non-cash expenses            | 312                | 11              | 301       | 2,736%   | 313                 | 25              | 288       | 1,152%   |
| Adjusted EBITDA                    | 2,986              | (602)           | 3,588     | (596%)   | 10,617              | 15,265          | (4,648)   | (30%)    |

### Q4 2019 Compared to Q4 2018

Bitfarms' net income for Q4 2019 was \$1.1 million compared to a net loss of \$21.3 million for Q4 2018. EBITDA and Adjusted EBITDA for Q4 2019 were \$2.3 million and \$3.0 million compared to an EBITDA and Adjusted EBITDA loss of \$19.9 million and \$0.6 million, respectively, in Q4 2018. In Q4 2019 the Company recorded an income tax recovery as a result of carrying back 2019 tax losses against taxable income originating in 2018 and 2017. In Q4 2018 the income tax recovery represented the reversal of income tax provisions taken in previous quarters to reflect the actual annual tax expense incurred by the Company.

### Year Ended 2019 Compared to Year Ended 2018

Bitfarms' net income for 2019 was \$2.1 million compared to a net loss of \$18.2 million for 2018. Bitfarms' income tax recovery for 2019 was \$2.6 million compared to income tax expense of \$0.1 million in 2018. The income tax recovery results from a net loss for tax purposes in 2019 that will be carried back to recover income taxes paid in past years. The taxable loss for 2019 is primarily due to accelerated capital cost allowance available for income tax purposes. EBITDA and Adjusted EBITDA for 2019 were \$9,627,000 and \$10.6 million compared to an EBITDA loss of \$5.6 million and Adjusted EBITDA of \$15.3 million, respectively, in 2018. EBITDA and Adjusted EBITDA are non-IFRS financial performance measures; please refer to the section "Caution Regarding Non-IFRS Financial Performance Measures" on page 41 regarding the use of non-IFRS Measures.

## Calculation of Gross Mining Profit & Gross Mining Margin

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

|                                    | Three months ended |                 |           |          | Twelve months ended |                 |           |          |
|------------------------------------|--------------------|-----------------|-----------|----------|---------------------|-----------------|-----------|----------|
|                                    | Dec. 31<br>2019    | Dec. 31<br>2018 |           |          | Dec. 31<br>2019     | Dec. 31<br>2018 |           |          |
| For the periods ended as indicated |                    |                 | \$ Change | % Change |                     |                 | \$ Change | % Change |
| Revenues                           | 9,717              | 3,752           | 5,965     | 159%     | 29,347              | 31,641          | (2,294)   | (7%)     |
| Energy and infrastructure expenses | 4,229              | 2,076           | 2,153     | 104%     | 11,666              | 8,487           | 3,179     | 37%      |
| Gross mining profit                | 5,488              | 1,676           | 3,812     | 227%     | 17,681              | 23,154          | (5,473)   | (24%)    |
| Gross mining margin                | 56%                | 45%             | -         | -        | 60%                 | 73%             | -         | -        |

"Gross mining profit" is defined as Revenue minus energy and infrastructure expenses for the Backbone segment of the Company. "Gross mining margin" is defined as the percentage obtained when dividing Gross mining margin by Revenue for the Backbone segment of the Company.

## Reportable Operating Segments

### Backbone

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

| For the periods ended as indicated    | Three months ended |              | \$ Change | % Change | Twelve months ended |              | Change   | Change   |
|---------------------------------------|--------------------|--------------|-----------|----------|---------------------|--------------|----------|----------|
|                                       | Dec. 31 2019       | Dec. 31 2018 |           |          | Dec. 31 2019        | Dec. 31 2018 |          |          |
| Revenue                               | 9,717              | 3,752        | 5,965     | 159%     | 29,347              | 31,641       | (2,294)  | (7%)     |
| Cost of Sales                         | 6,879              | 6,202        | -         | -        | 18,479              | 21,349       | -        | -        |
| Gross profit                          | 2,838              | (2,450)      | 5,288     | (216%)   | 10,868              | 10,292       | 576      | 6%       |
| Gross margin                          | 29%                | (65%)        | -         | -        | 37%                 | 33%          | -        | -        |
| G&A and other expenses                | 2,556              | 1,339        | 1,217     | 91%      | 9,416               | 7,510        | 1,906    | 25%      |
| Impairment of PP&E and Intangibles    | -                  | 19,060       | (19,060)  | (100%)   | 56                  | 19,060       | (19,004) | (100%)   |
| Operating income (loss)               | 282                | (22,849)     | 23,131    | (101%)   | 1,396               | (16,278)     | 17,674   | (109%)   |
| Operating margin                      | 3%                 | (609%)       | -         | -        | 5%                  | (51%)        | -        | -        |
| Financial income                      | 55                 | -            | 55        | -        | 2,252               | -            | 2,252    | -        |
| Interest expense                      | 1,115              | 63           | 1,052     | 1,670%   | 3,234               | 167          | 3,067    | 1,837%   |
| Other financial expenses (income)     | 531                | (34)         | 565       | (1,662%) | 584                 | (14)         | 598      | (4,271%) |
| Net loss before tax                   | (1,309)            | (22,878)     | 21,569    | (94%)    | (170)               | (16,431)     | 16,261   | (99%)    |
| EBITDA <sup>(1)</sup>                 | 2,404              | (19,607)     | 22,011    | (112%)   | 9,816               | (3,740)      | 13,556   | (362%)   |
| EBITDA margin <sup>(1)</sup>          | 25%                | (523%)       | -         | -        | 33%                 | (12%)        | -        | -        |
| Adjusted EBITDA <sup>(1)</sup>        | 3,091              | (371)        | 3,462     | (933%)   | 10,806              | 17,091       | (6,285)  | (37%)    |
| Adjusted EBITDA margin <sup>(1)</sup> | 32%                | (10%)        | -         | -        | 37%                 | 54%          | -        | -        |

### Reconciliation of Non-IFRS Performance Measures

|                                |         |          |          |        |         |          |          |        |
|--------------------------------|---------|----------|----------|--------|---------|----------|----------|--------|
| Net loss before tax            | (1,309) | (22,878) | 21,569   | (94%)  | (170)   | (16,431) | 16,261   | (99%)  |
| Interest expense               | 1,115   | 63       | 1,052    | 1670%  | 3,234   | 167      | 3,067    | 1837%  |
| Depreciation expense           | 2,598   | 3,208    | (610)    | (19%)  | 6,752   | 12,524   | -        | -      |
| EBITDA <sup>(1)</sup>          | 2,404   | (19,607) | 22,011   | (112%) | 9,816   | (3,740)  | 13,556   | (362%) |
| Stock compensation expense     | 430     | 165      | 265      | 161%   | 2,873   | 746      | 2,127    | 285%   |
| Financial income               | (55)    | -        | (55)     | -      | (2,252) | -        | (2,252)  | -      |
| Impairment                     | -       | 19,060   | (19,060) | (100%) | 56      | 19,060   | (19,004) | (100%) |
| Other non-cash expenses        | 312     | 11       | 301      | 2736%  | 313     | 25       | 288      | 1152%  |
| Adjusted EBITDA <sup>(1)</sup> | 3,091   | (371)    | 3,462    | (933%) | 10,806  | 16,091   | (5,285)  | (33%)  |

### Notes

(1) EBITDA, EBITDA margin, Adjusted EBITDA, and Adjusted EBITDA margin are non-IFRS performance measures; please refer to the heading "Caution Regarding Non-IFRS Financial Performance Measures" at the end of this MD&A regarding the use of Non-IFRS Financial Performance Measures.

## Volta

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

| For the periods ended as indicated    | Three months ended |              | \$ Change | % Change | Twelve months ended |              | \$ Change | % Change |
|---------------------------------------|--------------------|--------------|-----------|----------|---------------------|--------------|-----------|----------|
|                                       | Dec. 31 2019       | Dec. 31 2018 |           |          | Dec. 31 2019        | Dec. 31 2018 |           |          |
| Revenue                               | 818                | 902          | (84)      | (9%)     | 3,074               | 2,164        | 910       | 42%      |
| Cost of Sales                         | 823                | 700          | 123       | 18%      | 2,503               | 1,579        | 924       | 59%      |
| Gross profit (loss)                   | (5)                | 202          | (207)     | (102%)   | 571                 | 585          | (14)      | (2%)     |
| Gross margin                          | (1%)               | 22%          | -         | -        | 19%                 | 27%          | -         | -        |
| G&A and other expenses                | 175                | 154          | 21        | 14%      | 644                 | 616          | 28        | 5%       |
| Operating income (loss)               | (180)              | 48           | (228)     | (475%)   | (73)                | (31)         | (42)      | 135%     |
| Operating margin                      | (22%)              | 5%           | -         | -        | (2%)                | (1%)         | -         | -        |
| Interest expense                      | 7                  | 4            | 3         | 75%      | 34                  | 14           | 20        | 143%     |
| Other finance expenses                | (27)               | 11           | (38)      | (345%)   | (27)                | 29           | (56)      | (193%)   |
| Net income (loss) before tax          | (160)              | 33           | (193)     | (585%)   | (80)                | (74)         | (6)       | 8%       |
| EBITDA <sup>(1)</sup>                 | (125)              | 43           | (168)     | (391%)   | 45                  | (36)         | 81        | (225%)   |
| EBITDA margin <sup>(1)</sup>          | (15%)              | 5%           | -         | -        | 1%                  | (2%)         | -         | -        |
| Adjusted EBITDA <sup>(1)</sup>        | (125)              | 43           | (168)     | (391%)   | 45                  | (36)         | 81        | (225%)   |
| Adjusted EBITDA margin <sup>(1)</sup> | (15%)              | 5%           | -         | -        | 1%                  | (2%)         | -         | -        |

### Reconciliation of Non-IFRS

#### Performance Measures

|                                |       |    |       |        |      |      |     |        |
|--------------------------------|-------|----|-------|--------|------|------|-----|--------|
| Net loss before tax            | (160) | 33 | (193) | (585%) | (80) | (74) | (6) | 8%     |
| Interest expense               | 7     | 4  | 3     | 75%    | 34   | 14   | 20  | 143%   |
| Depreciation expense           | 28    | 6  | 22    | 367%   | 91   | 24   | 67  | 279%   |
| EBITDA <sup>(1)</sup>          | (125) | 43 | (168) | (391%) | 45   | (36) | 81  | (225%) |
| Adjusted EBITDA <sup>(1)</sup> | (125) | 43 | (168) | (391%) | 45   | (36) | 81  | (225%) |

### Notes

(1) EBITDA, EBITDA margin, Adjusted EBITDA, and Adjusted EBITDA margin are non-IFRS performance measures; please refer to the heading "Caution Regarding Non-IFRS Financial Performance Measures" at the end of this MD&A regarding the use of Non-IFRS Financial Performance Measures.

## Selected Quarterly Information

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

|                               | Q4 2019 | Q3 2019 | Q2 2019 | Q1 2019 | Q4 2018  | Q3 2018 | Q2 2018 | Q1 2018 |
|-------------------------------|---------|---------|---------|---------|----------|---------|---------|---------|
| Revenue                       | 10,536  | 9,739   | 8,517   | 3,629   | 4,669    | 6,866   | 6,592   | 15,678  |
| Net income (loss)             | 1,125   | 4,309   | (1,320) | (2,007) | (21,263) | (1,711) | (1,337) | 6,075   |
| Basic income (loss) per Share | 0.02    | 0.06    | (0.01)  | (0.02)  | (0.23)   | (0.02)  | (0.02)  | 0.12    |

The Company's industry does not have any seasonality. Factors that may impact revenue and profitability quarter over quarter include cryptocurrency pricing, network difficulty and the Company's hashrate.

## Liquidity and Capital Resources

### Cash Flows

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

|                                                   | Twelve months ended |                 | \$<br>Change | %<br>Change |
|---------------------------------------------------|---------------------|-----------------|--------------|-------------|
|                                                   | Dec. 31<br>2019     | Dec. 31<br>2018 |              |             |
| For the periods ended as indicated                |                     |                 |              |             |
| Cash & cash equivalents, beginning of the period  | 552                 | 4,518           | (3,966)      | (88%)       |
| Cash flows from (used in):                        |                     |                 |              |             |
| Operating activities                              | 6,020               | 13,761          | (7,741)      | (56%)       |
| Investing activities                              | (22,364)            | (22,077)        | (287)        | 1%          |
| Financing activities                              | 17,974              | 4,332           | 13,642       | 315%        |
| Exchange rate differences on currency translation | (23)                | 18              | (41)         | (228%)      |
| Cash & cash equivalents, end of the period        | 2,159               | 552             | 1,607        | 291%        |

#### Cash Flows from Operating Activities

The cash flow from operating activities decreased \$7.7 million or 56% in 2019 compared to 2018 primarily due to lower gross mining profit<sup>4</sup> in 2019 that resulted from lower realized Bitcoin prices and higher difficulty in 2019 compared to 2018.

#### Cash Flows used in Investing Activities

The Company had a similar level of cash flows used in investing activities for each of the twelve months ended 2019 and 2018. During the twelve months ended 2018, the Company made significant investment in the purchase of ASICs, the development of the St. Hyacinthe and Magog facilities, as well as the acquisition of the Sherbrooke land and building. The cost of ASICs were significantly higher in 2018 due to limited supply. During the twelve months ended 2019, the Company invested in ASICs, electrical components, and Sherbrooke infrastructure build-out.

#### Cash Flows from Financing Activities

Cash flows from financing activities increased \$13.6 million, or 315% in 2019 compared to 2018. This was primarily due to the Company drawing down on all four \$5.0 million loan tranches on the \$20.0 million debt facility from DC BFL SPV, LLC ("Dominion Capital") in 2019, which was allocated \$14.6 million to long-term debt and \$4.9 million to the issuance of warrants, net of transaction fees. This was offset by the repayment of lease liabilities under IFRS 16 of \$0.7 million and the repayment of long-term debt of \$1.1 million. During the twelve months ended December 31, 2018 the Company received proceeds of \$2.9 million from the sale and issuance of common shares, held in trust in Q4 2017. In addition, it obtained vendor financing for the acquisition of Miners of approximately \$1.8 million. This was partially offset by the repayment of long-term debt of \$0.5 million during the twelve months ended December 31, 2018.

<sup>4</sup> Gross mining profit is a non-IFRS performance measures; please refer to the end of this MD&A regarding the use of Non-IFRS Financial Performance Measures.

## Working Capital

As at December 31, 2019, Bitfarms had a positive working capital balance of \$2.5 million compared to a working capital deficit of \$1.4 million on December 31, 2018. As at December 31, 2019, Bitfarms had cash and cash equivalents of \$2.2 million compared to \$0.6 million as at December 31, 2018. Cash and cash equivalents are mainly U.S. and Canadian dollar deposits at regulated financial institutions. In addition, Bitfarms did not hold cryptocurrency inventory as at December 31, 2019 compared to \$39,000 as at December 31, 2018.

## Components of Total Debt

The Company expects that cash and cash equivalents and future operating cash flows will enable it to fund its working capital requirements and financial obligations, over the next twelve months.

Since inception, the Company has primarily financed its growth through retained earnings, vendor financing, and, since March 2019, a long-term debt facility. The current portion of long-term debt of Bitfarms was \$0.9 million as of December 31, 2019 compared to \$1.0 million on December 31, 2018. The current maturities of long-term debt may fluctuate due to the variable repayment terms of the loan with Dominion Capital (see below). Bitfarms' long-term debt consists of the following:

- (a) Bitfarms purchased Miners in the amount of \$2.0 million and obtained non-interest bearing vendor financing to pay for the purchase in twenty monthly instalments commencing on June 15, 2018. The financing was recorded at a present value of \$1.8 million. The outstanding balance of this loan owing was \$0.4 million as at December 31, 2019;
- (b) Volta signed several agreements to purchase vehicles with an outstanding balance of \$0.1 million as at December 31, 2019. Eleven notes payable, bearing interest between 3.49% and 8.2% repayable in monthly instalments totaling \$5,100 principal and interest, maturing between January 2020 and October 2025, secured by vehicles having a net carrying value of \$0.2 million;
- (c) Volta received long-term vendor financing with an outstanding balance of \$0.1 million bearing interest at 5.00% payable by monthly instalments of \$4,000 principal and interest maturing at September 2022; and
- (d) On March 14, 2019, Bitfarms entered into a secured debt financing facility for up to \$20.0 million with Dominion Capital. The debt facility is structured into four separate loan tranches of \$5.0 million each bearing interest at 10% per annum on the full principal balance of each loan tranche regardless of principal repayments made during the term of each loan tranche. The term of each loan tranche is 24 months with a balloon payment for any remaining outstanding balance at the end the term. A monthly payment equivalent to 10% of the value of cryptocurrencies mined by Bitfarms during the month is required in repayment of the total loan tranches drawn. This amount shall first be applied to accrued interest and the balance to principal. In the event that the amount of interest owing is greater than the amount of cryptocurrency mined, an additional amount shall be remitted such that the interest is paid in full. The debt facility is fully secured by the assets of Bitfarms on a first priority basis.



- (e) In addition to interest, the Company has issued 1,666,667 warrants to Dominion Capital for each loan tranche drawn for a total of 6,666,668 warrants exercisable into common shares of Bitfarms at an exercise price of \$0.40 per share. The details of each loan tranche are as follows:

| Loan       | Drawdown Amount      | Drawdown Date  | Loan Term | Loan Due Date  | Warrants Issued  | Warrant Expiry Date |
|------------|----------------------|----------------|-----------|----------------|------------------|---------------------|
| Tranche #1 | \$ 5,000,000         | March 15, 2019 | 24 months | March 15, 2021 | 1,666,667        | March 15, 2024      |
| Tranche #2 | \$ 5,000,000         | April 17, 2019 | 24 months | April 17, 2021 | 1,666,667        | April 17, 2024      |
| Tranche #3 | \$ 5,000,000         | June 21, 2019  | 24 months | June 21, 2021  | 1,666,667        | June 21, 2024       |
| Tranche #4 | \$ 5,000,000         | August 9, 2019 | 24 months | August 9, 2021 | 1,666,667        | July 2, 2024        |
|            | <b>\$ 20,000,000</b> |                |           |                | <b>6,666,668</b> |                     |

As of the date of this MD&A, proceeds from the loan tranches have been used to complete the buildout of infrastructure for the first and second phases ("Phase 1" and "Phase 2") of the Company's new Sherbrooke facility and make purchases of new Miners for the Sherbrooke facility and for the other existing facilities.

Additional information regarding Phase 1 and Phase 2 are provided below under the heading "Sherbrooke Expansion."

## Capital Resources

Bitfarms' capital management objective is to ensure its ability to maximize the return to its shareholders. 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 maintaining a strong capital base so as to maintain investor confidence to sustain future development of the business, maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations, and ensuring sufficient liquidity to pursue organic growth.

Bitfarms may manage its capital structure by issuing equity, obtaining loan financing, adjusting capital spending, or disposing of assets. The Company is not subject to any externally imposed capital requirements, with the exception of the Company's agreement not to issue common shares below \$0.40 USD during the term of the loan with Dominion Capital.

#### *Sherbrooke Expansion*

In 2018, Bitfarms entered into a 98.0 MW power contract in the municipality of Sherbrooke, Québec to be deployed at new server farm facilities in Sherbrooke (herein referred to as, the "Sherbrooke Expansion"). The construction of the Sherbrooke Expansion is anticipated to be completed in six Phases based on megawatt capacity: Phase 1 – 12MW; Phase 2 – 18 megawatts; Phase 3 – 12 MW; Phase 4 - 18 megawatts; Phase 5 – 19 megawatts; and, Phase 6 – 19 megawatts. As at the date of this MD&A, the following steps have been taken by Bitfarms with respect to the Sherbrooke Expansion:

- Two industrial real estate properties in the municipality of Sherbrooke were acquired for a total purchase price of approximately CAD\$4.8 million with a total aggregate area of approximately 114,000 sq. These properties consisted of a 78,000 sq. foot facility (the "Sherwood Property"), and a 36,000 sq. foot facility (the "Leger Property"). On February 11, 2019, the Leger Property was sold for CAD\$1.8 million and as part of the agreement reached with the buyer, a real estate developer, the buyer agreed to construct a purpose-built addition to the building for crypto-mining that would be leased to Bitfarms and allow it to realize net savings in its overall future buildout costs for the Sherbrooke Expansion while also providing immediate working capital from the proceeds of the building sale;
- A total of 30 megawatts of electrical distribution infrastructure for Phase 1 and Phase 2 of the Sherbrooke Expansion have been installed at the Sherwood Property and are operational;
- Electricity supply agreements have been entered into with Hydro-Sherbrooke. Hydro-Sherbrooke is a regional public utility company that distributes electric power. It is the second largest distributor of energy in the province of Québec next only to Hydro-Québec. Hydro-Sherbrooke operates nine hydroelectric power generation stations; and
- For Phase 1 and Phase 2 of the Sherbrooke Expansion, 10,050 new generation miners were acquired and installed at the Sherwood Property for \$14.9 million (a small portion of the Miners have been reallocated to the Magog facility).

As of the date of this MD&A, the Company has successfully completed Phases 1&2 and is in the process of optimizing the Miners to reach full capacity. To complete each remaining phase of the Sherbrooke Expansion, Bitfarms will need to incur infrastructure buildout costs including exhaust structure, mining structure and building modifications, as well as sourcing of mining hardware and electrical components.

The capital cost for the construction of the remaining Phases 3 through 6 is currently estimated to range between \$45.0 million to \$55.0 million, inclusive of Miner purchases based on recent hardware pricing. These costs will be divided between both properties, with the majority being allocated to the Leger Property.

The ability to undertake the construction of Phases 3 through 6 of the Sherbrooke Expansion depends, among other things, on the Company's ability to raise the required financing. As a result, there is no definitive or planned timetable for Phases 3 through 6 of the Sherbrooke Expansion. The Company intends to finance the remainder of the construction of Phases 3 through 6 of the Sherbrooke Expansion by raising additional debt or equity capital or a combination of these means, as well as through the cash flow generated from its operations. There can be no assurance that the remaining Sherbrooke Expansion will be fully funded and undertaken at this time on any particular schedule or at all.

In response to both a complaint concerning noise at the Sherwood Property and indications from officials at the municipality of Sherbrooke that they were reviewing applicable regulations, the Company has met with community residents and city officials on several occasions. While the Company believes it is compliant with all applicable regulations, the Company plans to implement further sound mitigating measures.

## Off-Balance Sheet Arrangements

There are currently no off-balance sheet arrangements which could have an effect on current or future results or operations, or the financial condition of Bitfarms.

## Share Capital

On February 4, 2020, shareholders approved an amendment to the articles of incorporation of the Company to authorize the issuance of class A preferred shares. As of the date of this MD&A, the Company has 84,620,630 common shares, 3,898,916 vested employee stock options, 3,586,082 unvested employee stock options, and 5,916,668 warrants to Dominion Capital issued and outstanding, as well as 300,000 other warrants. As of the date of this MD&A there were no preferred shares outstanding.

## Financial Instruments & Risks

It is anticipated that in the normal course of operations, Bitfarms will be exposed to exchange risk, foreign currency risk and credit risk.

### *Dominion Capital loan*

As of December 31, 2019, the Dominion Capital loan consisted of four \$5.0 million tranches that were drawn down from the financing facility, which included a total of four available \$5.0 million loan tranches (please refer to the Components of Total Debt section above). The features of the loan, which include the issuance of 1,666,667 warrants per tranche with an exercise price of \$0.40, as well as a make-whole interest clause resulted in a financial liability accounted for at amortized cost, warrant liabilities previously recorded at fair value through profit or loss which were reclassified to equity during the period, and an embedded derivative recorded at fair value through profit or loss. The purpose of the loan is to provide the Company with additional funds to achieve its growth objectives, notably, the buildout of the first two phases of the Sherbrooke Expansion.

### *Financial instrument at amortized cost*

Management used significant judgement and estimates when determining the effective interest rate of the financial liability accounted for at amortized cost. Payment amounts are determined as 10% of the cryptocurrency mined by Bitfarms. In order to calculate the effective interest rate, management had to estimate Bitfarms' future cryptocurrency mining revenues in order to estimate the timing and amount of future loan repayments. The effective interest rate was determined to be 26.93%, 30.16%, 37.10% and 38.02% for the first, second and third and fourth tranches, respectively. Management had to make key assumptions in estimating the revenues, including Bitcoin price, Network Difficulty and the Company's internal hashrate. The weighted average Bitcoin price and Network Difficulty used in the projections upon the inception of Tranches #1 and #2 were \$5,400 and  $5.36 \times 10^{12}$ , respectively. The weighted average Bitcoin price and Network Difficulty used in the projections upon the inception of Tranche #3 and Tranche #4 were \$10,200 and  $7.82 \times 10^{12}$ , and \$13,900 and  $1.32 \times 10^{13}$ , respectively. The component of the financial instrument carried at amortized cost resulted in interest expense of \$1.2 million and \$2.8 million included in financial expenses for the three and twelve month periods ended December 31, 2019

#### Warrants

Upon inception of the Dominion Capital loan, the warrants contained an anti-dilutive feature that would have resulted in a reduction in the exercise price in the event that Bitfarms Ltd. were to issue shares at a price lower than the exercise price. As a result of this feature, the warrants would not necessarily have resulted in a fixed number of shares being issued for a fixed price. The possibility of variation in the settlement price resulted in the warrants being classified as a liability that is measured at fair value through profit or loss. On September 27, 2019 the Company received all necessary approvals in order to remove the anti-dilutive feature, resulting in the reclassification and remeasurement of the warrants at their fair market value on the reclassification date, based on the inputs below. In exchange for removal of the anti-dilutive feature, the Company agreed not to issue common shares below the exercise price of \$0.40 USD during the term of the loan with the lender. The remeasurement resulted in gains of \$nil and \$1,776,000 for the three and twelve months ended December 31, 2019, included in financial expenses.

|                                            | Tranche 1         | Tranche 2           | Tranche 3           | Tranche 4           | September 27, 2019  |
|--------------------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Dividend yield (%)                         | -                 | -                   | -                   | -                   | -                   |
| Expected volatility of the share price (%) | 110%              | 114%                | 114%                | 115%                | 114%                |
| Risk-free interest rate (%)                | 2.4%              | 2.4%                | 1.8%                | 1.6%                | 1.57%               |
| Expected life of warrants (years)          | 5                 | 5                   | 5                   | 5                   | 4.47-4.87           |
| Share price (U.S. Dollar)                  | 0.62              | 0.73                | 0.83 *              | 1.06                | 0.57                |
| Warrant value (U.S. Dollar)                | 0.57              | 0.68                | 0.77                | 0.94                | 0.47                |
| Quantity of warrants                       | 1,666,667         | 1,666,667           | 1,666,667           | 1,666,667           | 6,666,668           |
| <b>Total value</b>                         | <b>\$ 946,000</b> | <b>\$ 1,137,000</b> | <b>\$ 1,283,000</b> | <b>\$ 1,570,000</b> | <b>\$ 3,160,000</b> |

\* As of the drawdown date of Tranche 3 as well as at June 30, 2019 the Company was not publicly traded. As a result, a linear regression model was used to estimate the share price as of the valuation dates. The linear regression model used a weighted average of the last five days of trading on the Tel Aviv Stock Exchange as well as the five days of trading on the TSXV ending August 2, 2019.

#### Embedded derivative

The value of the "make-whole" clause described above will vary based on management's projections of the timing of the loan repayment, which are based on Bitfarms' cryptocurrency mining revenues. This interest feature has been accounted for as an embedded derivative that is measured at fair value through profit or loss. Since this is a non-option derivative, the fair value upon initial recognition of the loan liability is nil. As of December 31, 2019, management revised its projections of the timing of the loan repayment and discounted future payments to their present value using the effective interest rates determined upon inception of each loan tranche. As of December 31, 2019, management recognized an embedded derivative asset with a value of \$0.5 million resulting in a gain of \$0.5 million in financial income. Any change in management's assumptions of Bitcoin price, Bitcoin Network Difficulty and the Company's internal hashrate may have a material impact on profit of loss upon remeasurement in subsequent periods.

#### Credit risk

Credit risk is the risk of an unexpected loss if a third party fails to meet its contractual obligations, including cash and cash equivalents, accounts receivable and long-term deposits. The risk regarding cash and cash equivalents is mitigated by holding the cash and cash equivalents through Canadian chartered banks. 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. The Company places deposits with suppliers of cryptocurrency mining hardware in the normal course of operations in order to secure orders and delivery dates. The Company deals with major suppliers of cryptocurrency equipment and routinely maintains strong relationships with suppliers and evaluates the mining hardware market. Other long-term deposits include deposits with local government run energy producers. The Company is also exposed to credit risk through conversion of cryptocurrency to fiat currency through the use of cryptocurrency exchanges. The Company maintains relationships with multiple exchanges and mitigates credit risk by routinely converting cryptocurrency to fiat currency to limit exposure. Furthermore, the Company performs periodic evaluations of cryptocurrency exchanges.

#### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to pay its financial obligations when they are due. The Company's policy is to monitor its cash balances and planned cash flows generated from operations to ensure, as far as possible, that it maintains sufficient liquidity in order to pay its projected financial liabilities. The contractual maturities of trade and other payables are less than three months. Long-term debt includes financial obligations with contractual maturities, including principal and interest, as follows:

|                      |                      |
|----------------------|----------------------|
| 2020                 | \$ 4,002,000         |
| 2021                 | \$ 17,918,000        |
| 2022 and thereafter: | \$ 93,000            |
| <b>Total</b>         | <b>\$ 22,013,000</b> |

Lease liabilities includes financial obligations with contractual maturities as follows, inclusive of interest, as of December 31, 2019:

|                      |                     |
|----------------------|---------------------|
| 2020                 | \$ 1,197,000        |
| 2021                 | \$ 1,170,000        |
| 2022                 | \$ 1,050,000        |
| 2023                 | \$ 893,000          |
| 2024 and thereafter: | \$ 3,846,000        |
| <b>Total</b>         | <b>\$ 8,156,000</b> |

#### *Foreign Currency Risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the US Dollar as all its revenue, excluding Volta, and most of its capital expenditures are transacted in US dollars. The Company is exposed to variability in the Canadian dollar to US dollar exchange rate when paying operating expenses incurred and payable in Canadian dollars. The Company funds foreign currency transactions by buying the foreign currency at the spot rate when required. Management does not currently hedge its foreign currency risk.

#### *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 Company is primarily engaged in the cryptocurrency mining industry that is a highly volatile market with significant inherent risk. 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. The Company does not currently hedge the conversion of cryptocurrencies to fiat currency.

#### *Custody of Crypto Asset Risk*

Cryptocurrencies are controllable by the possessors of the unique public key and private key relating to the digital wallet used to store the cryptocurrencies. If keys are lost, stolen or destroyed this could result in a loss for the Company. In order to mitigate the risk of loss of cryptocurrencies the Company sells cryptocurrency routinely and uses multi-signature digital wallets to store cryptocurrency until its eventual sale. The digital wallets used for Bitcoin and Litecoin require 2 out of 3, and 2 out of 5 individuals, respectively, in order to approve a spending transaction. Each of the users has a separate password that is not known by the other users. The transactions can only be initiated from the physical computer where the multi-signature wallet is installed for each user. In order to install the multi-signature wallet on a computer, twelve "seed" words that are distinct to each user are required, which are physically stored offline in confidential locations offsite.

Security breaches and hacking have been prevalent in cryptocurrency exchanges. The Company mitigates this risk by performing ongoing evaluations of exchanges, and routinely converting cryptocurrencies to fiat currency so that no material amount of crypto assets is held at any given time.

#### **Other Risks**

The following discussion summarizes the principal risk factors that apply to the Company's business and that may have a material adverse effect on the Company's business and financial condition and results of operations, or the trading price of the Company's shares. Due to the nature of the Company's business, the legal and economic climate in which it operates and its present stage of development and proposed operations, the Company is subject to significant risks. In evaluating the Company and its business, investors should carefully consider, in addition to other information contained in this MD&A, the risk factors below. These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with its operations. Additional risk and uncertainties not presently known to the Company, or that are currently deemed immaterial, may also impair operations. If any such risks actually occur, the business, financial condition, liquidity and results of operations could be materially adversely affected.

#### *Bitcoin Halving Event Risk*

The current Block Reward is 12.5 Bitcoins per block. Based on an average block time of 10 minutes per block, the current Block Reward would result in approximately 1,800 Bitcoin being issued per day (i.e. 12.5 Bitcoin \* 6 blocks per hour \* 24 hours per day). In May 2020, the Bitcoin Block Reward is scheduled to decrease to 6.25 Bitcoins per block (the "Bitcoin Halving"), and consequently the number of Bitcoin issued per day would be reduced to approximately 900 per day.

The Bitcoin Halving may have a potential impact on the Company's profitability. Given that profitability is required for self-acting agents to perform Mining to continue to support the validation of transactions, the expected impact of the Bitcoin Halving is that market variables of Bitcoin price and Difficulty will adjust over time to ensure that the profitability of Mining remains profitable. The period of market normalization after the Bitcoin Halving to incentivizing profitability levels is unknown. As a result, if Bitcoin price and Difficulty do not adjust over time to pre-Bitcoin Halving profitability levels or the period of market normalization after the Bitcoin Halving to pre-Bitcoin Halving profitability levels is too long, there is a risk that the Bitcoin Halving will render the Company unprofitable for a sustained time period such that it could be unable to continue as a going concern.

#### *COVID-19 Pandemic Risk*

In March 2020, the World Health Organization declared COVID-19 a pandemic. The global response to the pandemic is constantly evolving, including various measures implemented at the global, national, provincial and local levels. The major impacts that COVID-19 is expected to have on the Backbone operating segment include potential increases in cryptocurrency price volatility, difficulty obtaining new financing due to global economic slowdown, and delays in receiving future orders of mining hardware and parts sourced from overseas. While the Backbone operating segment is expected to continue operating throughout the pandemic, government-imposed restrictions encouraging social distancing is expected to impact the number of employees permitted to work in the mining facilities. A reduction in workforce in the mining facilities may reduce the Company's ability to maximize operational efficiency. Volta's services are considered to be essential by government authorities and are expected to continue throughout the pandemic. The impacts of COVID-19 on the Volta operating segment are expected to reduce revenues from the sale of electrician services and parts, as well as result in longer collection periods for outstanding trade receivables, and potential increases in bad debts resulting from the economic impact of COVID-19 on existing customers.

#### *Debt Service*

The Company's ability to make scheduled payments on, or refinance its debt obligations, depends on its financial condition and operating performance, which are subject to a number of factors beyond its control. The Company may be unable to maintain a level of cash flows from operating activities sufficient to permit it to repay the principal and interest on its indebtedness. In addition, a monthly payment equivalent to 10% of the value of cryptocurrencies mined by Backbone during the month is required in repayment of the Dominion Loan. This amount shall be applied to interest and the balance to principal and, in the event that the amount of the cryptocurrency mined is less than the amount of interest owing, such additional amount shall be remitted such that the interest is payable in full. Accordingly, the actual monthly payments owing pursuant to the Dominion Loan are variable. In periods of higher cryptocurrency prices, the Loan payments could exceed budgeted amounts resulting in an impairment of working capital.

If the Company's cash flows and capital resources are insufficient to fund its debt service obligations, it could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, reduce its growth plans, seek additional debt or equity capital or restructure or refinance its indebtedness. The Company may not be able to obtain such alternative measures on commercially reasonable terms, or at all and, even if successful, those alternative actions may not allow it to meet its scheduled debt service obligations. The Company's credit agreements restrict its ability to dispose of assets and use the proceeds from those dispositions and may also restrict its ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. The Company may not be able to consummate any such dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due. The Company's inability to generate sufficient cash flows to satisfy its debt obligations, or to refinance its indebtedness on commercially reasonable terms or at all, would materially and adversely affect its business, results of operations and financial condition. Failure to meet its debt obligations could result in default under its lending agreements. In the event of such default, the holders of such indebtedness could elect to declare all of the funds borrowed thereunder to be immediately due and payable, together with accrued and unpaid interest, and the Company could, among other remedies that may be available, be forced into bankruptcy, insolvency or liquidation. If the Company's operating performance declines, it may need to seek waivers from the holders of such indebtedness to avoid being in default under the instruments governing such indebtedness. If the Company breaches its covenants under its indebtedness, it may not be able to obtain a waiver from the holders of such indebtedness on terms acceptable to the Company, or at all. If this occurs, the Company would be in default under such indebtedness, and the holders of such indebtedness could exercise their rights as described above, and the Company could, among other remedies that may be available, be forced into bankruptcy, insolvency or liquidation. A default under the agreements governing certain of our existing or future indebtedness and the remedies sought by the holders of such indebtedness could make the Company unable to pay principal or interest on the debt.

#### *Future Capital Needs, Uncertainty of Additional Financing and Dilution*

The ability of the Company to secure any required financing to sustain operations and expansion plans will depend on part upon prevailing capital market conditions and business success. There can be no assurance that the Company will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to management.

The Company currently anticipates that the internally generated funds will be sufficient for working capital requirements. However, the Company will need to raise additional funds in order to support more rapid expansion, develop new or enhanced services and products, respond to competitive pressures, acquire complementary businesses or technologies or take advantage of unanticipated opportunities. The Company may be required to raise additional funds through public or private financing, strategic relationships or other arrangements. There can be no assurance that such additional funding, if needed, will be available on terms attractive to the Company, or at all. Even if such funding is available, the Company cannot predict the size of future issues of common shares or securities convertible into common shares or the effect, if any, that future issues and sales of the common shares will have on the price of the shares.



Furthermore, any additional equity financing may be dilutive to shareholders and debt financing, if available, may involve restrictive covenants. If additional funds are raised through the issuance of equity securities, the percentage ownership of the shareholders of the Company will be reduced, shareholders may experience additional dilution in net book value per share, or such equity securities may have rights, preferences or privileges senior to those of the holders of the common shares. If adequate funds are not available on acceptable terms the Company may be unable to develop or enhance its business, take advantage of future opportunity or respond to competitive pressures, any of which could have a material adverse effect on the Company's business, financial condition and operating results.

#### *Debt Covenants*

The agreements governing the Company's credit facilities contain restrictive covenants that may limit its discretion with respect to certain business matters. These covenants may place significant restrictions on, among other things, the Company's ability to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees, and to sell or otherwise dispose of assets. In addition, the agreements governing the Company's credit facilities may contain financial covenants that require it to meet certain financial ratios and financial condition tests. If the Company fails to maintain the requisite financial ratios under the agreement governing its credit facilities, it will be unable to draw any amounts under the credit facility until such default is waived or cured as required. In addition, such a failure could constitute an event of default under the Company's lending agreements entitling the lenders to accelerate the outstanding indebtedness thereunder unless such event of default is cured as required by the agreement. The Company's ability to comply with these covenants in future periods will depend on its ongoing financial and operating performance, which in turn will be subject to economic conditions and to financial, market and competitive factors, many of which are beyond its control. The restrictions in the agreements governing the Company's credit facilities may prevent the Company from taking actions that it believes would be in the best interest of its business and may make it difficult for it to execute its business strategy successfully or effectively operate in comparison to companies that are not similarly restricted. The Company may also incur future debt obligations that might subject it to additional restrictive covenants that could affect its financial and operational flexibility. The Company's ability to comply with the covenants and restrictions contained in the Loan Agreement may be affected by economic, financial and industry conditions beyond its control. The breach of any of these covenants or restrictions could result in a default under the agreements that would permit the applicable lenders to declare all amounts outstanding thereunder to be due and payable, together with accrued and unpaid interest, or cause cross-defaults under the Company's other debts. If the Company is unable to repay its secured debt, the Lenders could proceed against the collateral securing the Loans. This could have serious consequences to the Company's financial condition and results of operations and could cause it to become bankrupt or insolvent.

#### *Limited Operating History*

The Company has only a limited operating history upon which an evaluation of the Company and its prospects can be based. In particular, the Company has a limited history with its mining operations and remains in the early stage of development. The Company is subject to many risks common to venture enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment or meeting other metrics of success.

The Company is dependent on retained earnings for substantially all of its working capital needs, and there is no assurance that additional funding will be available to it for further development and growth. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable.

The Company incurs substantial expenses in the establishment and operation of its business. A significant portion of the Company's financial resources have been and will continue to be, directed to the development of its business and related activities. The success of the Company will ultimately depend on its ability to generate cash from its business. There is no assurance that the required funds will be available for future expansion of the Company's business. If the Company does not have access to the required funds to continue the operation and development of its business and operational activities, and to the extent that it does not generate cash flow and income, the Company's long-term viability may be materially and adversely affected.

#### *Share Price Fluctuations*

In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development stage companies (such as the Company), have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continued fluctuations in price will not occur.

#### *Management of Growth*

The Company has recently experienced, and may continue to experience, rapid growth in the scope of its operations. This growth has resulted in increased responsibilities for the Company's existing personnel, the hiring of additional personnel and, in general, higher levels of operating expenses. In order to manage its current operations and any future growth effectively, the Company will need to continue to implement and improve its operational, financial and management information systems, as well as hire, manage and retain its employees and maintain its corporate culture including technical and customer service standards. There can be no assurance that the Company will be able to manage such growth effectively or that its management, personnel or systems will be adequate to support the Company's operations.

#### *Cybersecurity Threats and Hacking*

Malicious actors may seek to exploit vulnerabilities within cryptocurrency programming codes. Several errors and defects have been found and corrected, including those that disabled some functionality for users and exposed users' information. Discovery of flaws in or exploitations of the source code that allow malicious actors to take or create money occur somewhat regularly. For example, hackers have been able to gain unauthorized access to digital wallets and cryptocurrency exchanges.

The computer network operated by the Company may further be vulnerable to intrusions by hackers who could interfere with and introduce defects to the mining operation. Private keys which enable holders to transfer funds may also be lost or stolen, resulting in irreversible losses of cryptocurrencies.

*Possibility of Less Frequent or Cessation of Monetization of Cryptocurrencies*

A decision by the Company to cease monetization of cryptocurrencies or to monetize cryptocurrencies less frequently can increase the risk of cryptocurrencies held decreasing in value and the risk of loss or theft of cryptocurrencies. This in turn, may increase the level of audit risk for the Company's auditors in the area of auditing the existence and ownership rights of crypto-asset holdings. If the Company's auditors deem the audit risk too high, there is risk that the current auditors would withdraw from the audit which, in turn, would increase the risk of the Company's ability to comply with the requirement for reporting annual audited financial statements as part of its ongoing continuous disclosure requirements as a publicly listed company.

*Limited History of De-Centralized Financial System*

Compared with traditional and existing centralized financial systems, the cryptocurrency financial system is relatively new and has only limited history. Online cryptocurrency exchanges and trades therein operate with comparatively little regulation and are particularly liable to platform failures and fraudulent activities, which may have an effect on underlying prices of cryptocurrencies. In fact, many of the largest online cryptocurrency exchanges have been compromised by hackers.

Traditional banks and banking services may limit or refuse the provision of banking services to businesses that supply cryptographic or cryptocurrencies as payment, and may refuse to accept money derived from cryptocurrency-related businesses. This may make management of bank accounts held by companies operating in the field difficult.

*Controlling Shareholder Risk*

Certain officers and directors of the Company beneficially own 31,511,481 of the issued and outstanding common shares representing approximately 37.2% of the issued and outstanding common shares. By virtue of their status as the principal shareholders of the Company, and by being directors and officers of the Company, they have the power to exercise significant influence over all matters requiring shareholder approval, including the election of directors, amendments to the Company's articles and by-laws, mergers, business combinations and the sale of substantially all of the Company's assets. As a result, the Company could be prevented from entering into transactions that could be beneficial to the Company or its other shareholders. Also, third parties could be discouraged from making a take-over bid. As well, sales by the significant shareholders of a substantial number of shares could cause the market price of such shares to decline.

*Risk Related to Technological Obsolescence and Difficulty in Obtaining Hardware*

To remain competitive, the Company will continue to monitor the state of the technology available and invest in hardware and equipment required for maintaining its operations. The Company's hardware and software may become obsolete and require substantial capital to replace. There can be no assurance that mining hardware will be readily available when the need is identified. Moreover, there can be no assurance that new and unforeseeable technology, either hardware-based or software-based, will not disrupt the existing cryptocurrency industry. For example, the arrival of quantum computers, which are capable of solving certain types of mathematical problems fundamental to cryptocurrency more quickly and efficiently than traditional computers may have a significant effect on the cryptocurrency industry.

*Valuation and Price Volatility of Cryptocurrencies*

The profitability of the Company's operations will be significantly affected by changes in prices of cryptocurrencies. Cryptocurrency prices are highly volatile, can fluctuate substantially and are affected by numerous factors beyond the Company's control, including hacking, demand, inflation and expectations with respect to the rate of inflation, global or regional political or economic events. If cryptocurrency prices should decline and remain at low market levels for a sustained period while network difficulty does not decrease proportionally, the Company could determine that it is not economically feasible to continue activities.

Cryptocurrencies may be subject to momentum pricing, which is typically associated with growth stocks and other assets whose valuation, as determined by the investing public, accounts for anticipated future appreciation in value. Cryptocurrency market prices are determined primarily using data from various exchanges, over-the-counter markets, and derivative platforms. Momentum pricing may have resulted, and may continue to result, in speculation regarding future appreciation in the value of cryptocurrencies, inflating and making their market prices more volatile. As a result, they may be more likely to fluctuate in value due to changing investor confidence in future appreciation (or depreciation) in their market prices, which could adversely affect the value proposition of the Company.

Volatility may have an impact on the value of the Company's inventory of currencies. The Company will act to reduce this risk by combining routine sales of cryptographic currencies for U.S. dollars, Canadian dollars, and/or other investment assets, and a number of cryptocurrencies that will ensure coverage of current operating expenses (Opex) and capital expenditures (Capex) in order to hedge the risk of volatility with regard to the Company's expenses.

*Cryptocurrency Network Difficulty and Impact of Increased Global Computing Power*

Network difficulty is a measure of how difficult it is to solve the cryptographic hash that is required to validate a block of transactions and earn a cryptocurrency reward from Mining. If the network difficulty increased at a significantly higher rate than the Company's hashrate and the price of cryptocurrency did not increase at the same rate as network difficulty, then the profitability of the Company's operations would be significantly affected. There can be no assurance that cryptocurrency prices will increase in proportion to the rate of increase of network difficulty as network difficulty is subject to volatility in growth.

*Economic Dependence on Regulated Terms of Service and Electricity Rates Risks*

The Company's operations are dependent on its ability to maintain reliable and economical sources of power to run its cryptocurrency mining assets. The Company conducts Mining in the Province of Québec. As a result of operations in a single jurisdiction, the Company's current and future operations, anticipated growth, and sustainability of hydroelectricity at economical prices for the purposes of cryptocurrency mining in the Province of Québec poses certain risks. These risks as well as the supply of electrical power, electricity rates, terms of service and regulatory regime in the Province of Québec are summarized as follows:

- (a) Currently Backbone sources its energy from Hydro-Québec, Hydro-Sherbrooke and Hydro-Magog. The Province of Québec mandates electrical service providers to supply their customers under an obligation to serve power delivery regime; consequently, the Company believes these power suppliers are reliable. Any suspension of power or failure of electrical networks, however, could result in a material adverse effect on the Company.
- (b) The price of electricity supplied directly by Hydro-Québec is set by a provincial administrative tribunal, the Régie. Hydro-Québec supplies power to certain of the Company's facilities, and to the Municipal Electrical Networks for the Magog and Sherbrooke server farms, under an obligation to serve power delivery regime. The rates imposed on Hydro-Québec by the Régie are subject to change. There are no long-term arrangements. Although power is supplied by the Municipal Networks to the Company under the long-term power contracts, the rates in those contracts are adjusted in response to tariff changes imposed by the Régie. Accordingly, there is no assurance that future electricity rates will remain stable or economical. In particular, on June 14, 2018, Hydro-Québec requested the Régie to set rates and service conditions specifically for enterprises involved in cryptocurrency mining as a result of increased electricity demand from cryptocurrency miners. The Régie has undertaken regulatory proceedings to establish a framework for the provision of electricity for cryptocurrency mining in Québec in three Phases:

Phase 1: On July 13, 2018, the Régie provisionally ordered that a new tariff be established for cryptocurrency miners and on July 19, 2018, the Régie approved a provisional tariff of CAD\$0.15/kWh on cryptocurrency mining facilities built after that date ("Phase 1"). Under Phase 1, the new tariff cannot be applied to any cryptocurrency contracts entered into prior to June 7, 2018 or facilities constructed prior to July 19, 2018. Therefore, Phase 1 is not expected to have an impact on Backbone's pre-existing operations and secures existing rates until the completion of Phase 3.

- Phase 2: On April 29, 2019, the Régie rendered its decision on the second phase ("Phase 2") of the request filed by Hydro-Québec. The Régie decided to create a new class of energy consumers called Electricity consumer class for cryptographic use applied to blockchain. It decided to allocate to this new class an aggregate supply of 300 megawatts of electricity, with the requirement to curtail electricity use during peak hours at Hydro-Québec's request (up to a maximum of 300 hours a year). Cryptocurrency mining projects were required to submit tenders to consume electricity from the 300 megawatts block based exclusively on economic development and environmental criteria. The call for tenders process ended on October 31, 2019. According to Hydro-Québec, only 60 MW were allocated to cryptographic clients. In its decision, the Régie rejected Hydro-Québec's proposal to launch a tariff auction as part of the call for tenders and determined that the applicable tariff of the energy component, in ¢/kWh, will correspond to the M or LG tariff in force, as the case may be. In order for the Company to be able to procure electricity for future Quebec expansion projects (excluding those currently planned by the Company such as the Additional Server Farms), it would have been required to participate to the call for tenders process. However, the Régie's decision also means that all the Company's pre-existing operations will remain subject to the M or LG tariff in force, as the case may be, and they are exempt from the tender process as well as the provisional tariff of CAD\$0.15/kWh which had been requested by Hydro-Québec. The provisional tariff applies to energy consumption not authorized under cryptocurrency contracts, to those cryptocurrency contracts entered into after June 7, 2018 and to any substitution of use or any increase of capacity for crypto miners not already under authorized cryptocurrency contracts. Following a successful administrative review process of the decision of the Régie initiated by the Company, the potential requirement to curtail electricity use (of up to 95%) during peak hours at Hydro-Québec's request (up to a maximum of 300 hours a year) does not apply to our pre-existing operations supplied directly by Hydro-Québec. This issue will be addressed by the Régie in Phase 3.
- Phase 3: On February 28, 2020, the Régie rendered a procedural decision on the various subjects that will be addressed in Phase 3 of the Régie's deliberations. Those subjects are the following:
- Results of the call for tenders process that ended on October 31, 2019;
  - Additional evidence from Hydro-Quebec on the necessity to have specific conditions of service for cryptographic clients considering the current state of market;
  - Conditions of service for pre-existing operations, including the requirement to curtail electricity use (of up to 95%) during peak hours at Hydro-Québec's request;
  - List of exclusions from the new class of energy consumers

In addition to the abovementioned subjects, Phase 3 will also cover the following issues related to the operations on the Municipal Network:

- Inclusion of the Municipal Networks clients to the new class of energy consumers;
- Allocation to Municipal Networks clients of an aggregate supply of megawatts of electricity for cryptographic use applied to blockchain; and
- Tariffs and Conditions that should be applied to Municipal Networks clients using the electricity for cryptographic use applied to blockchain.

(c) Electricity supplied by Hydro-Québec and the Municipal Electrical Networks may be set at Preferential Rates in an effort to encourage investment and development in particular regions. Hydro-Québec and Municipal Electrical Networks may offer a discretionary Preferential Rate to certain customers, such rate being lower than the rate set by the Régie, notwithstanding that the Hydro-Québec and the Municipal Electric Networks may suffer a financial loss on the supply of electricity to those customers. If a Preferential Rate is changed or no longer available to the Company, then operations and profitability may experience a material adverse effect. In addition, although power is supplied by the Municipal Networks to the Company under the long-term power contracts, the rates in those contracts are adjusted in response to tariff changes imposed by the Régie.

#### *Future Profits/Losses and Production Revenues/Expenses*

Further development and acquisitions of server farms and the ongoing operation of the existing Mining farms will require additional capital and monthly expenses. The Company's operating expenses and capital expenditures may increase in subsequent years as needed consultants, personnel and equipment associated with the maintenance of the Mining farms and any other Mining farms the Company may acquire are added. There is no assurance that the Company will be successful in obtaining the required financing for these or other purposes, including for general working capital.

Cryptocurrency exchanges and other trading venues are relatively new and, in most cases, largely unregulated and may therefore be more exposed to fraud and failure. To the extent that cryptocurrency exchanges or other trading venues are involved in fraud or experience security failures or other operational issues, this could result in a reduction in cryptocurrency prices.

Cryptocurrency market prices depend, directly or indirectly, on the prices set on exchanges and other trading venues, which are new and, in most cases, largely unregulated as compared to established, regulated exchanges for securities, derivatives and other currencies. In the past four years, a number of cryptocurrency exchanges have been closed due to fraud, business failure or security breaches. In many of these instances, the customers of the closed exchanges were not compensated or made whole for the partial or complete losses of their account balances in such exchanges. While smaller exchanges are less likely to have the infrastructure and capitalization that provide larger exchanges with additional stability, larger exchanges may be more likely to be appealing targets for hackers and "malware" (i.e., software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems) and may be more likely to be targets of regulatory enforcement action.

#### *Political and Regulatory Risk*

The Company's primary properties are located in Québec and are subject to changes in political conditions and regulations within the Province and in Canada. Changes, if any, in Mining or investment policies or shifts in political attitude could adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on price controls, currency remittance, sales and income taxes, foreign investment, maintenance of claims, environmental legislation, land use, electricity use and safety. For example, cryptocurrency mining involves considerable computing power, which is likely to increase. This computing power necessitates a high consumption of energy. Although the energy costs used by the Company are determined and controlled by a regulator, there is no certainty that this factor will not raise energy tariffs, which may reduce the profitability of mining cryptographic currencies.

On-going and future regulatory changes or actions may alter the nature of an investment in the Company or restrict the use of cryptocurrencies in a manner that adversely affects the Company's operations. The effect of any future regulatory change on the Company or any cryptocurrency that the Company may mine is impossible to predict, but such change could be substantial and adverse to the Company. Canada may in the future curtail or outlaw, the acquisition, use or redemption of cryptocurrencies.

Governments may also take regulatory action that may increase the cost and/or subject cryptocurrency companies to additional regulation or prohibit or severely restrict the right to acquire, own, hold, sell, use or trade cryptocurrencies or to exchange cryptocurrencies for fiat currency. By extension, similar actions by other governments, may result in the restriction of the acquisition, ownership, holding, selling, use or trading in the Company's common shares. Such a restriction could result in the Company liquidating its cryptocurrency inventory at unfavorable prices and may adversely affect the Company's shareholders.

The Company's material property is located in the province of Québec and as such are subject to the jurisdiction of the laws of Québec and Canada. The Company believes the present attitude to foreign investment and to the mining industry is favourable, but conditions may change. Operations may be affected in varying degrees by government regulation with respect to restrictions on production, price controls, export controls, foreign exchange controls, income taxes, and environmental legislation.

#### *Permits and Licences*

The operations of the Company may require licences and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licences and permits that may be required.



#### *Server Failures*

There is a risk of serious malfunctions in servers or central processing units and/or their collapse. The Company works to reduce this risk by employing a team of experts with many years of experience in building and managing data centers. The Company also employs a “hardware” team, which focuses, among other things, on chip repair and daily evaluation of the technical condition of the server farm that the Company operates. The Company owns software (developed by its management) that enables, among other things, control, management and reporting of malfunctions in real time, which enables ongoing control over the operation of the equipment, including its cooling. While malfunctions in central servers, or central processing units can only occur on a specific server farm or part of it or for short periods of time, such server crashes or failures may cause significant economic damage to the Company.

#### *Global Financial Conditions*

Global financial conditions over the last few years have been characterized by volatility and the bankruptcy of several financial institutions or the rescue thereof by governmental authorities. These factors may affect the ability of the Company to obtain equity or debt financing in the future on terms favourable to it. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such levels of volatility and market turmoil continue, the operations of the Company may suffer adverse impact and the price of the Common Shares may be adversely affected.

#### *Tax Consequences*

The transactions described herein may have tax consequences in Canada or another jurisdiction, depending on each particular existing or prospective shareholder's specific circumstances. Such tax consequences are not described herein, and this MD&A is not intended to be, nor should it be construed to be, legal or tax advice to any particular shareholder. Existing and prospective shareholders should consult their own tax advisors with respect to any such tax considerations.

#### *Environmental Regulations*

All of the Company's operations may be subject to environmental regulations, which can make operations expensive or prohibitive. The continued evolution of environmental regulations may lead to the imposition of stricter standards, more diligent enforcement, and heavier fines and penalties for non-compliance. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations or cause delays in the development of mining projects.

#### *Environmental Liability*

The Company may be subject to potential risks and liabilities associated with pollution of the environment through its use of electricity to Mine cryptocurrencies. In addition, environmental hazards may exist on a property in which the Company directly or indirectly holds an interest which are unknown to the Company at present which have been caused by previous or existing owners or operators of the property which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties.

To the extent the Company is subject to environmental liabilities, the payment of such liabilities or the costs that it may incur to remedy environmental pollution would reduce funds otherwise available to it and could have a material adverse effect on the Company. If the Company is unable to fully remedy an environmental problem, it might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy. The potential exposure may be significant and could have a material adverse effect on the Company.

The current or future operations of the Company, including development activities and Mining on its properties, may require permits from various federal, provincial or territorial and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, exports, taxes, labour standards, occupational health, and other matters. There can be no assurance, however, that all permits which the Company may require for its operations will be obtained on reasonable terms, on a timely basis, or at all or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake. The Company intends to fully comply with all environmental regulations in every country in which it is active.

#### *Erroneous Transactions and Human Error*

Cryptocurrency transactions are irreversible. Improper or compromised transfers will generally be irreversible and irrevocable. Such errors may be the result of computer or human error despite internal controls the Company has adopted to mitigate this risk. To the extent that the Company is unable to seek a corrective transaction with the third party or is incapable of identifying the third party that has received the Company's cryptocurrencies through error or theft, the Company will be unable to revert or otherwise recover incorrectly transferred cryptocurrencies. The Company will also be unable to convert or recover cryptocurrencies transferred to uncontrolled accounts.

The further development and acceptance of the cryptographic and algorithmic protocols governing the issuance of and transactions in cryptocurrencies is subject to a variety of factors that are difficult to evaluate.

The use of cryptocurrencies to, among other things, buy and sell goods and services and complete other transactions, is part of a new and rapidly evolving industry that employs digital assets based upon a computer-generated mathematical and/or cryptographic protocol. The growth of this industry in general, and the use of cryptocurrencies in particular, is subject to a high degree of uncertainty, and the slowing or stopping of the development or acceptance of developing protocols may adversely affect Bitfarms Ltd.'s operations. The factors affecting the further development of the industry, include, but are not limited to:

- Continued worldwide growth in the adoption and use of cryptocurrencies;
- Governmental and quasi-governmental regulation of cryptocurrencies and their use, or restrictions on or regulation of access to and operation of the network or similar cryptocurrency systems;

- Changes in consumer demographics and public tastes and preferences;
- The maintenance and development of the open-source software protocol of the network;
- The availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- General economic conditions and the regulatory environment relating to digital assets; and
- Negative consumer sentiment and perception of Bitcoin specifically and cryptocurrencies generally.

#### *Facility Developments*

The continued development of existing and planned facilities is subject to various factors, and may be delayed or adversely affected by such factors beyond the Company's control, including delays in the delivery or installation of equipment by suppliers, difficulties in integrating new equipment into existing infrastructure, shortages in materials or labour, defects in design or construction, diversion of management resources, insufficient funding, or other resource constraints. Actual costs for development may exceed the Company's planned budget. Delays, cost overruns, changes in market circumstances and other factors may result in different outcomes than those intended.

#### *Risks of Non-Availability of Insurance*

Where considered practical to do so, the Company will maintain insurance against risks in the operation of its business and in amounts that it believes to be reasonable. Such insurance, however, will contain exclusions and limitations on coverage. There can be no assurance that such insurance will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any resulting liability. The novelty of the industry may impair the ability of the Company to acquire adequate insurance coverage for risks associated with its operations. The occurrence of an event that is not covered, in full or in part, by insurance may cause substantial economic damage to the Company. In some cases, such as with respect to environmental risks, coverage is not available or considered too expensive relative to the perceived risk.

#### *Competition*

The Company's business is intensely competitive, and the Company will compete with other mining companies, many of which have greater resources and experience. A fundamental property of mining associated with many cryptocurrencies is that the computational complexity of the mining algorithm increases over time. This factor along with new industry entrants and price volatility may make certain cryptocurrencies relatively unprofitable to mine compared to others.

Regulation of cryptocurrency outside of Canada has led some mining companies to consider Canada as a jurisdiction in which to operate. This may increase competition to the Company; however, the Company believes that only a few competitors exist that can compete with the speed and cost effectiveness of its current operations and buildout capabilities. Nevertheless, the Company's assumptions with respect to its competitors could be inaccurate and the Company may face unexpected competition in the form of a new entrant in the marketplace. Such competition could erode the Company's expected market share and could adversely impact the Company's profitability. Increased competition could result in increased network computing resources and consequently increased hash difficulty.

If the award of coins for solving Blocks and transaction fees are not sufficiently high, miners may not have an adequate incentive to continue Mining and may cease their Mining operations. As the number of coins awarded for solving a block in the blockchain decreases, the incentive for miners to continue to contribute processing power to the network may transition from a set reward to transaction fees. Either the requirement from miners of higher transaction fees in exchange for recording transactions in the blockchain, or a software upgrade that automatically charges fees for all transactions, may decrease demand for the relevant coins and prevent the expansion of the network to retail merchants and commercial businesses, resulting in a reduction in the price of the relevant cryptocurrency that could adversely impact the Company's cryptocurrency inventory and investments.

In order to incentivize miners to continue to contribute processing power to the network, the network may either formally or informally transition from a set reward to transaction fees earned upon solving for a block. This transition could be accomplished either by miners independently electing to record on the blockchains they solve only those transactions that include payment of a transaction fee or by the network adopting software upgrades that require the payment of a minimum transaction fee for all transactions. If transaction fees paid for the recording of transactions in the blockchain become too high, the marketplace may be reluctant to accept the network as a means of payment and existing users may be motivated to switch between cryptocurrencies or back to fiat currency. Decreased use and demand for coins may adversely affect their value and result in a reduction in the market price of coins.

If the award of coins for solving blocks and transaction fees for recording transactions are not sufficiently high to incentivize miners, miners may cease expending processing power to solve Blocks and confirmations of transactions on the blockchain could be slowed temporarily. A reduction in the processing power expended by miners could increase the likelihood of a malicious actor or botnet obtaining control in excess of 50 percent of the processing power active on the blockchain, potentially permitting such actor or botnet to manipulate the blockchain in a manner that adversely affects the Company's mining activities.

If the award of coins for solving Blocks and transaction fees are not sufficiently high, miners may not have an adequate incentive to continue Mining and may cease their Mining operations. Miners ceasing operations would reduce collective processing power, which would adversely affect the confirmation process for transactions (i.e., decreasing the speed at which blocks are added to the blockchain until the next scheduled adjustment in difficulty for blockchain solutions) and make the network more vulnerable to a malicious actor or botnet obtaining control in excess of 50 percent of the processing power. Any reduction in confidence in the confirmation process or processing power of the network may adversely impact the Company's Mining activities, inventory of coins, and future investment strategies.

#### *Loss of Key Employees*

The Company will depend on a number of key employees, the loss of any one of whom could have an adverse effect on the Company. The Company will not have and is not expected to purchase key person insurance on such individuals, which insurance would provide the Company with insurance proceeds in the event of their death. Without key person insurance, the Company may not have the financial resources to develop or maintain its business until it replaces the individual. The development of the business of the Company will be dependent on its ability to attract and retain highly qualified management and mining personnel. The Company will face competition for personnel from other employers. If the Company is unable to attract or retain qualified personnel as required, it may not be able to adequately manage and implement its business plan.

#### *Acceptance and/or widespread use of cryptocurrency is uncertain*

Currently, cryptocurrencies are used relatively rarely in the retail and commercial marketplaces in comparison to purchases of overall cryptocurrencies worldwide. Cryptocurrency payment methods have not been widely adopted as a means of a payment for goods and services by major retail and commercial outlets. A significant portion of cryptocurrency demand may be attributable to speculation.

The failure of retail and commercial marketplaces to adopt cryptocurrency payment methods may result in increased volatility and/or a reduction in market prices, either of which may adversely impact the Company's operations and profitability.

## **Related Party Transactions**

During the three and twelve month periods ended December 31, 2019, the Company had the following transactions with related parties:

1. Bitfarms was charged approximately \$33,000 and \$152,000 for the three and twelve month periods ended December 31, 2019 (three and twelve month periods ended December 31, 2018 - \$52,000 and \$235,000) for telecommunication expenses by a company in which a former director and significant shareholder, Pierre-Luc Quimper (who resigned as of October 3, 2019), has significant influence.

In addition, Bitfarms made rent payments totaling approximately \$81,000 and \$528,000 for the three and twelve month periods ended December 31, 2019 (three and twelve month periods ended December 31, 2018 - \$151,000 and \$597,000) to companies controlled by a director and officer, Emiliano Grodzki and Mathieu Vachon and a former director, Pierre-Luc Quimper. For the three and twelve month periods ended December 31, 2019 the rent payments were classified as interest included in financial expenses and principal repayment of lease liabilities. For the three and twelve month periods ended December 31, 2018 rent payments were included in cost of sales. As of August 2019 the Cowansville building was sold to an arms length party and a new lease agreement was signed. The sale of the Cowansville building will result in a reduction in monthly rent paid to related parties in the amount of \$14,400.

2. Bitfarms entered into consulting agreements with two of the directors, Nicolas Bonta and Emiliano Grodzki. The consulting fees charged by directors totaled approximately \$100,000 and \$400,000 for the three and twelve month periods ended December 31, 2019 (\$101,000 and \$448,000 for the three and twelve month periods ended December 31, 2018).
3. Bitfarms sold 627 Bitcoin for the twelve month periods ended December 31, 2019 (589 Bitcoin and 3,346 Bitcoin for the three and twelve months ended December 31, 2018) to a company of which, at the time of such sales, had a director, Roy Sebag, who was also a shareholder of Bitfarms Ltd. (Israel) for \$2,283,000 (\$3,424,000 and \$28,323,000 for the three and twelve month periods ended December 31, 2018). The company which Bitfarms sold Bitcoin to ceased operating in the cryptocurrency industry as of March 11, 2019, and since that date Bitfarms has not transacted with this company.
4. Volta rendered electrical services to a former director, Pierre-Luc Quimper in the amount of \$0 and \$12,000 for the three and twelve month periods ended December 31, 2019, respectively (year ended December 31, 2018 - \$nil)
5. On June 12, 2019, Mathieu Vachon and Pierre-Luc Quimper, two of Bitfarms founding shareholders exchanged 17,335,090 exchangeable shares of Backbone into 17,335,090 common shares of the Company.

Transactions 1. through 4. listed above were incurred in the normal course of operations.

## Recent and Subsequent Events

### *Change of Directors and Officers*

On March 11, 2020 Wes Fulford elected to resign as Chief Executive Officer and Director of Bitfarms and its subsidiaries. The Company issued 500,000 Common shares in consideration for past services. On the same day Emiliano Grodzki was appointed as interim Chief Executive Officer of Bitfarms. On April 16, 2020 Brian Howlett was appointed a director of Bitfarms.

### *Warrant Exercise*

On both January 13, 2020 and February 12, 2020 Dominion Capital exercised a combined total of 500,000 warrants to acquire 500,000 common shares resulting in proceeds of \$0.2 million being paid to the Company.

## Accounting Standards

### Adoption of New Accounting Standards

#### IFRS 16 Leases:

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). The effect of adoption IFRS 16 as of January 1, 2019 is as follows:

#### Assets

|                       |              |
|-----------------------|--------------|
| Right-of-use assets * | \$ 5,303,000 |
|-----------------------|--------------|

#### Liabilities

|                   |                     |
|-------------------|---------------------|
| Short-term        | 621,000             |
| Long-term         | 4,498,000           |
| Total liabilities | <u>\$ 5,119,000</u> |

\* Includes \$184 previously presented in long-term deposits and advance payments on equipment prior to the adoption of IFRS 16 on January 1, 2020.

#### 1. Nature of the effect of adoption of IFRS 16:

The Company has lease contracts for various farming facilities, vehicles and other equipment. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized, and the lease payments were recognized as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under other assets and accounts payable, respectively.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company. As all of the Company's leases were previously classified as operating leases, the Company recognized right-of-use assets and lease liabilities for these leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The lease liabilities as of January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

|                                                                                                                               |              |
|-------------------------------------------------------------------------------------------------------------------------------|--------------|
| Farming facilities operating lease commitments as of December 31, 2018                                                        | \$ 3,737,000 |
| Less:                                                                                                                         |              |
| Commitments relating to short-term leases                                                                                     | (37,000)     |
| Adjusted farming facilities operating lease commitments as of December 31, 2018                                               | 3,700,000    |
| Add:                                                                                                                          |              |
| Payments in optional extension periods not recognized as of December 31, 2018                                                 | 3,033,000    |
| Adjusted farming facilities operating lease commitments and optional extension periods not recognized as of December 31, 2018 | 6,733,000    |
| Discount rate for portfolio of leases                                                                                         | 8%           |
| Lease liabilities as of January 1, 2019                                                                                       | 5,017,000    |
| Vehicle operating lease commitments as of December 31, 2018                                                                   | 105,000      |
| Discount rate for portfolio of leases                                                                                         | 3.49%        |
| Discounted operating lease commitments at January 1, 2019                                                                     | 102,000      |
| Lease liabilities as of January 1, 2019                                                                                       | 102,000      |
| Total lease liabilities as of January 1, 2019                                                                                 | \$ 5,119,000 |



2. Summary of new accounting policies:

Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application:

*Right-of-use assets*

The Company recognizes right-of-use assets as of January 1, 2019, at an amount equal to the lease liability, adjusted for previously recognized prepaid or accrued lease payments. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

*Lease liabilities*

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company used a single incremental borrowing rate as of January 1, 2019, to a portfolio of leases with reasonably similar characteristics. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured using a revised discount rate, with a corresponding adjustment to the related right-of-use asset, if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

*Short-term leases and leases of low-value assets*

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e. below \$5,000). Lease payments for short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

*Significant judgement in determining the lease term of contracts with renewal options*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms of three to ten years. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Company included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to ten years) and there will be a significant negative effect on production if a replacement is not readily available. The renewal options for leases of motor vehicles were not included as part of the lease term because the Company has a policy of leasing motor vehicles for not more than five years and, hence, not exercising any renewal options.

3. Amounts recognized in the statement of financial position and profit or loss:

Set out below, are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movements during the period:

|                                            | Farming<br>facilities | Vehicles   | Other<br>equipment | Total ROU<br>assets | Lease<br>liabilities |
|--------------------------------------------|-----------------------|------------|--------------------|---------------------|----------------------|
| As of January 1, 2019                      | \$ 5,201,000          | \$ 102,000 | \$ -               | \$ 5,303,000        | \$ 5,119,000         |
| Additions                                  | 2,108,000             | 129,000    | 60,000             | 2,297,000           | 2,292,000            |
| Lease terminations                         | (489,000)             | (24,000)   | -                  | (513,000)           | (551,000)            |
| Depreciation                               | (786,000)             | (50,000)   | (8,000)            | (854,000)           | -                    |
| Payments                                   | -                     | -          | -                  | -                   | (1,045,000)          |
| Interest                                   | -                     | -          | -                  | -                   | 381,000              |
| Foreign exchange loss on lease liabilities | -                     | -          | -                  | -                   | 267,000              |
| As of December 31, 2019                    | \$ 6,034,000          | \$ 157,000 | \$ 52,000          | \$ 6,233,000        | \$ 6,463,000         |

The addition and lease termination included in farming facilities represents the termination of the lease agreement with a company controlled by certain directors, and the signing of a new agreement with an arm's length party. The key terms of the lease agreement feature a ten-year initial lease term with two five-year renewal options. Monthly rent approximates \$17,000 (\$22,000 CAD) with an annual increase based on the Consumer Price Index (CPI) per Statistics Canada on December 31. The future potential payments not included in the initial recognition of the lease include the two five-year renewal terms, with payments totaling approximately \$2.0 million (\$2.6 million CAD) exclusive of annual increases based on the CPI.

The Company recognized rent expense from short-term leases of \$62,000 for the year ended December 31, 2019.

## 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 in 2020 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:

- Bitcoin halving event;
- COVID 19 pandemic;
- the availability of financing opportunities and risks associated with economic conditions, including Bitcoin price and Bitcoin network difficulty;
- the ability to service debt obligations and maintain flexibility in respect of debt covenants;
- 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;
- 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; and
- other factors beyond the Company's control.

The above is not an exhaustive list of the factors that may affect the Company's forward-looking statements. 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 Revenue. "Adjusted EBITDA" is defined as EBITDA adjusted to exclude: (i) share-based compensation; (ii) non-cash finance expenses; (iii) asset impairment charges; and (iv) other non-cash expenses. "Adjusted EBITDA margin" is defined as the percentage obtained when dividing Adjusted EBITDA by Revenue. "Gross mining profit" is defined as Revenue minus energy and infrastructure expenses for the Backbone segment of the Company. "Gross mining margin" is defined as the percentage obtained when dividing Gross mining profit by Revenue for the Backbone segment of the Company.

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 in pages 9, 10 and 11.

## Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company and its subsidiaries is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. In designing such controls, it should be recognized that due to inherent limitations, any control, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is required to use judgment in evaluating controls and procedures.

## 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:** Bitcoin 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 Bitcoin 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. Bitcoin is created when the Bitcoin network issues Block Rewards through the Mining process.

**Block Reward:** A Bitcoin block reward refers to the new bitcoins that are awarded by the Blockchain network to eligible cryptocurrency miners for each block they successfully mine. The current block reward is 12.5 Bitcoin 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.

**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 Bitcoin 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 Bitcoin Blockchain. As a reward for their services, Bitcoin Miners collect transaction fees for the transactions they confirm, along with newly created Bitcoins as Block Rewards.

**Network Difficulty:** Network difficulty is a unitless measure of how difficult it is to find a hash below a given target. The Bitcoin 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 Bitcoin 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 Bitcoin network to validate transactions on the Bitcoin Blockchain.

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

**Form 52-109FV1**  
**Certification of Annual Filings**  
**Venture Issuer Basic Certificate**

**I, EMILIANO GRODZKI**, Interim Chief Executive Officer of Bitfarms Ltd., certify the following:

1. **Review:** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference into the AIF (together, the “**annual filings**”) of Bitfarms Ltd. (the “**issuer**”) for the financial year ended December 31, 2019.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual 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 annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual 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 annual filings.

Date: April 29, 2020

**“Emiliano Grodzki”**

Emiliano Grodzki

Interim Chief Executive Officer

**NOTE TO READER**

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings* (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process 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.

The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

**Form 52-109V1**  
**Certification of Annual Filings**  
**Venture Issuer Basic Certificate**

I, **JOHN RIM**, Chief Financial Officer of Bitfarms Ltd., certify the following:

1. **Review:** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference into the AIF (together, the “**annual filings**”) of Bitfarms Ltd. (the “**issuer**”) for the financial year ended December 31, 2019.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual 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 annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual 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 annual filings.

Date: April 29, 2020

**“John Rim”**

\_\_\_\_\_  
 John Rim  
 Chief Financial Officer

**NOTE TO READER**

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings* (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process 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.

The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.





**Bitfarms Reports Financial Results for the Year Ended  
December 31, 2019**

**Toronto, Ontario and Brossard, Québec (April 29, 2020)** - Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) ([TSXV:BITF](#)) today announced its consolidated results for the year ended December 31, 2019.

**2019 Financial Summary and Corporate Highlights**

- Consolidated revenue of US\$32.4 million, gross profit of US\$11.4 million (35% gross profit margin) and net income of US\$2.1 million in 2019 compared to US\$33.8 million, US\$10.9M (32% gross profit margin), and a net loss of US\$18.2 million, respectively, in 2018;
- Mining operations segment gross mining profit<sup>1</sup> of US\$17.7 million (60% gross mining margin) in 2019 compared to \$23.2M (73% gross mining margin) in 2018;
- US\$9.6 million EBITDA<sup>1</sup> (30% EBITDA margin) and US\$10.6 million Adjusted EBITDA<sup>1</sup> (33% Adjusted EBITDA margin) in 2019 compared to an EBITDA loss of US\$5.6M (-16% EBITDA margin) and Adjusted EBITDA of US\$15.3 million (45% Adjusted EBITDA margin) in 2018;
- Mined 3,865 Bitcoin and 7,561 Litecoin<sup>2</sup> with a 2019 average break-even<sup>3</sup> Bitcoin price of US\$2,996 and average break-even Litecoin Price of US\$49; and
- Completed US\$20.0 million debt financing and fully deployed funds to increase infrastructure capacity from 34 MW to 64 MW (88% increase) and increase hashrate to approximately 780 PH (~270% increase) by the end of 2019.

“Despite a challenging start to the year as a result of lower Bitcoin prices, the Company successfully raised US\$20 million of financing in Q1 2019. The capital raised was quickly deployed to increase our datacentre infrastructure capacity from 34 MW to 64 MW and invest in mining equipment at competitive market prices to grow our computing power to over 780 PH by the end of the year. The increased scale of operations and the addition of new, more efficient mining equipment allowed the Company to achieve a healthy overall gross mining margin of 60%, earn US\$10.6 million of Adjusted EBITDA, and end the year profitably with net income of US\$2.1M” commented John Rim, Chief Financial Officer.

Emiliano Grodzki, Chief Executive Officer of Bitfarms added, “2019 was a transformative year for Bitfarms with many significant milestones. In addition to the significant operational growth achieved in 2019, we successfully completed our listing on the TSXV through a full prospectus process and the Company is now already positioned as one of the largest and most efficient public crypto mining operations in the world. We are very pleased to have had a profitable year with basic and fully diluted earnings per share of \$0.04. Finally, we look forward to continuing to execute our growth strategy by building and operationalizing our remaining pipeline of available power in Quebec in the near to medium term.”

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<sup>1</sup> EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin, Gross mining profit and Gross mining margin are non-IFRS performance measures; please refer to the end of this press release regarding the use of Non-IFRS Performance Measures.

<sup>2</sup> The company mined Litecoin at varying levels from January 2019 to August 2019.

<sup>3</sup> Represents the break-even cost of Bitcoin and Litecoin based on variable cost of electricity and is calculated by taking the total electricity costs related to the Mining of each of Bitcoin and Litecoin divided by the total number of Bitcoin and Litecoin mined, respectively, in the relevant period.

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## Financial Review

### Consolidated Company Results (000's)

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

|                                       | Three months ended |                 |           |             | Twelve months ended |                 |           |             |
|---------------------------------------|--------------------|-----------------|-----------|-------------|---------------------|-----------------|-----------|-------------|
|                                       | Dec. 31<br>2019    | Dec. 31<br>2018 | \$ Change | %<br>Change | Dec. 31<br>2019     | Dec. 31<br>2018 | \$ Change | %<br>Change |
| For the periods ended as indicated    |                    |                 |           |             |                     |                 |           |             |
| Revenues                              | 10,536             | 4,654           | 5,882     | 126%        | 32,421              | 33,805          | (1,384)   | (4%)        |
| Cost of Sales                         | 7,702              | 6,872           | 830       | 12%         | 20,982              | 22,928          | (1,946)   | (8%)        |
| Gross profit                          | 2,834              | (2,218)         | 5,052     | (228%)      | 11,439              | 10,877          | 562       | 5%          |
| Gross margin                          | 27%                | (48%)           | -         | -           | 35%                 | 32%             | -         | -           |
| G&A and other expenses                | 2,712              | 1,712           | 1,000     | 58%         | 10,294              | 9,815           | 479       | 5%          |
| Impairment of PP&E and Intangibles    | -                  | 19,060          | (19,060)  | (100%)      | 56                  | 19,060          | (19,004)  | (100%)      |
| Operating income (loss)               | 122                | (22,990)        | 23,112    | (101%)      | 1,089               | (17,998)        | 19,087    | (106%)      |
| Operating margin                      | 1%                 | (494%)          | -         | -           | 3%                  | (53%)           | -         | -           |
| Financial income                      | 55                 | -               | 55        | 100%        | 2,252               | -               | 2,252     | 100%        |
| Interest expense (income)             | 1,122              | (58)            | 1,180     | (2,034%)    | 3,268               | 63              | 3,205     | 5,087%      |
| Other financial expenses (income)     | 504                | 63              | 441       | 700%        | 557                 | 116             | 441       | 380%        |
| Total Financial expenses              | 1,626              | 5               | 1,621     | 32,420%     | 3,825               | 179             | 3,646     | 2,037%      |
| Pre-tax loss                          | (1,449)            | (22,995)        | 21,546    | (94%)       | (484)               | (18,177)        | 17,693    | (97%)       |
| Income tax expense (recovery)         | (2,574)            | (1,732)         | (842)     | 49%         | (2,591)             | 59              | (2,650)   | (4,492%)    |
| Net income (loss)                     | 1,125              | (21,263)        | 22,388    | (105%)      | 2,107               | (18,236)        | 20,343    | (112%)      |
| Net income (loss) per share - basic   | 0.02               | (0.02)          | 0.04      | (200%)      | 0.04                | (0.16)          | 0.20      | (127%)      |
| Gross mining profit <sup>(1)</sup>    | 5,488              | 1,676           | 3,812     | 227%        | 17,681              | 23,154          | (5,473)   | (24%)       |
| Gross mining margin <sup>(1)</sup>    | 56%                | 45%             | -         | -           | 60%                 | 73%             | -         | -           |
| EBITDA <sup>(1)</sup>                 | 2,299              | (19,839)        | 22,138    | (112%)      | 9,627               | (5,566)         | 15,193    | (273%)      |
| EBITDA margin <sup>(1)</sup>          | 22%                | (426%)          | -         | -           | 30%                 | (16%)           | -         | -           |
| Adjusted EBITDA <sup>(1)</sup>        | 2,986              | (603)           | 3,589     | (595%)      | 10,617              | 15,265          | (4,648)   | (30%)       |
| Adjusted EBITDA margin <sup>(1)</sup> | 28%                | (13%)           | -         | -           | 33%                 | 45%             | -         | -           |

#### Notes

(1) EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin, Gross mining profit and Gross mining margin are non-IFRS performance measures; please refer to Non-IFRS Performance Measures.

#### Revenue

Bitfarms' total revenue for 2019 was US\$32.4 million compared to US\$33.8 million in 2018. Revenue in 2019 decreased US\$1.4 million or 4% in 2019 compared to 2018 due to a decrease of altcoins sold (i.e. Bitcoin Cash, Ether, and Litecoin) as well as a decrease in the average selling price of Bitcoin in 2019 compared to 2018 (\$7,412 in 2019 compared to \$7,904 in 2018) offset by an increase in Bitcoin mined, resulting from higher Bitfarms' average increased hashrate in excess of the average Network Difficulty, and an increase in Volta third party revenue in 2019 compared to 2018.

#### Cost of Sales

Bitfarms' cost of sales for 2019 was US\$21.0 million compared to US\$22.9 million in 2018. Costs of sales include energy and infrastructure expenses, rental expense, depreciation and amortization, electrician salaries, and purchases and net change in inventory.

Energy and infrastructure expenses increased by US\$3.2 million or 37% in 2019 compared to 2018 as the Company added new mining equipment that increased electrical consumption from 22 MW at the end of 2018 to approximately 53 MW by the end of 2019. Depreciation and amortization expense decreased by US\$5.7 million or 45% in 2019 compared to 2018 mainly due to the impairment of US\$18.5 million on property, plant and equipment and intangible assets recorded by the Company in 2018. The decrease was partially offset by an increase in depreciation and amortization expense of US\$854,000 in 2019 compared to 2018 resulting from the adoption of IFRS 16 by the Company in January 2019 as the Company amortizes right of use assets over the term of the relevant leases.

#### *Gross Profit*

In 2019, the Company had consolidated gross profit of US\$11.4 million (35% gross margin) on consolidated revenue of US\$32.4 million, compared to gross profit of US\$10.9 million (32% gross margin) on consolidated revenue of US\$33.8 million in 2018.

#### *General & Administrative and Other Expenses*

Bitfarms' general and administrative and other expenses increased US\$0.5 million or 5% in 2019 compared to 2018. The increase was mainly due to higher non-cash salary expenses related to share-based compensation (US\$2.9 million in 2019 versus US\$0.8 million in 2018) as new employee stock options were approved and granted in 2019. The increase was primarily offset by a decrease of US\$1.6 million in other general and administrative expenses including listing fees, professional fees, and advertising and promotion in 2019 compared to 2018.

#### *Financial Income and Expenses*

Bitfarms' financial income for 2019 was US\$2.3 million compared to financial income of US\$0 in 2018 resulting primarily from the revaluation of warrants and embedded derivative creating non-cash gains of US\$1.8 million and US\$0.5 million, respectively, in connection with the Dominion Capital loan.

Financial expenses for 2019 were US\$3.8 million compared to US\$0.2 million in 2018. The increase is primarily related to costs associated with the Dominion Capital loan that did not exist in 2018. These expenses include interest on the Dominion Capital loan of US\$2.8 million and warrant issuance costs of US\$0.2 million. Financial expenses in 2019 also include interest expense on lease liabilities recorded on adoption of IFRS 16 in the amount of US\$0.4 million, and US\$0.2 million of unrealized foreign exchange losses.

#### **Reconciliation of Net Income to EBITDA and Adjusted EBITDA**

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

|                                    | Three months ended |                 |              |             | Twelve months ended |                 |              |             |
|------------------------------------|--------------------|-----------------|--------------|-------------|---------------------|-----------------|--------------|-------------|
|                                    | Dec. 31<br>2019    | Dec. 31<br>2018 | \$<br>Change | %<br>Change | Dec. 31<br>2019     | Dec. 31<br>2018 | \$<br>Change | %<br>Change |
| For the periods ended as indicated |                    |                 |              |             |                     |                 |              |             |
| Net income (loss)                  | 1,125              | (21,263)        | 22,388       | (105%)      | 2,107               | (18,236)        | 20,343       | (112%)      |
| Interest expense                   | 1,122              | (58)            | 1,180        | (2,034%)    | 3,268               | 63              | 3,205        | 5,087%      |
| Income tax expense (recovery)      | (2,574)            | (1,732)         | (842)        | 49%         | (2,591)             | 59              | (2,650)      | (4,492%)    |
| Depreciation/amortization          | 2,626              | 3,214           | (588)        | (18%)       | 6,843               | 12,548          | (5,705)      | (45%)       |
| EBITDA                             | 2,299              | (19,839)        | 22,138       | (112%)      | 9,627               | (5,566)         | 15,193       | (273%)      |
| Stock compensation expense         | 430                | 165             | 265          | 161%        | 2,873               | 746             | 2,127        | 285%        |
| Financial income                   | (55)               | -               | (55)         | -           | (2,252)             | -               | (2,252)      | -           |
| Listing cost                       | -                  | -               | -            | -           | -                   | 1,000           | (1,000)      | (100%)      |
| Impairment                         | -                  | 19,060          | (19,060)     | (100%)      | 56                  | 19,060          | (19,004)     | (100%)      |
| Other non-cash expenses            | 312                | 11              | 301          | 2,736%      | 313                 | 25              | 288          | 1,152%      |
| Adjusted EBITDA                    | 2,986              | (603)           | 3,589        | (595%)      | 10,617              | 15,265          | (4,648)      | (30%)       |

Bitfarms' net income for 2019 was US\$2.1 million compared to a net loss of US\$18.2 million for 2018. Bitfarms' income tax recovery for 2019 was US\$2.6 million compared to an income tax expense of US\$59,000 for 2018. EBITDA and Adjusted EBITDA for 2019 were US\$9.6 million and US\$10.6 million, respectively, compared to an EBITDA loss of US\$5.6 million and Adjusted EBITDA of US\$15.3 million in 2018. EBITDA and Adjusted EBITDA are non-IFRS performance measures; please refer to the heading "Non-IFRS Performance Measures" at the end of this press release.

### Calculation of Gross Mining Profit & Gross Mining Margin

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

|                                    | Three months ended |                 |              |             | Twelve months ended |                 |              |             |
|------------------------------------|--------------------|-----------------|--------------|-------------|---------------------|-----------------|--------------|-------------|
|                                    | Dec. 31<br>2019    | Dec. 31<br>2018 | \$<br>Change | %<br>Change | Dec. 31<br>2019     | Dec. 31<br>2018 | \$<br>Change | %<br>Change |
| For the periods ended as indicated |                    |                 |              |             |                     |                 |              |             |
| Revenues                           | 9,717              | 3,752           | 5,965        | 159%        | 29,347              | 31,641          | (2,294)      | (7%)        |
| Energy and infrastructure expenses | 4,229              | 2,076           | 2,153        | 104%        | 11,666              | 8,487           | 3,179        | 37%         |
| Gross mining profit                | 5,488              | 1,676           | 3,812        | 227%        | 17,681              | 23,154          | (5,473)      | (24%)       |
| Gross mining margin                | 56%                | 45%             | -            | -           | 60%                 | 73%             | -            | -           |

### Webcast

The Company will be hosting a webcast presentation at 10:00 AM EDT on Wednesday April 29, 2020. To view the webcast presentation, please register at:

<https://onlinexperiences.com/Launch/QReg/ShowUUID=5A867099-4608-42CB-A1F4-23B9E0732B36>

The financial results and presentation will also be available on our website at [www.bitfarms.com](http://www.bitfarms.com)

### About Bitfarms Ltd.

The Company owns and operates computing centres that power the global decentralized financial economy. Bitfarms provides computing power to cryptocurrency networks such as Bitcoin, earning fees from each network for securing and processing transactions. Powered by clean and competitively priced hydroelectricity, Bitfarms operates 5 computing centres in Québec, Canada. Bitfarms' experienced management team includes industrial-scale data centre operators and capital markets professionals, focused on building infrastructure for the future by developing and hosting the ecosystem growing around blockchain-based technologies.

#### For investor inquiries, please contact:

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#### For media inquiries, please contact:

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

<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/>  
Website: [www.bitfarms.io](http://www.bitfarms.io)

### **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 TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

### **Forward-Looking Statements**

*This news release contains certain “forward-looking information” within the meaning of applicable Canadian securities laws that are based on expectations, estimates and projections as at the date of this news release. The information in this release about 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 resulting significant negative impact on the Company’s operations, the construction and operation of expanded blockchain infrastructure as currently planned, and the regulatory environment of cryptocurrency in the Provinces of Canada.*

*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 reasonable assumptions and estimates of management of the Company at the time it was 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; 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; 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; and volatile securities markets impacting security pricing unrelated to operating performance. In addition, particular factors which could impact future results of the business of Bitfarms include but are not limited to: the construction and operation of blockchain infrastructure 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 Province of Québec, 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; and there will be no regulation or law that will prevent Bitfarms from operating its business. The Company has also assumed that no significant events occur outside of the Bitfarms’ normal course of business. Although the Company has attempted to identify important factors that could cause actual results to differ materially, 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 forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.*

## **Non-IFRS Performance Measures**

*This press release 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 Revenue. "Adjusted EBITDA" is defined as EBITDA adjusted to exclude: (i) share-based compensation; (ii) non-cash finance expenses; (iii) asset impairment charges; and (iv) other non-cash expenses. "Adjusted EBITDA margin" is defined as the percentage obtained when dividing Adjusted EBITDA by Revenue. "Gross mining profit" is defined as Revenue minus energy expenses for the Bitfarms segment of the Company. "Gross mining margin" is defined as the percentage obtained when dividing Gross mining profit by Revenue for the Bitfarms segment of the Company.*

*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. See "Reconciliation of Net Income to EBITDA and Adjusted EBITDA" for reconciliation of EBITDA and Adjusted EBITDA to net income.*


**TSX TRUST COMPANY**
**VIA ELECTRONIC TRANSMISSION**

April 29, 2020

**TO ALL APPLICABLE EXCHANGES AND COMMISSIONS:**

**RE: BITFARMS LTD.**  
**Confirmation of Notice of Record and Meeting Dates**

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We are pleased to confirm that Notice of Record and Meeting Dates was sent to The Canadian Depository for Securities.

We advise the following with respect to the upcoming Annual General Meeting of Security Holders for the subject issuer:

|    |                                                                                                  |                |
|----|--------------------------------------------------------------------------------------------------|----------------|
| 1  | ISIN:                                                                                            | CA09173B1076   |
|    | CUSIP:                                                                                           | 09173B107      |
| 2  | Date Fixed for the Meeting:                                                                      | June 29, 2020  |
| 3  | Record Date for Notice:                                                                          | May 20, 2020   |
| 4  | Record Date for Voting:                                                                          | May 20, 2020   |
| 5  | Beneficial Ownership Determination Date:                                                         | May 20, 2020   |
| 6  | Classes or Series of Securities that entitle the holder to receive Notice of the Meeting:        | COMMON         |
| 7  | Classes or Series of Securities that entitle the holder to vote at the meeting:                  | COMMON         |
| 8  | Business to be conducted at the meeting:                                                         | Annual General |
| 9  | Notice-and-Access:                                                                               |                |
|    | Registered Shareholders:                                                                         | NO             |
|    | Beneficial Holders:                                                                              | NO             |
|    | Stratification Level:                                                                            | Not Applicable |
| 10 | Reporting issuer is sending proxy-related materials directly to Non-Objecting Beneficial Owners: | YES            |
| 11 | Issuer paying for delivery to Objecting Beneficial Owners:                                       | YES            |

Yours truly,  
**TSX Trust Company**

“ Kieran Webb ” Relationship  
 Manager kieran.webb@tmx.com

**VANCOUVER**  
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T 604 689-3334

**CALGARY**  
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T 403 218-2800

**TORONTO**  
 301 - 100 Adelaide Street West  
 Toronto ON M5H 4H1

**Toll Free** 1-866-600-5869  
 T 416 361-0930

**MONTRÉAL**  
 1800 - 1190, avenue des  
 Canadiens-de-Montréal, C. P. 37  
 Montréal (Québec) H3B 0G7

T 514 395-5964

**CERTIFICATE**

Pursuant to subsection 2.20(c) of National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”), and in connection with an annual meeting of shareholders of Bitfarms Ltd. (the “**Bitfarms**”) to be held on June 29, 2020 (the “**Meeting**”), the undersigned, in his capacity as Chief Financial Officer of the Company, and not in his personal capacity, hereby certifies that the Company:

- (a) has arranged to have proxy-related materials for the Meeting sent in compliance with sections 2.9 and 2.12 of NI 54-101;
- (b) has arranged to have carried out all of the requirements of NI 54-101 in addition to those described in paragraph (a) above; and
- (c) is relying upon section 2.20 of NI 54-101 to abridge the time period prescribed in section 2.2(1) of NI 54-101.

Dated as of this 29<sup>th</sup> day of April 2020.

“John Rim”

Name: John Rim

Title: Chief Financial Officer



**Bitfarms Announces Hydro Quebec Has Reconfirmed Power Supply of  
52 MWs for a Total Portfolio of 160 Megawatts**

TORONTO & BROSSARD, Québec--(BUSINESS WIRE)--May 15, 2020--Bitfarms Ltd. (“Bitfarms” or the “Company”) (TSXV:BITF) is a blockchain infrastructure company that operates one of the largest cryptocurrency mining operations in North America and is pleased to announce that Hydro-Quebec has reconfirmed the Company’s access to its distribution network of clean and reliable hydroelectricity. Specifically, the Hydro-Quebec acknowledges existing arrangements with respect to Bitfarms’ portfolio of 52 megawatts (MWs) of electricity with Hydro Quebec, of which 28 MWs is currently unused and remains available to Bitfarms for future development. In addition to Hydro-Quebec, Bitfarms has agreements with municipal electricity distributors in Quebec for a total power portfolio of 160 MW, 53MW of which is currently used to power the Company’s approximately 29,000 ASIC computers generating approximately 780 petahash daily, on average, of computer power on the Bitcoin network.

“We are extremely pleased with our relationship with Hydro-Quebec and this confirmation provides clarity and certainty to our future access to power in Quebec to continue our ongoing growth” said interim CEO and Chief Strategy Officer, Emiliano Grodzki.

**About Bitfarms Ltd.**

The Company owns and operates computing centres that power the global decentralized financial economy. Bitfarms provides computing power to cryptocurrency networks such as Bitcoin, earning fees from each network for securing and processing transactions. Powered by clean and competitively priced hydroelectricity, Bitfarms operates 5 computing centres in Québec, Canada. Bitfarms’ experienced management team includes industrial scale data centre operators and capital markets professionals, focused on building infrastructure for the future by developing and hosting the ecosystem growing around blockchain-based technologies.

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

<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/>

Website:

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

**Cautionary Statement**

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## **Forward-Looking Statements**

*This news release contains certain “forward-looking information” within the meaning of applicable Canadian securities laws that are based on expectations, estimates and projections as at the date of this news release. The information in this release about estimates, projections, future plans and objectives of the Company, including ability to access electricity in the future or to fund or grow the Company’s operations are forward-looking statements.*

*This forward-looking information is based on reasonable assumptions and estimates of management of the Company at the time it was 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. The forward-looking statements contained in this press release are made as of the date of this press release. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.*

## **Contacts**

### **For investor inquiries, please contact:**

Ryan Hornby  
Executive Vice President and General Counsel  
+1.647.619.7804

### **For media inquiries, please contact:**

Marc Duchesne  
+1.514.277.3508  
marc@ryanap.com

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## Bitfarms Announces Changes to Board of Directors and Audit Committee

TORONTO & BROSSARD, Québec--(BUSINESS WIRE)--May 19, 2020--Bitfarms Ltd. (“**Bitfarms**” or the “**Company**”) is pleased to announce that effective today, Mr. L. Geoffrey Morphy has been appointed as a director of Bitfarms, filling a vacancy on the Board of Directors.

Until recently, Mr. Morphy was Vice-President, Corporate Development of a TSX listed company. In this capacity, he was part of its senior management team and was responsible for strategy, new investments and active portfolio management. He serves or has served on the board of several private and publicly traded companies located in Canada, the United States, and Europe. Mr. Morphy has more than 30 years in cross-border and international commercial and corporate structuring and finance experience. He has held senior positions of banks and corporate advisory firms, such as the Farber Financial Group, ABN Amro Bank N.V. and its subsidiary LaSalle Bank, as well as Comerica Bank. Mr. Morphy holds a B.Comm from the Dalhousie University and earned the ICD.D designation in 2019.

Effective May 15, 2020, Wendi Locke and Sophie Galper-Komet have resigned as directors of Bitfarms. Ms. Locke served as a board member since June 13, 2019 and Ms. Galper-Komet served as a board member since February 1, 2019.

“We thank Ms. Locke and Ms. Galper-Komet for their contributions and wish them the best in their future endeavours. We would like to welcome Geoff Morphy to our Board. We are excited with the breadth and depth of commercial business experience that he brings and we look forward to working together as a member of our Board going forward” commented Nicolas Bonta, Chairman of the Board of Directors.

### Audit Committee Appointments

Mr. Morphy and Mr. Brian Howlett have been appointed as members of the Audit Committee to fill the vacancies resulting from the resignations of Ms. Locke and Ms. Galper-Komet as directors. Effective May 19, 2020, Bitfarms’ Audit Committee consists of Mr. Pierre Seccareccia (Chair), Mr. Morphy and Mr. Howlett.

### About Bitfarms Ltd.

The Company owns and operates computing centres that power the global decentralized financial economy. Bitfarms provides computing power to cryptocurrency networks such as Bitcoin, earning fees from each network for securing and processing transactions. Powered by clean and competitively priced hydroelectricity, Bitfarms operates 5 computing centres in Québec, Canada. Bitfarms’ experienced management team includes industrial- scale data centre operators and capital markets professionals, focused on building infrastructure for the future by developing and hosting the ecosystem growing around blockchain-based technologies.

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

<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/>

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

### **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 TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

### **Forward-Looking Statements**

*This news release contains certain "forward-looking information" within the meaning of applicable Canadian securities laws that are based on expectations, estimates and projections as at the date of this news release. The information in this release about estimates, projections, future plans and objectives of the Company are forward-looking statements.*

*This forward-looking information is based on reasonable assumptions and estimates of management of the Company at the time it was 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. The forward-looking statements contained in this press release are made as of the date of this press release. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.*

### **Contacts**

#### **For investor inquiries, please contact:**

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[marc@ryanap.com](mailto:marc@ryanap.com)

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**BITFARMS LTD.**  
1376 Bayview Ave, Unit 1  
Toronto, Ontario M4G 3A1

## NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

**NOTICE IS HEREBY GIVEN** that the annual general meeting (the “**Meeting**”) of the holders (the “**Shareholders**”) of common shares (“**Common Shares**”) of Bitfarms Ltd. (the “**Corporation**”) will be held at the offices of Peterson McVicar LLP located at Suite 902, 18 King Street West Toronto, ON M5C 1C4 on June 29, 2020, at 9:00 a.m. (Toronto time) for the following purposes, all as more particularly described in the enclosed management information circular (the “**Circular**”):

- (a) to receive the Corporation’s financial statements for the year ended December 31, 2019 and the report of the auditors thereon;
- (b) to elect the directors of the Corporation for the ensuing year;
- (c) to appoint the auditors and to authorize the directors to fix their remuneration; and
- (d) to transact such further and other business as may be properly brought before the Meeting or any adjournment or postponement thereof.

The board of directors (the “**Board**”) has fixed May 20, 2020 as the record date (the “**Record Date**”) for determining the Shareholders who are entitled to receive notice of and vote at the Meeting. Only Shareholders whose names have been entered in the registers of the Corporation as at the close of business on the Record Date will be entitled to receive notice of and vote at the Meeting.

**In an effort to mitigate the risks associated with COVID-19, and to preserve the health and safety of our communities, shareholders, employees and other stakeholders, we are inviting Shareholders to participate in the Meeting by dialling in to our conference line at: (+1) (800) 747-5150 (Toronto) or (+1) (800) 747-5150 (North America – Toll Free), followed by the Conference ID 3840022. Participants should dial in at least ten (10) minutes prior to the scheduled start time and ask to join the call. Shareholders will have an equal opportunity to participate at the Meeting through this method regardless of their geographic location. We encourage Shareholders to not attend the meeting in person due to risks related to COVID-19. We will also take additional precautionary measures in relation to the physical Meeting, limiting access to essential personnel, registered Shareholders and proxy holders entitled to attend and vote at the Meeting. We highly recommend Shareholders vote their Common Shares prior to the meeting.**

### Voting

**All Shareholders may attend the Meeting in or person or be represented by proxy. Shareholders who do not plan on attending the Meeting in person are requested to complete, date and sign the enclosed form of proxy and return it in the envelope provided.** To be effective, the enclosed form of proxy or voting instruction form must be deposited with TSX Trust Company by mail delivery at 301 – 100 Adelaide Street West, Toronto, Ontario M5H 1S3, or by facsimile at (416) 595-9593. In order to be valid and acted upon at the Meeting, the duly-completed form of proxy must be received prior to 9:00 a.m. (Toronto time) on June 25, 2020 (the “**Proxy Deadline**”), or be deposited with the Secretary of the Corporation before the commencement of the Meeting or of any adjournment thereof. Notwithstanding the foregoing, the Chair of the Meeting has the discretion to accept proxies received after such deadline.

A “beneficial” or “non-registered” Shareholder will not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his/her/its broker; however, a beneficial Shareholder may attend the Meeting as proxyholder for the registered Shareholder and vote the Common Shares in that capacity. Only Shareholders as of the Record Date are entitled to receive notice of and vote at the Meeting.

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If you are a non-registered holder of Common Shares and have received these materials through your broker, custodian, nominee or other intermediary, please complete and return the form of proxy or voting instruction form provided to you by your broker, custodian, nominee or other intermediary in accordance with the instructions provided therein.

**Shareholders are reminded to review the Circular before voting.**

**DATED** this 20<sup>th</sup> day of May, 2020.

**BY ORDER OF THE BOARD OF DIRECTORS**

*(Signed) “Nicolas Bonta”*

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Nicolas Bonta

Chairman of the Board of Directors

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**BITFARMS LTD.**

**NOTICE OF ANNUAL GENERAL MEETING OF  
SHAREHOLDERS & MANAGEMENT INFORMATION CIRCULAR**

June 29, 2020 at 9:00 a.m. (Toronto time)

Offices of Peterson McVicar LLP Suite 902, 18 King Street West  
Toronto, ON M5C 1C4

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**BITFARMS LTD.**  
1376 Bayview Ave, Unit 1  
Toronto, Ontario M4G 3A1

**NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that the annual general meeting (the “**Meeting**”) of the holders (the “**Shareholders**”) of common shares (“**Common Shares**”) of Bitfarms Ltd. (the “**Corporation**”) will be held at the offices of Peterson McVicar LLP located at Suite 902, 18 King Street West Toronto, ON M5C 1C4 on June 29, 2020, at 9:00 a.m. (Toronto time) for the following purposes, all as more particularly described in the enclosed management information circular (the “**Circular**”):

- (a) to receive the Corporation’s financial statements for the year ended December 31, 2019 and the report of the auditors thereon;
- (b) to elect the directors of the Corporation for the ensuing year;
- (c) to appoint the auditors and to authorize the directors to fix their remuneration; and
- (d) to transact such further and other business as may be properly brought before the Meeting or any adjournment or postponement thereof.

The board of directors (the “**Board**”) has fixed May 20, 2020 as the record date (the “**Record Date**”) for determining the Shareholders who are entitled to receive notice of and vote at the Meeting. Only Shareholders whose names have been entered in the registers of the Corporation as at the close of business on the Record Date will be entitled to receive notice of and vote at the Meeting.

**In an effort to mitigate the risks associated with COVID-19, and to preserve the health and safety of our communities, shareholders, employees and other stakeholders, we are inviting Shareholders to participate in the Meeting by dialling in to our conference line at: (+1) (800) 747-5150 (Toronto) or (+1) (800) 747-5150 (North America – Toll Free), followed by the Conference ID 3840022. Participants should dial in at least ten (10) minutes prior to the scheduled start time and ask to join the call. Shareholders will have an equal opportunity to participate at the Meeting through this method regardless of their geographic location. We encourage Shareholders to not attend the meeting in person due to risks related to COVID-19. We will also take additional precautionary measures in relation to the physical Meeting, limiting access to essential personnel, registered Shareholders and proxy holders entitled to attend and vote at the Meeting. We highly recommend Shareholders vote their Common Shares prior to the meeting.**

**Voting**

**All Shareholders may attend the Meeting in or person or be represented by proxy. Shareholders who do not plan on attending the Meeting in person are requested to complete, date and sign the enclosed form of proxy and return it in the envelope provided.** To be effective, the enclosed form of proxy or voting instruction form must be deposited with TSX Trust Company by mail delivery at 301 – 100 Adelaide Street West, Toronto, Ontario M5H 1S3, or by facsimile at (416) 595-9593. In order to be valid and acted upon at the Meeting, the duly-completed form of proxy must be received prior to 9:00 a.m. (Toronto time) on June 25, 2020 (the “**Proxy Deadline**”), or be deposited with the Secretary of the Corporation before the commencement of the Meeting or of any adjournment thereof. Notwithstanding the foregoing, the Chair of the Meeting has the discretion to accept proxies received after such deadline.

A “beneficial” or “non-registered” Shareholder will not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his/her/its broker; however, a beneficial Shareholder may attend the Meeting as proxyholder for the registered Shareholder and vote the Common Shares in that capacity. Only Shareholders as of the Record Date are entitled to receive notice of and vote at the Meeting.

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If you are a non-registered holder of Common Shares and have received these materials through your broker, custodian, nominee or other intermediary, please complete and return the form of proxy or voting instruction form provided to you by your broker, custodian, nominee or other intermediary in accordance with the instructions provided therein.

**Shareholders are reminded to review the Circular before voting.**

**DATED** this 20<sup>th</sup> day of May, 2020.

**BY ORDER OF THE BOARD OF DIRECTORS**

*(Signed) “Nicolas Bonta”*

Nicolas Bonta  
Chairman of the Board of Directors

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**BITFARMS LTD.**

**MANAGEMENT INFORMATION CIRCULAR**

**SOLICITATION OF PROXIES BY MANAGEMENT**

This management information circular (this “**Circular**”) is furnished in connection with the solicitation by the management of Bitfarms Ltd. (the “**Corporation**”) of proxies to be used at the annual general meeting (the “**Meeting**”) of the holders (the “**Shareholders**”) of common shares of the Corporation (“**Common Shares**”) to be held at the time and place and for the purposes set out in the Notice of Meeting. It is expected that the solicitation will be made primarily by mail. However, officers and employees of the Corporation may also solicit proxies by telephone, e-mail or in person. These persons will receive no compensation for such solicitation, other than their ordinary salaries or fees. The total cost of solicitation of proxies will be borne by the Corporation. Pursuant to National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”), arrangements have been made with clearing agencies, brokerage houses and other financial intermediaries to forward proxy-related materials to the beneficial owners of the Common Shares. See “*Appointment and Revocation of Proxies – Notice to Beneficial Holders of Shares*” below. The Corporation will provide, without cost to such person, upon request to the Secretary of the Corporation, additional copies of the foregoing documents for this purpose.

**GENERAL INFORMATION RESPECTING THE MEETING**

No person has been authorized to give any information or make any representations in connection with the matters being considered herein other than those contained in this Circular and, if given or made, any such information or representations should be considered not to have been authorized by the Corporation. This Circular does not constitute the solicitation of a proxy by any person in any jurisdiction in which such solicitation is not authorized or in which the person making such solicitation is not qualified to do so or to any person to whom it is unlawful to make such solicitation.

**In light of the global pandemic caused by COVID-19, the Corporation is inviting Shareholders to participate in the Meeting by dialling in to our conference line at: (+1) (800) 747-5150 (Toronto) or (+1) (800) 747-5150 (North America – Toll Free), followed by the Conference ID 3840022. Participants should dial in at least 10 minutes prior to the scheduled start time and ask to join the call. Shareholders will have an equal opportunity to participate at the Meeting through this method regardless of their geographic location; however, Shareholders who do not complete and delivery a form of proxy or voting instruction form, as applicable, will be unable to vote over the conference line. We encourage Shareholders to not attend the meeting in person due to risks related to COVID-19. We highly recommend Shareholders vote their Common Shares prior to the meeting in accordance with the instructions set out in this Circular.**

References in this Circular to the Meeting include any adjournment(s) or postponement(s) thereof.

The Corporation’s financial statements are reported in United States dollars, the functional currency. In this Circular, unless otherwise indicated, all dollar amounts (“\$” or “CS”) are expressed in Canadian dollars and references to “US\$” or “US” are to United States dollars.

Except where otherwise indicated, the information contained herein is stated as of May 20<sup>th</sup>, 2020.

Electronic copies of this Circular, financial statements of the Corporation for the year ended December 31, 2019 (the “**Financial Statements**”) and management discussion and analysis for 2019 (the “**MD&A**”) may be found on the Corporation’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

**Shareholders are reminded to review this Circular before voting.**

Shareholders may also obtain paper copies of the Financial Statements and the MD&A free of charge by contacting TSX Trust Company at the same toll-free number or upon request to the Secretary of the Corporation.

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## APPOINTMENT AND REVOCATION OF PROXIES

### Appointment of Proxy

A Shareholder who does not plan on attending the Meeting in person is requested to complete and sign the enclosed form of proxy and to deliver it to TSX Trust Company: (i) by mail delivery to 301 – 100 Adelaide Street West, Toronto, Ontario M5H 1S3; or (ii) by facsimile at (416) 595-9593. In order to be valid and acted upon at the Meeting, the form of proxy must be received no later than 9:00 a.m. (Toronto time) on June 25, 2020 or be deposited with the Secretary of the Corporation before the commencement of the Meeting or any adjournment thereof. The deadline for the deposit of proxies may be waived or extended by the Chair of the Meeting at his discretion, without notice.

If you are a non-registered holder of Common Shares and have received these materials through your broker, custodian, nominee or other intermediary, please complete and return the form of proxy or voting instruction form provided to you by your broker, custodian, nominee or other intermediary in accordance with the instructions provided therein.

The document appointing a proxy must be in writing and executed by the Shareholder or his attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.

**A Shareholder submitting a form of proxy has the right to appoint a person (who need not be a Shareholder) to represent him or her at the Meeting other than the persons designated in the form of proxy furnished by the Corporation. To exercise that right, the name of the Shareholder's appointee should be legibly printed in the blank space provided. In addition, the Shareholder should notify the appointee of the appointment, obtain his or her consent to act as appointee and instruct the appointee on how the Shareholder's Common Shares are to be voted.**

Shareholders who are not registered shareholders of the Corporation should refer to “*Notice to Beneficial Holders of Common Shares*” below.

### Revocation of Proxy

A Shareholder who has submitted a form of proxy as directed hereunder may revoke it at any time prior to the exercise thereof. If a person who has given a proxy personally attends the Meeting at which that proxy is to be voted, that person may revoke the proxy and vote in person. In addition to the revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the Shareholder or his attorney or authorized agent and deposited with TSX Trust Company at any time up to 5:00 p.m. (Toronto time) on June 25, 2020: (i) by mail delivery to Suite 301 – 100 Adelaide Street West, Toronto, Ontario M5H 1S3; or, (ii) by facsimile to (416) 595-9593, or deposited with the Secretary of the Corporation before the commencement of the Meeting, or any adjournment thereof, and upon either of those deposits, the proxy will be revoked.

### Notice to Beneficial Holders of Common Shares

The information set out in this section is of importance to many Shareholders, as a substantial number of Shareholders do not hold Common Shares in their own name. Shareholders who do not hold their Common Shares in their own name (referred to herein as “**Beneficial Shareholders**”) should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of shares can be recognized and acted upon at the Meeting or any adjournment(s) thereof. If Common Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those Common Shares will not be registered in the Shareholder's name in the records of the Corporation. Those Common Shares will most likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers or their nominees can be voted (for or against resolutions or withheld from voting) only upon the instructions of the Beneficial Shareholder. Without specific instructions, the broker/nominees are prohibited from voting shares for their clients. Subject to the following discussion in relation to NOBOs (as defined herein), the Corporation does not know for whose benefit the Common Shares registered in the name of CDS & Co., a broker or another nominee, are held.

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There are two categories of Beneficial Shareholders under applicable securities regulations for purposes of dissemination to Beneficial Shareholders of proxy-related materials and other security holder materials and requests for voting instructions from such Beneficial Shareholders. Non-objecting beneficial owners (“**NOBOs**”) are Beneficial Shareholders who have advised their intermediary (such as brokers or other nominees) that they do not object to their intermediary disclosing ownership information to the Corporation, consisting of their name, address, e-mail address, securities holdings and preferred language of communication. Canadian securities laws restrict the use of that information to matters strictly relating to the affairs of the Corporation. Objecting beneficial owners (“**OBOs**”) are Beneficial Shareholders who have advised their intermediary that they object to their intermediary disclosing such ownership information to the Corporation.

In accordance with the requirements of NI 54-101, the Corporation is sending the proxy-related materials for use in connection with the Meeting (the “**Meeting Materials**”) directly to NOBOs and indirectly to OBOs. NI 54-101 allows the Corporation, in its discretion, to obtain a list of its NOBOs from intermediaries and to use such NOBO list for the purpose of distributing the proxy materials directly to, and seek voting instructions directly from, such NOBOs. As a result, the Corporation is entitled to deliver Meeting Materials to Beneficial Shareholders in two manners: (a) directly to NOBOs and indirectly through intermediaries to OBOs; or (b) indirectly to all Beneficial Shareholders through intermediaries. The Corporation intends to pay for intermediaries to deliver the Meeting Materials to the OBOs.

Applicable securities regulations require intermediaries, on receipt of Meeting Materials that seek voting instructions from Beneficial Shareholders indirectly, to seek voting instructions from Beneficial Shareholders in advance of Shareholder meetings on Form 54-101F7. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting or any adjournment(s) thereof. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to registered shareholders; however, its purpose is limited to instructing the registered shareholder how to vote on behalf of the Beneficial Shareholder. Beneficial Shareholders who wish to appear in person and vote at the Meeting should be appointed as their own representatives at the Meeting in accordance with the directions of their intermediaries and Form 54-101F7. Beneficial Shareholders can also write the name of someone else whom they wish to appoint to attend the Meeting and vote on their behalf. Unless prohibited by law, the person whose name is written in the space provided in Form 54-101F7 will have full authority to present matters to the Meeting and vote on all matters that are presented at the Meeting, even if those matters are not set out in Form 54-101F7 or this Circular. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”) in Canada. Broadridge typically mails a voting instruction form in lieu of a form of proxy. Beneficial Shareholders are requested to complete and return the voting instruction form to Broadridge by mail or facsimile. Alternatively, Beneficial Shareholders can call a toll-free telephone number to vote the shares held by them or access Broadridge’s dedicated voting website to deliver their voting instructions. Broadridge will then provide aggregate voting instructions to the Corporation’s transfer agent and registrar, which will tabulate the results and provide appropriate instructions respecting the voting of Common Shares to be represented at the Meeting or any adjournment thereof.

All references to Shareholders in this Circular, instrument of proxy and Notice of Meeting are to registered shareholders of the Corporation unless specifically stated otherwise.

## **Voting**

Common Shares represented by any properly executed proxy in the accompanying form will be voted for or against, or withheld from voting, as the case may be, on any ballot that may be called for in accordance with the instructions given by the Shareholder. **In the absence of such direction, such Common Shares will be voted in favour of the matters set out herein.**

The accompanying form of proxy confers discretionary authority on the persons named in it with respect to amendments or variations to matters identified in the Notice of Meeting or other matters that may properly come before the Meeting. As of the date hereof, management of the Corporation is not aware of any such amendments, variations or other matters which may come before the Meeting. In the event that other matters come before the Meeting, then the management designees intend to vote in accordance with the judgment of management of the Corporation.

## **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

No person who has been a director or an executive officer of the Corporation at any time since the beginning of its last completed financial year, no proposed nominee for election as a director of the Corporation nor any associate of any such director, director nominee or officer has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, except as disclosed in this Circular.

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## VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The authorized share capital of the Corporation consists of an unlimited number of Common Shares without par value and an unlimited number of Class A Preferred Shares without par value. As at the date hereof, there are 84,624,980 Common Shares issued and outstanding and nil Class A Preferred Shares outstanding. Each Common Share entitles the holder thereof to one vote on all matters to be acted upon at the Meeting.

The Corporation has fixed the close of business on May 20, 2020 (the “**Record Date**”) as the record date. Shareholders whose names have been entered in the register of Shareholders at the close of business on the Record Date will be entitled to receive notice of, and to vote, at the Meeting or any adjournments or postponements thereof. Persons registered on the books of the Corporation at the close of business on the Record Date and persons who are transferees of any Common Shares acquired after such Record Date and who have produced properly endorsed certificates evidencing such Common Shares or who otherwise establish ownership thereof and demand, not later than ten (10) days before the Meeting, that their names be included in the list of Shareholders, are entitled to vote at the Meeting.

To the knowledge of the directors and officers of the Corporation, as at the date of this Circular, no person or corporation beneficially owns, directly or indirectly, or exercises control or direction over, 10% or more of the Common Shares, other than as set out below:

| Name of Shareholder   | Number of Common Shares <sup>(2)(3)</sup> | Percentage of Common Shares <sup>(2)(3)</sup> |
|-----------------------|-------------------------------------------|-----------------------------------------------|
| Emiliano Joel Grodzki | 11,820,772                                | 13.97%                                        |
| Nicolas Bonta         | 11,210,706                                | 13.25%                                        |
| Mathieu Vachon        | 8,484,403 <sup>(1)</sup>                  | 10.03%                                        |

### Notes:

- (1) The Common Shares of Matthieu Vachon are partially held by 9264-2644 Québec Inc. of which Matthieu Vachon is the sole beneficial shareholder; 4,450 Common Shares are held by Matthieu Vachon directly.
- (2) On a non-diluted basis.
- (3) The information as to Common Shares beneficially owned, controlled, or directed, not being within the knowledge of the Corporation, has been obtained by the Corporation from publicly disclosed information and/or furnished by the Shareholder listed above.

## PARTICULARS OF MATTERS TO BE ACTED UPON

To the knowledge of the board of directors of the Corporation (the “**Board**”), the only matters to be brought before the Meeting are those matters set forth in the accompanying Notice of Meeting.

### 1. Receipt of Financial Statements

The financial statements of the Corporation for the fiscal year ended December 31, 2019 and the report of the auditors thereon, will be submitted to the Meeting. Receipt at the Meeting of the auditor’s report and the Corporation’s audited financial statements for the fiscal year ended December 31, 2019 will not constitute approval or disapproval of any matters referred to therein.

### 2. Election of Directors

The Corporation’s articles provide that the Board will consist of a minimum of one (1) and a maximum of ten (10) directors. The Board currently consists of five (5) directors. At the Meeting, Shareholders will be asked to consider, and, if thought fit, approve with or without variation a resolution electing the six (6) persons named below. Emiliano Grodzki, Nicolas Bonta, Pierre Seccareccia, Brian Howlett, and Geoffrey Morphy are incumbent directors and will be proposed for re- election as directors of the Corporation. Mathieu Vachon is not an incumbent director and will be proposed for election as a director for the first time.

It is intended that each of the directors will hold office until the next annual meeting of Shareholders or until his or her successor is elected or appointed, unless such office is earlier vacated in accordance with the provisions of the *Canada Business Corporations Act* (the “**CBCA**”). In order to be effective, this resolution requires the approval of not less than 50% of the votes cast by Shareholders represented at the Meeting in person or by proxy.

Shareholders have the option to (i) vote for all of the directors of the Corporation listed in the table below; (ii) vote for some of the directors and withhold for others; or (iii) withhold for all of the directors. **Unless otherwise instructed, proxies and voting instructions given pursuant to this solicitation by the management of the Corporation will be voted FOR the election of each of the proposed nominees set forth in the table below.**

Management has no reason to believe that any of the nominees will be unable to serve as a director. However, if any proposed nominee is unable to serve as a director, the individuals named in the enclosed form of proxy will be voted in favour of the remaining nominees, and may be voted in favour of a substitute nominee unless the Shareholder has specified in the proxy that the Common Shares represented thereby are to be withheld from voting in respect of the election of directors.

The following table states the name of each person nominated by management for election as directors, such person's principal occupation or employment, period of service as a director of the Corporation, and the approximate number of voting securities of the Corporation that such person beneficially owns, or over which such person exercises direction or control:

| Name, and Province and Country of Residence                            | Principal Occupation During the Last Five Years <sup>(1)</sup>                                                                                                                                                                                                                                           | Director Since   | Common Shares Owned or Controlled <sup>(1)</sup> |
|------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|--------------------------------------------------|
| Emiliano Joel Grodzki <sup>(3)</sup><br><i>Buenos Aires, Argentina</i> | Interim Chief Executive Officer, Chief Strategy Officer, Founder and Director of the Corporation; Consultant in the cryptocurrency sector; Founder and Director of crypto247 (2018 – Present); Founder and Commercial Director of My Urban Foods (Aug 2012 – Aug 2015).                                  | October 11, 2018 | 11,820,772                                       |
| Nicolas Bonta<br><i>Buenos Aires, Argentina</i>                        | Chairman of the Board and Founder of the Corporation; Founder and Chief Executive Officer of Own Hotels (2006 – Present).                                                                                                                                                                                | October 11, 2018 | 11,210,706                                       |
| Brian Howlett <sup>(2)</sup><br><i>Ontario, Canada</i>                 | President and Chief Executive Officer of Hemlo Explorers Inc., Copper Reef Mining Corp. and CR Capital Corp. Director of Nighthawk Gold Corp. and Dundee Sustainable Technologies Inc.                                                                                                                   | April 17, 2020   | nil                                              |
| Pierre Seccareccia <sup>(2),(3)</sup><br><i>Québec, Canada</i>         | Full-time independent director for several public companies. Director of Groupe Ivanhoé Cambridge Inc., a real estate subsidiary of la Caisse de dépôt et placement du Québec.                                                                                                                           | June 12, 2019    | nil                                              |
| L. Geoffrey Morphy <sup>(1),(2),(3)</sup><br><i>Ontario, Canada</i>    | Independent consultant and director. Co-CEO of Dundee Sarea Fund (2018 – Present). Vice-President Corporate Development of Dundee Corporation (April 2016 – October 2019); Managing Director, Corporate Financing, Transactions & Valuations and Vice-President of Farber Financial Group (2008 – 2016). | May 19, 2020     | nil                                              |
| Mathieu Vachon<br><i>Québec, Canada</i>                                | Executive Vice President Technology & Operations of the Corporation (November 2017 – Present); Chief Technology Officer (January 2015 – October 2017).                                                                                                                                                   | N/A              | 8,484,403                                        |

**Notes:**

- (1) Information about principal occupation, business or employment, not being within the knowledge of the Corporation, has been furnished by respective persons set forth above. The information with respect to the Common Shares beneficially owned, controlled or directed is not within the direct knowledge of the Corporation and has been obtained from SEDI or furnished by the respective individuals. This table does not include Common Shares underlying unexercised stock options and warrants. Mr. Seccareccia hold 75,000 options to purchase Common Shares.
- (2) Member of the Audit Committee.
- (3) Member of the Governance, Nomination and Compensation Committee.

**Emiliano Joel Grodzki**

Emiliano Joel Grodzki serves as the interim Chief Executive Officer, Chief Strategy Officer and is a Director of the Corporation. Mr. Grodzki is an Argentinian entrepreneur, businessman and a founder of the Corporation. He has been a business builder and innovator since his early teens, founding, incubating, and exiting interdisciplinary ventures in the design, food, and construction industries. In 2016, he discovered the world of cryptocurrencies and began to invest in and mine cryptocurrencies from Argentina. Mr. Grodzki has a construction degree from ORT in Buenos Aires.

### ***Nicolas Bonta***

Nicolas Bonta serves as the Chairman of the Board. Mr. Bonta is an Argentinian hotelier, real estate investor and a founder of the Corporation. In 1998, he founded one of the first boutique hotel companies in Argentina named “Own Hotels” which has grown to six locations in the cities of Buenos Aires and Montevideo, Uruguay. Mr. Bonta has a bachelor’s degree in hospitality from Glion Institute of Higher Education in Switzerland.

### ***Brian Howlett***

Brian Howlett serves as a Director of the Corporation. Mr. Howlett is a seasoned professional with over thirty years of senior management experience. Mr. Howlett is currently the President, Chief Executive Officer and Director of Hemlo Explorers Inc., Copper Reef Mining Corporation, and CR Capital Corp. Mr. Howlett also serves on the Board for several junior mining companies. Mr. Howlett recently served as the President, Chief Executive Officer and a Director of Dundee Sustainable Technologies Inc. He also formerly served as the President and Chief Financial Officer of Superior Copper Corporation. Prior to that, Mr. Howlett spent twelve years with ELI Eco Logic Inc., including six years as Chief Financial Officer. Mr. Howlett graduated in 1982 with a B. Comm. in finance from Concordia University and received his CMA designation in 1989.

### ***Pierre Seccareccia***

Pierre Seccareccia serves as a Director of the Corporation. He has extensive experience in financial consulting and management. A Partner of the Coopers & Lybrand accounting firm from 1976 to 1998, he acted as Managing Partner for its Montreal south shore office from 1987 to 1989, for its Montreal central office from 1992 to 1996, and for its offices in the Province of Quebec from 1996 to 1998. Following the merger in 1998 of Coopers & Lybrand with Price Waterhouse, he acted as the Managing Partner for the Montreal office of PricewaterhouseCoopers LLP from 1998 to 2001. Since 2003, Mr. Seccareccia has acted as a full-time independent corporate director for various public and private entities. He is a Fellow CPA, CPA, and a lifetime member of the Ordre des comptables professionnels agréés du Québec. He is also a member of the Institute of Corporate Directors (Canada). He graduated from the École des hautes études commerciales de Montréal with a degree in Accounting.

### ***L. Geoffrey Morphy***

L. Geoffrey Morphy is Co-CEO of Dundee Sarea Fund, a Canadian-based turn-around fund with an investment in Italy. He was Vice-President, Corporate Development of Dundee Corporation (TSE: DC.A) from April 2016 to October 2019. In that capacity, he was part of the senior management team responsible for strategy, new investments and portfolio management. Since August 2016, Mr. Morphy has been a director of Android Industries, L.L.C., a Michigan-based Tier One auto parts manufacturing company with global operations. Mr. Morphy is a past director of Parq-Vancouver, Blue Goose Capital Corporation, and was previously Chairman of Montreal based Dundee Sustainable Technologies Inc. (CSE: DST) and Dundee Sarea Fund. Mr. Morphy has more than thirty years in cross-border and international commercial and corporate structuring and finance experience. He has occupied positions as Managing Director and Vice-President of a financial advisory firm and banks, such as the Farber Financial Group between 2008 and 2016, ABN Amro Bank N.V. and LaSalle Bank between 2005 and 2008, as well as Comerica Bank, between 2000 and 2005. Mr. Morphy holds a Bachelor of Commerce from Dalhousie University and in 2012 earned the designation of Certified Exit Planning Adviser from Chicago-based Exit Planning Institute and in 2019 was granted the designation of ICD.D from the Institute of Canadian Directors.

### ***Mathieu Vachon***

Mathieu Vachon serves as the Executive Vice President, Technology & Operations of the Corporation. Mr. Vachon has been employed as the Director of Software Engineering of Bitfarms Canada since 2017 at an annual salary of \$170,000 and is one of the founders of Backbone, along with Messrs. Bonta and Grodzki. Mr. Vachon has over twenty years of experience in software technology. Prior to founding Backbone, Mr. Vachon was the Chief Technology Officer of Hashrate Bizcorp Inc. a software and cloud technology company.

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### **Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

To the knowledge of the Corporation, no proposed director of the Corporation is, as at the date of this Circular, or within the ten (10) years prior to the date of this Circular has been, a director, chief executive officer or chief financial officer, of any company (including the Corporation) that:

- (a) while that person was acting in that capacity was subject to:
  - (i) a cease trade order (including any management cease trade order which applied to directors or executive officers of a company, whether or not the person is named in the order), or
  - (ii) an order similar to a cease trade order, or
  - (iii) an order that denied the relevant company access to any exemption under securities legislation,that was in effect for a period of more than thirty (30) consecutive days (an “**Order**”); or
- (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the knowledge of the Corporation, no proposed director of the Corporation (or any personal holding company of any such individual) is, or within the ten (10) years prior to the date of this Circular has:

- (a) been a director or executive officer of any corporation that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver manager or trustee appointed to hold its assets; or
- (b) become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets such individual.

To the knowledge of the Corporation, no proposed director of the Corporation (or any personal holding company of any such individual) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **3. Appointment of Auditors**

Kost, Forer, Gabbay & Kasierer, a Member of Ernst & Young Global (“**E&Y**”) are the independent registered certified auditors of the Corporation. E&Y was first appointed as auditor of the Corporation on April 12, 2018. Management of the Corporation intends to nominate E&Y for re-appointment as auditors of the Corporation.

At the Meeting, Shareholders will be asked to consider and, if thought advisable, to pass an ordinary resolution to re- appoint E&Y to serve as auditors of the Corporation until the next annual meeting of Shareholders and to authorize the directors of the Corporation to fix their remuneration as such. To be adopted, this resolution is required to be passed by the affirmative vote of a majority of the votes cast at the Meeting.

**Unless the Shareholder has specifically instructed that his or her Common Shares are to be withheld from voting in connection with the appointment of E&Y, the persons named in the accompanying proxy intend to vote FOR the re-appointment of E&Y as the auditors of the Corporation to hold office until the next annual meeting of Shareholders or until a successor is appointed, and to authorize the Board to fix their remuneration.**

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#### 4. Other Matters

Management of the Corporation knows of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the notice of meeting accompanying this Circular. However, if any other matter properly comes before the Meeting, valid forms of proxy will be voted on such matter in accordance with the best judgment of the persons voting the proxy.

#### STATEMENT OF EXECUTIVE COMPENSATION

##### Named Executive Officers

For the purposes of this Circular, a Named Executive Officer (“NEO”) of the Corporation means each of the following individuals:

- (a) a chief executive officer (“CEO”) of the Corporation;
- (b) a chief financial officer (“CFO”) of the Corporation;
- (c) in respect of the Corporation and its subsidiaries, the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than \$150,000; and
- (d) each individual who would be an NEO under paragraph (c) above but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, at the end of that financial year.

##### Oversight and description of Director and NEO Compensation

Compensation plays an important role in achieving short and long-term business objectives that ultimately drive business success. The Corporation’s compensation philosophy is to foster entrepreneurship at all levels of the organization through, among other things, the granting of stock options, which will be a significant component of executive compensation. This approach is based on the assumption that the performance of the Common Share price over the long term is an important indicator of long-term performance.

The Corporation’s compensation philosophy is based on the following fundamental principles:

- *Compensation programs align with Shareholder interests* – the Corporation aligns the goals of executives with maximizing long-term Shareholder value;
- *Performance sensitive* – compensation for executive officers should be linked to operating and market performance of the Corporation and fluctuate with the performance; and
- *Offer market competitive compensation to attract and retain talent* – the compensation program should provide market competitive pay in terms of value and structure in order to retain existing employees who are performing according to their objectives and to attract new individuals of the highest calibre.

The objectives of the compensation program in compensating all NEOs will be developed based on the above-mentioned compensation philosophy and will be as follows:

- to attract and retain highly qualified executive officers;
  - to align the interests of executive officers with Shareholders’ interests and with the execution of the Corporation’s business strategy;
  - to evaluate executive performance on the basis of key measurements that correlate to long-term Shareholder value; and
  - to tie compensation directly to those measurements and reward based on achieving and exceeding predetermined objectives.
-

The Corporation believes that transparent, objective and easily verified corporate goals, combined with individual performance goals, play an important role in creating and maintaining an effective compensation strategy for the NEOs. The Corporation's objective is to establish benchmarks and targets for its NEOs that will enhance Shareholder value if achieved.

Aggregate compensation for each NEO is designed to be competitive. The governance, nomination and compensation committee of the Board (the "**Governance, Nomination and Compensation Committee**") will review from time to time the compensation practices of similarly situated companies when considering the Corporation's executive compensation practices. The Governance, Nomination and Compensation Committee reviews each element of compensation for market competitiveness, and although it may weigh a particular element more heavily based on the NEO's role within the Corporation, it is primarily focused on remaining competitive in the market with respect to total compensation.

From time to time, on an ad hoc basis, the Governance, Nomination and Compensation Committee will review data related to compensation levels and programs of various companies that are similar in size to the Corporation and operate within technology industries or other emerging sectors. The Governance, Nomination and Compensation Committee also relies on the experience of its members as officers and/or directors at other companies in similar lines of business as the Corporation in assessing compensation levels. These other companies are identified in this Circular under the heading "*Corporate Governance – Directorships*".

### ***Compensation Governance***

The Governance, Nomination and Compensation Committee is responsible for ensuring that the Corporation has in place an appropriate plan for executive compensation and for making recommendations to the Board with respect to the compensation of the Corporation's executive officers. The Governance, Nomination and Compensation Committee will ensure that total compensation paid to all NEOs is fair, reasonable, and consistent with the Corporation's compensation philosophy.

From time to time the Governance, Nomination and Compensation Committee will make, and the Board reviews and may approve, recommendations regarding compensation to executive officers and directors. A combination of fixed and variable compensation is used to motivate executive officers to achieve overall corporate goals. The two basic components of the Corporation's executive officer compensation program are:

- base salary;
- annual incentive (bonus) payments; and
- option-based compensation.

Base salaries are paid in cash, and constitute the fixed portion of the total compensation paid to executive officers. Annual incentives comprise the remainder, and represent compensation that is "at risk" and thus may or may not be paid to the respective executive officer depending on: (i) whether the executive officer is able to meet or exceed his or her applicable performance targets; and, (ii) market performance of the Common Shares. To date, no specific formula has been developed to assign a specific weighting to each of these components. Instead, the Board will consider each performance target and the Corporation's performance and assigns compensation based on this assessment and the recommendations of the Governance, Nomination and Compensation Committee.

### ***Base Salary***

The Governance, Nomination and Compensation Committee and the Board will approve the salary ranges for the NEOs. The base salary review for each NEO is based on assessment of factors such as current competitive market conditions, compensation levels and practices of similarly situated companies and particular skills, such as leadership ability and management effectiveness, experience, responsibility and proven or expected performance of the particular individual. The Corporation may consider comparative data for the Corporation's peer group, which are accumulated from a number of external sources including independent consultants. The Corporation's policy for determining salary for executive officers will be consistent with the administration of salaries for all other employees.

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### ***Annual Incentive (Cash Bonus) Payments***

Cash annual incentive awards are based on various personal and company-wide achievements. Performance goals for annual incentive payments are subjective and include achieving individual and corporate targets and objectives, as well as general performance in day-to-day corporate activities.

The Board approves target annual incentive amounts for each NEO at the beginning of each financial year. The Governance, Nomination and Compensation Committee determines target amounts based on a number of factors, including comparable compensation of similar companies. Funding of the annual incentive awards is capped at the Corporation level and the distribution of funds to the executive officers will be at the discretion of the Governance, Nomination and Compensation Committee. Each NEO may receive partial or full payment of the target annual incentive amount set by the Governance, Nomination and Compensation Committee at the beginning of each financial year, depending on the number of the predetermined targets met, and the assessment of such NEO's overall performance by the Governance, Nomination and Compensation Committee and the Board.

In order to develop a recommendation to the Board regarding annual incentive payments, the Governance, Nomination and Compensation Committee assesses NEO performance subjectively, considering each NEO's respective success in achieving his or her individual objectives, contributions to the achievement of the Corporation's goals, and contributions to meeting the needs of the Corporation that arise on a day-to-day basis. If the Governance, Nomination and Compensation Committee cannot unanimously agree on a recommendation in respect of an NEO's annual incentive payment, the matter is referred to the full Board for decision.

The Board relies heavily on the recommendations of the Governance, Nomination and Compensation Committee in granting annual incentives. However, the Board reserves ultimate discretion in determining whether each NEO has met his or her targets, and has the right make positive or negative adjustments to any annual incentive payment recommended by the Governance, Nomination and Compensation Committee that it deems appropriate.

### ***Option-Based Compensation***

Options may be granted to directors, management, employees and certain service providers as long-term incentives to align the individual's interests with those of the Corporation. Options are awarded to directors and employees, including NEOs, at the Board's discretion, on the recommendation of the Governance, Nomination and Compensation Committee. Decisions with respect to options granted are based upon the individual's level of responsibility and their contribution towards the Corporation's goals and objectives, and additionally may be awarded in recognition of the achievement of a particular goal or extraordinary service. The Governance, Nomination and Compensation Committee considers outstanding options granted under the incentive stock option plan and held by management in determining whether to make any new grants of options, and the quantum or terms of any options grant.

### **Stock Option Plan**

The Corporation currently maintains an incentive stock option plan (the "**SOP**") to grant options ("**Options**") to purchase Common Shares of the Corporation. The SOP was last approved by Shareholders on September 16, 2019. The SOP provides that the Board may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Corporation, or any subsidiary of the Corporation, the option to purchase Common Shares. The SOP provides for a fixed limit of 20% of the outstanding Common Shares as at June 20, 2019, being 11,414,975 Common Shares available for issuance under the SOP.

The purpose of the SOP is also to advance the interests of the Corporation through the motivation, attraction and retention of senior executives, directors, employees (including prospective employees) and consultants of the Corporation and to secure for the Corporation and the shareholders of the Corporation the benefits inherent in ownership of common shares by senior executives' directors, employees and consultants of the Corporation. The Board believes that share based awards provide an effective tool for the Corporation to enable it to attract and retain key personnel in the face of competition from larger companies.

The Board may determine and impose terms upon which each stock option shall become vested in respect of Common Shares issuable pursuant to the stock options. Options granted to any one person may not exceed 5% of the Common Shares outstanding. Options granted to all technical consultants may not exceed 2% of the Corporation's issued and outstanding Common Shares.

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The other material terms of the SOP are as follows:

- The exercise price of any Option shall not be less than the market value of the Common Shares as of the date of the grant, less the allowable discount by the TSX Venture Exchange.
- The expiry date of any Option shall be the date so fixed by the Board on the date of the grant, provided such expiry date shall be no later than the fifth anniversary of the date of the grant.
- Options expire no more than one year after the date the optionee ceases to be an employee, director or officer of the Corporation. Options may be exercised by the optionee's legal representative during said year.
- The SOP provides that the Board has the discretion to deem that an option be exercisable immediately, in full, notwithstanding that it has vesting provisions, upon the occurrence of certain events, such as a friendly or hostile takeover bid for the Corporation.
- Options may not be assigned or transferred.

Outstanding Options to purchase a total of 8,345,000 Common Shares have been issued to directors, officers, employees and consultants of the Corporation and remain outstanding. As at the date hereof, the number of Common Shares remaining available for issuance under the SOP is 3,069,975. The full text of the SOP is attached hereto as Appendix "A".

## EXECUTIVE COMPENSATION

### Director and NEO Compensation, Excluding Compensation Securities

The following table provides a summary of the compensation earned by the NEOs and directors for services rendered in all capacities during the fiscal year ended December 31, 2019. Some of such directors and officers received compensation from Backbone Hosting Solutions Inc. ("**Backbone**") and Bitfarms Ltd., a company incorporated under the laws of the State of Israel ("**Bitfarms Israel**"), subsidiaries of the Corporation, for acting in such capacities for the financial years ended December 31, 2019, 2018 and 2017.

Table of compensation excluding compensation securities

| Name and Principal Position                                                                         | Fiscal period | Salary, consulting fee, retainer or commission (\$) <sup>(6)</sup> | Bonus (\$) | Committee or meeting fees (\$) <sup>(5)</sup> | Value of perquisites (\$) | All other compensation (\$) | Total compensation (\$) |
|-----------------------------------------------------------------------------------------------------|---------------|--------------------------------------------------------------------|------------|-----------------------------------------------|---------------------------|-----------------------------|-------------------------|
| Wes Fulford <sup>(1),(14)</sup><br><i>Former CEO</i>                                                | 2019          | US\$220,000                                                        | nil        | nil                                           | US\$9,000                 | nil                         | US\$229,000             |
|                                                                                                     | 2018          | US\$180,219                                                        | nil        | nil                                           | US\$7,355                 | nil                         | US\$187,574             |
|                                                                                                     | 2017          | nil                                                                | nil        | nil                                           | nil                       | nil                         | nil                     |
| John Rim <sup>(2)</sup><br><i>CFO</i>                                                               | 2019          | US\$175,000                                                        | nil        | nil                                           | nil                       | nil                         | US\$175,000             |
|                                                                                                     | 2018          | US\$97,329                                                         | nil        | nil                                           | nil                       | nil                         | US\$97,329              |
|                                                                                                     | 2017          | nil                                                                | nil        | nil                                           | nil                       | nil                         | nil                     |
| Emiliano Joel Grodzki <sup>(3)</sup><br><i>Interim CEO,<br/>Director and Chief Strategy Officer</i> | 2019          | US\$170,000                                                        | nil        | nil                                           | US\$4,800                 | nil                         | US\$174,800             |
|                                                                                                     | 2018          | US\$200,000                                                        | nil        | nil                                           | US\$4,800                 | nil                         | US\$204,800             |
|                                                                                                     | 2017          | US\$30,137 <sup>(4)</sup>                                          | nil        | nil                                           | US\$733 <sup>(5)</sup>    | nil                         | US\$30,870              |
| Nicolas Bonta <sup>(7)</sup><br><i>Chairman and Consultant</i>                                      | 2019          | US\$170,000                                                        | nil        | nil                                           | US\$4,800                 | nil                         | US\$174,800             |
|                                                                                                     | 2018          | US\$200,000                                                        | nil        | nil                                           | US\$4,800                 | nil                         | US\$204,800             |
|                                                                                                     | 2017          | US\$30,137 <sup>(4)</sup>                                          | nil        | nil                                           | US\$733 <sup>(5)</sup>    | nil                         | US\$30,870              |

**Table of compensation excluding compensation securities**

| <b>Name and Principal Position</b>                                        | <b>Fiscal period</b> | <b>Salary, consulting fee, retainer or commission (\$)<sup>(6)</sup></b> | <b>Bonus (\$)</b> | <b>Committee or meeting fees (\$)<sup>(5)</sup></b> | <b>Value of perquisites (\$)</b> | <b>All other compensation (\$)</b> | <b>Total compensation (\$)</b> |
|---------------------------------------------------------------------------|----------------------|--------------------------------------------------------------------------|-------------------|-----------------------------------------------------|----------------------------------|------------------------------------|--------------------------------|
| Pierre-Luc Quimper <sup>(8)</sup><br><i>Former Director and President</i> | 2019                 | US\$128,548                                                              | nil               | nil                                                 | US\$4,800                        | nil                                | US\$133,348                    |
|                                                                           | 2018                 | US\$200,000                                                              | nil               | nil                                                 | US\$4,800                        | nil                                | US\$204,800                    |
|                                                                           | 2017                 | US\$30,137 <sup>(4)</sup>                                                | nil               | nil                                                 | US\$733 <sup>(5)</sup>           | nil                                | US\$30,870                     |
| Sophie Galper- Komet <sup>(9),(12)</sup><br><i>Independent Director</i>   | 2019                 | 22,500                                                                   | nil               | nil                                                 | nil                              | nil                                | 22,500                         |
|                                                                           | 2018                 | nil                                                                      | nil               | nil                                                 | nil                              | nil                                | nil                            |
|                                                                           | 2017                 | nil                                                                      | nil               | nil                                                 | nil                              | nil                                | nil                            |
| Pierre Seccareccia <sup>(10)</sup><br><i>Independent Director</i>         | 2019                 | 20,000                                                                   | nil               | nil                                                 | nil                              | nil                                | 20,000                         |
|                                                                           | 2018                 | nil                                                                      | nil               | nil                                                 | nil                              | nil                                | nil                            |
|                                                                           | 2017                 | nil                                                                      | nil               | nil                                                 | nil                              | nil                                | nil                            |
| Wendi Locke <sup>(11),(12)</sup><br><i>Independent Director</i>           | 2019                 | 20,000                                                                   | nil               | nil                                                 | nil                              | nil                                | 20,000                         |
|                                                                           | 2018                 | nil                                                                      | nil               | nil                                                 | nil                              | nil                                | nil                            |
|                                                                           | 2017                 | nil                                                                      | nil               | nil                                                 | nil                              | nil                                | nil                            |

**Notes:**

- (1) Wes Fulford became CEO of the Corporation on October 11, 2018. Pursuant to his employment agreement, Mr. Fulford earned an annual base salary of US\$220,000 and was entitled to a monthly car allowance of US\$750. On March 11, 2020, Wes Fulford resigned as CEO and as a Director of the Corporation, Backbone and Bitfarms Israel. In connection with his resignation, the Corporation agreed to issue to Mr. Fulford 500,000 Common Shares in consideration for past services.
- (2) John Rim became CFO of Backbone on May 22, 2018, CFO of Bitfarms Israel on August 1, 2018 and CFO of the Corporation on October 11, 2018. Pursuant to his employment agreement, Mr. Rim earns an annual base salary of US\$175,000. Mr. Rim is not a party to an employment or consulting agreement with Bitfarms Israel. On August 28, 2019, Mr. Rim resigned as the secretary of the Corporation.
- (3) Emiliano Joel Grodzki became a Director of Backbone on June 13, 2017 and on April 12, 2018 became a Director of Bitfarms Israel and Chief Strategy Officer of Backbone. On October 11, 2018, he became a Director and Chief Strategy Officer of the Corporation. On March 13, 2020, Mr. Grodzki was appointed as the interim CEO of the Corporation.
- (4) Amount earned between November 6, 2017 and December 31, 2017, the equivalent annualized salary of which is US\$200,000.
- (5) Monthly car allowance of US\$400.
- (6) Independent directors received an annual cash stipend of \$30,000, with an additional \$10,000 for serving as a chair of a board committee and an extra \$5,000 for serving as a non-chair member of a board committee during 2019.
- (7) Nicolas Bonta became Chairman of the Corporation on October 11, 2018.
- (8) Pierre-Luc Quimper became a Director of Bitfarms Israel on April 12, 2018, President and a Director of Backbone on June 13, 2018 and President and Director of the Corporation on October 11, 2018. On October 3, 2019, Mr. Quimper resigned as a Director and Officer of the Corporation.
- (9) Sophia Galper-Komet became a Director of the Corporation on February 1, 2019 and resigned on May 15, 2020.
- (10) Pierre Seccareccia became a Director of the Corporation on June 12, 2019.
- (11) Wendi Locke became a Director of the Corporation on June 13, 2018 and resigned on May 15, 2020.
- (12) Not standing for re-election to the board of Directors.

## Compensation Securities Table

The following table discloses the particulars of the option-based awards outstanding to NEOs and directors of the Corporation as at the date of this Circular, including awards granted before the most recently completed financial year.

| Name and Position                                         | Number of securities underlying unexercised options and percentage of class <sup>(1)</sup> | Date of issue or grant       | Option Exercise Price (\$) | Closing price of underlying security on date of grant (\$) | Closing price of underlying security at year end (\$) | Option Expiration Date       |
|-----------------------------------------------------------|--------------------------------------------------------------------------------------------|------------------------------|----------------------------|------------------------------------------------------------|-------------------------------------------------------|------------------------------|
| <i>Wes Fulford</i><br><i>Former CEO</i>                   | 500,000 (6.1%) <sup>(1)</sup>                                                              | June 20, 2019 <sup>(1)</sup> | US\$ 0.69                  | \$ 0.99                                                    | \$ 0.50                                               | June 9, 2020                 |
|                                                           | 1,500,000 (18.2%)                                                                          | June 20, 2019                | \$ 0.99                    | \$ 0.99                                                    | \$ 0.50                                               | July 31, 2022 <sup>(2)</sup> |
|                                                           | 1,353,744 (16.4%)                                                                          | June 20, 2019                | \$ 1.19                    | \$ 0.99                                                    | \$ 0.50                                               | July 31, 2022 <sup>(2)</sup> |
|                                                           | 146,256 (1.8%)                                                                             | August 12, 2019              | \$ 1.25                    | \$ 0.99                                                    | \$ 0.50                                               | July 31, 2022 <sup>(2)</sup> |
| <i>John Rim</i><br><i>CFO</i>                             | 1,250,000 (15.2%)                                                                          | June 20, 2019                | \$ 0.99                    | \$ 0.99                                                    | \$ 0.50                                               | June 20, 2024                |
|                                                           | 1,128,120 (13.7%)                                                                          | June 20, 2019                | \$ 1.19                    | \$ 0.99                                                    | \$ 0.50                                               | June 20, 2024                |
|                                                           | 121,880 (1.5%)                                                                             | August 12, 2019              | \$ 1.25                    | \$ 0.99                                                    | \$ 0.50                                               | August 12, 2024              |
|                                                           | 100,000 (100%) <sup>(2)</sup>                                                              | June 20, 2019 <sup>(3)</sup> | N/A                        | \$ 0.99                                                    | \$ 0.50                                               | N/A                          |
| <i>Sophie Galper-Komet</i><br><i>Independent Director</i> | 18,750 (0.2%)                                                                              | June 20, 2019                | \$ 0.99                    | \$ 0.99                                                    | \$ 0.50                                               | August 15, 2020              |
| <i>Pierre Seccareccia</i><br><i>Independent Director</i>  | 75,000 (0.9%)                                                                              | June 20, 2019                | \$ 0.99                    | \$ 0.99                                                    | \$ 0.50                                               | June 20, 2024                |
| <i>Wendi Locke</i><br><i>Independent Director</i>         | 18,750 (0.2%)                                                                              | June 20, 2019                | \$ 0.99                    | \$ 0.99                                                    | \$ 0.50                                               | August 15, 2020              |

### Notes:

- (1) Issued to Mr. Fulford on March 7, 2018 in accordance with the terms of his original employment agreement with Backbone, the terms of which were amended on June 20, 2019.
- (2) On March 11, 2020, Wes Fulford resigned as CEO and as a Director of the Corporation, Backbone and Bitfarms Israel. In connection with his resignation, the Corporation agreed to maintain Mr. Fulford as a consultant until July 31, 2021. All vested Options expire 1 year after the termination of the consulting agreement.
- (3) 100,000 stock rights were issued to Mr. Rim on May 22, 2018 in accordance with the terms of his original employment agreement with Backbone, the terms of which were amended on June 20, 2019.
- (4) Directors resigned May 15, 2020. All unvested Options were forfeited and vested Options expire 3 months from the resignation date.

## Exercise of Stock Options by NEOs and Directors

The following table sets forth information concerning the exercise of options by NEOs and directors during the fiscal year ended December 31, 2019.

| Name and Position                                                        | Number of underlying securities exercised (#) | Exercise Price per security (\$) | Date of exercise | Closing price per security on date of exercise (\$) | Difference between exercise price and closing price on date of exercise (\$) | Total value on exercise date (\$) |
|--------------------------------------------------------------------------|-----------------------------------------------|----------------------------------|------------------|-----------------------------------------------------|------------------------------------------------------------------------------|-----------------------------------|
| Wes Fulford<br><i>Former CEO</i>                                         | nil                                           | N/A                              | N/A              | N/A                                                 | N/A                                                                          | N/A                               |
| John Rim<br><i>CFO</i>                                                   | nil                                           | N/A                              | N/A              | N/A                                                 | N/A                                                                          | N/A                               |
| Sophie Galper-Komet <sup>(1)</sup><br><i>Former Independent Director</i> | nil                                           | N/A                              | N/A              | N/A                                                 | N/A                                                                          | N/A                               |
| Pierre Seccareccia<br><i>Independent Director</i>                        | nil                                           | N/A                              | N/A              | N/A                                                 | N/A                                                                          | N/A                               |
| Wendi Locke <sup>(1)</sup><br><i>Former Independent Director</i>         | nil                                           | N/A                              | N/A              | N/A                                                 | N/A                                                                          | N/A                               |

### Note:

(1) Resigned from the Board effective May 15, 2020.

## Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth information in respect of the Corporation's equity compensation plans under which equity securities of the Corporation are authorized for issuance, aggregated in accordance with all equity plans previously approved by the Shareholders and all equity plans not approved by Shareholders as at December 31, 2019:

| Plan Category                                                        | Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (#) | Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (\$) | Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (#) |
|----------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| Equity compensation plans approved by securityholders <sup>(1)</sup> | 8,345,000                                                                                       | \$1.04 <sup>(2)</sup>                                                            | 3,069,975                                                                                        |
| Equity compensation plans not approved by securityholders            | Nil                                                                                             | N/A                                                                              | Nil                                                                                              |
| <b>Total</b>                                                         | <b>8,345,000</b>                                                                                | <b>\$1.04<sup>(2)</sup></b>                                                      | <b>3,069,975</b>                                                                                 |

### Notes:

- (1) The Corporation's SOP is a fixed stock option plan, last approved by the Shareholders at a meeting on September 16, 2019, pursuant to which a fixed maximum of 11,414,975 Common Shares may be reserved for issuance.
- (2) 500,000 Options held by Mr. Fulford have an exercise price of approximately US\$0.6868; as reported in the audited financial statement of the Corporation for the year ended December 31, 2019, this is equivalent to approximately \$0.87 in Canadian dollars.

## Employment, Consulting, and Management Agreements

### Wes Fulford

On March 11, 2020, in connection with the resignation of Mr. Fulford, the Corporation entered into a consulting agreement with Wes Fulford, pursuant to which Mr. Fulford is retained as a consultant. The Corporation shall pay to Mr. Fulford a monthly consulting fee and Mr. Fulford shall retain his granted and vested Options.

### John Rim

On May 22, 2018 and as amended on February 19, 2020, March 15, 2019 and June 10, 2019, Backbone entered into an employment agreement with John Rim, pursuant to which Mr. Rim is employed as CFO of Backbone and the Corporation, in consideration of an annual base salary of US\$175,000 on a full-time basis. Backbone may terminate the employment without cause upon three months' notice for each partial year or completed year of employment, or pay in lieu of such notice up to a maximum notice period of twenty-four months. This same amount will be payable upon the termination of the employment agreement within twelve months of a Change of Control. Mr. Rim has entered into a non-competition and non-disclosure agreement with Backbone.

***Emiliano Joel Grodzki***

On April 12, 2018 and as amended on March 15, 2019, May 24, 2018 and June 10, 2019, Backbone entered into a consulting services agreement with Emiliano Grodzki, pursuant to which Mr. Grodzki is retained as Chief Strategy Officer of Backbone and of the Corporation, in consideration of annual consulting fee of US\$170,000. Mr. Grodzki's duties and responsibilities include the overall vision and mission of Backbone and participation as a member of the executive management team. He will focus on effective growth, oversee implementation of the strategic plan in close coordination with Backbone's board of directors, build new partnerships to grow and sustain the organization and, manage special pilot projects. Mr. Grodzki shall devote 75% of his time to this position. Backbone may terminate Mr. Grodzki's consulting services agreement without cause, in which case Mr. Grodzki will be owed an amount equivalent to 12-months of consulting fees following his termination. This same amount will be payable upon the termination of the consulting services agreement within twelve months of a Change of Control. Mr. Grodzki has entered into a non-competition and non-disclosure agreement with Backbone.

***Nicolas Bonta***

On April 12, 2018 and as amended on May 24, 2018 and June 10, 2019, Backbone entered into a consulting services agreement with Nicolas Bonta, pursuant to which Mr. Bonta is retained as a consultant, in consideration of annual consulting fee of US\$170,000. Mr. Bonta's duties and responsibilities include: acting as Chairman of the Board of Backbone and of the Corporation, undertaking investor relations initiatives and programs to broaden investor awareness and, developing recommendations to refine Backbone's corporate development strategy. It is expected that Mr. Bonta shall devote 75% of his time to this position. Backbone may terminate Mr. Bonta's consulting services agreement without cause, in which case Mr. Bonta will be owed an amount equivalent to 12-months of consulting fees following his termination. This same amount will be payable upon the termination of the consulting services agreement within twelve months of a Change of Control. Mr. Bonta has entered into a non-competition and non-disclosure agreement with Backbone.

***Ryan Hornby***

On April 15, 2019 and as amended on June 10, 2019, Backbone entered into an employment agreement with Ryan Hornby, pursuant to which Mr. Hornby is employed as General Counsel and Executive Vice President of Backbone and the Corporation, in consideration of an annual base salary of \$200,000 on a full-time basis. Backbone may terminate the employment without cause upon two months' notice for each partial year or completed year of employment, or pay in lieu of such notice up to a maximum notice period of twenty-four months. In the event of the termination of Mr. Hornby's employment by him within twelve months of a Change of Control, he shall be entitled two months' notice for each partial year or completed year of employment, or pay in lieu of such notice up to a maximum notice period of twenty-four months, subject to a minimum notice period of twelve month. Mr. Hornby has entered into a non-competition and non-disclosure agreement with Backbone.

***Mathieu Vachon***

On April 12, 2018 and as amended on May 24, 2018, March 15, 2019 and on June 10, 2019, Backbone entered into an employment agreement with Mathieu Vachon, pursuant to which Mr. Vachon was employed as Director of Software Engineering of Backbone, in consideration of an annual base salary of US\$170,000 on a full-time basis. On October 18, 2019, Mr. Vachon became Executive Vice President, Technology and Operations of Backbone and the Corporation, and his relationship with Backbone continues to be governed by the employment agreement. Backbone may terminate the employment without cause at any time, provided that Backbone pay any amount of base salary which is payable for the remainder of the agreement plus an additional amount, if any, for minimum notice of termination or pay in lieu of such notice and severance, as required under Canadian employment standard laws. This same amount will be payable upon the termination of the employment agreement within twelve months of a Change of Control. Mr. Vachon has entered into a non-competition and non-disclosure agreement with Backbone.

**Pension Plan Benefits, Termination and Change of Control Benefits**

The Corporation has no pension or retirement plan. The Corporation has not provided compensation, monetary or otherwise to any person who now acts as a NEO of the Corporation, in connection with or related to the retirement, termination or resignation of such person and the Corporation has provided no compensation to such persons as a result of a change of control of the Corporation, its subsidiaries or affiliates. Other than as may be provided pursuant to the employment or consulting agreements with Mr. Rim, Grodzki, Mr. Bonta, Mr. Hornby and Mr. Vachon, each as described herein, the Corporation is not party to any compensation plan or arrangement with NEOs resulting from the resignation, retirement or the termination of employment of any person.

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## Compensation Risk Considerations

The Governance, Nomination and Compensation Committee is responsible for considering, establishing and reviewing executive compensation programs, and whether the programs encourage unnecessary or excessive risk taking. The Corporation anticipates the programs will be balanced and will not motivate unnecessary or excessive risk taking. The Corporation does not currently have a policy that restricts directors or NEOs from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in market value of equity. However, to the knowledge of the Corporation, as of the date of hereof, no director or NEO of the Corporation has participated in the purchase of such financial instruments.

Base salaries are fixed in amount and do not encourage risk taking. While annual incentive awards will focus on the achievement of short-term or annual goals and short-term goals may encourage the taking of short-term risks at the expense of long-term results, the Corporation's annual incentive award program will represent a small percentage of employees' compensation opportunities.

Stock option awards are important to further align employees' interests with those of the Shareholders. The ultimate value of the awards is tied to the price of the Common Shares and since awards are expected to be staggered and subject to long-term vesting schedules, they will help ensure that NEOs have significant value tied in long-term stock price performance.

## Compensation of Directors

Pursuant to its Articles, the Corporation may have a minimum of one (1) and a maximum of ten (10) directors. At the date of the Circular, the Corporation has six directors.

The Corporation regularly reviews the competitiveness of non-employee director compensation levels against the competitive marketplace. While the results of that review have generally demonstrated that non-employee director compensation levels at the Corporation were competitive with the market, adjustments to annual fees have been made throughout the Corporation's growth cycle in recent years to further strengthen the Corporation's competitiveness while also reflecting the greater time and commitment required of the roles. In particular, an adjustment was made effective January 1, 2019 to the annual fees for non-employee directors. A summary of the changes in compensation provided to the Corporation's non-employee directors is as follows:

| Item                                      | Effective January 1, 2019 |
|-------------------------------------------|---------------------------|
| Non-Employee Director Annual Cash Stipend | \$30,000                  |
| Board Committee Chair Fee                 | \$10,000                  |
| Board Committee Non-Chair Fee             | \$5,000                   |

## INDEBTEDNESS OF DIRECTORS AND OFFICERS

None of the current or proposed directors or officers of the Corporation, nor any affiliate or associate of the current or proposed directors or officers of the Corporation, is or was indebted to the Corporation (or to another entity which is the subject of a guarantee support agreement, letter of credit, or other similar arrangement or undertaking provided by the Corporation) entered into in connection with a purchase of securities or otherwise per item 10.1 of National Instrument 51-102F5 – *Information Circular*, at any time since its incorporation.

## AUDIT COMMITTEE

The Audit Committee is responsible for monitoring the Corporation's accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures, the quality and integrity of financial statements and for directing the auditors' examination of specific areas.

The current members of the Audit Committee are Pierre Seccareccia, Brian Howlett, and Geoffrey Morphy. No member of the Audit Committee is an executive officer, employee, or control person of the Corporation or any of its affiliates and all are considered "independent" directors as defined in National Instrument 52-110 – *Audit Committees* ("NI 52-110"). Each member of the Audit Committee is considered to be "financially literate" within the meaning of NI 52-110, which includes the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the Corporation's financial statements. The full text of the charter of the Audit Committee (the "**Audit Committee Charter**") is attached as Appendix "B". A copy of the Audit Committee Charter is also available on the Corporation's website at [www.bitfarms.com](http://www.bitfarms.com) and under the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).

## Relevant Education and Experience

The relevant education and experience of each of the members of the Audit Committee is as follows:

| Name of Member               | Education                                                                                                                                                  | Experience                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Pierre Seccareccia           | Accounting degree from École des hautes études commerciales de Montréal (1969). Fellow of the Ordre des comptables professionnels agréés du Québec (1970). | Mr. Seccareccia has extensive experience in financial consulting and management. A Partner of the Coopers & Lybrand accounting firm from 1976 to 1998, he acted as Managing Partner for its Montreal south shore office from 1987 to 1989, for its Montreal central office from 1992 to 1996, and for its offices in the Province of Quebec from 1996 to 1998. Following the merger in 1998 of Coopers & Lybrand with Price Waterhouse, he acted as Managing Partner for the Montreal office of PricewaterhouseCoopers LLP from 1998 to 2001. Since 2003, Mr. Seccareccia has acted as a full-time independent corporate director for various public and private entities.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Brian Howlett <sup>(1)</sup> | Bachelor of Commerce from Concordia University (1982). CMA designation (1989).                                                                             | Mr. Howlett is currently the President, Chief Executive Officer and Director of Hemlo Explorers Inc., Copper Reef Mining Corporation, and CR Capital Corp. Mr. Howlett also serves on the Board for several junior mining companies. Mr. Howlett recently served as the President, Chief Executive Officer and a Director of Dundee Sustainable Technologies Inc. He also formerly served as the President and Chief Financial Officer of Superior Copper Corporation. Prior to that, Mr. Howlett spent twelve years with ELI Eco Logic Inc., including six years as Chief Financial Officer.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Geoffrey Morphy              | B.Comm from the Dalhousie University (1984). Certified Exit Planning Adviser. ICD.D from the Institute of Canadian Directors (2019).                       | L. Geoffrey Morphy is Co-CEO of Dundee Sarea Fund, a Canadian-based turn-around fund with an investment in Italy. He was Vice-President, Corporate Development of Dundee Corporation (TSE: DC.A) from April 2016 to October 2019. In that capacity, he was part of the senior management team responsible for strategy, new investments and portfolio management. Since August 2016, Mr. Morphy has been a director of Android Industries, L.L.C, a Michigan-based Tier One auto parts manufacturing company with global operations. Mr. Morphy is a past director of Parq-Vancouver, Blue Goose Capital Corporation, and was previously Chairman of Montreal based Dundee Sustainable Technologies Inc. (CSE: DST) and Dundee Sarea Fund. Mr. Morphy has more than thirty years in cross-border and international commercial and corporate structuring and finance experience. He has occupied positions as Managing Director and Vice-President of a financial advisory firm and banks, such as the Farber Financial Group between 2008 and 2016, ABN Amro Bank N.V. and LaSalle Bank between 2005 and 2008, as well as Comerica Bank, between 2000 and 2005. Mr. Morphy holds a Bachelor of Commerce from Dalhousie University and in 2012 earned the designation of Certified Exit Planning Adviser from Chicago-based Exit Planning Institute and in 2019 was granted the designation of ICD.D from the Institute of Canadian Directors. |

### Notes:

(1) Chair of the Audit Committee.

## Audit Committee Oversight

Since the commencement of the Corporation's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Board.

## Pre-Approval Policies and Procedures

The Audit Committee is required to pre-approve all audit and non-audit services not prohibited by law to be provided by the independent auditors of the Corporation.

## External Auditor Service Fees

The following table provides details in respect of audit, audit related, tax and other fees billed by the Corporation's external auditor during the fiscal years ended December 31, 2019 and December 31, 2018.

|                                         | Year Ended December 31, 2019 | Year Ended December 31, 2018 |
|-----------------------------------------|------------------------------|------------------------------|
| <b>Audit Fees<sup>(1)</sup></b>         | \$240,000                    | \$472,000                    |
| <b>Audit Related Fees<sup>(2)</sup></b> | \$250,000                    | \$16,000                     |
| <b>Tax Fees<sup>(3)</sup></b>           | \$15,000                     | \$39,000                     |
| <b>All Other Fees<sup>(4)</sup></b>     | \$80,000                     | nil                          |
| <b>Total</b>                            | \$585,000                    | \$527,000                    |

### Notes:

- (1) Aggregate fees billed for professional services rendered by the auditor for the audit of the Corporation's annual financial statements.
- (2) Aggregate fees billed for professional services rendered by the auditor and consisted primarily of file quality review fees and fees for the review of quarterly financial statements and related documents.
- (3) Aggregate fees billed for tax compliance, tax advice and tax planning professional services. These services included reviewing tax returns and assisting in responses to government tax authorities.
- (4) Aggregate fees billed for services other than those mentioned above consist primarily of services related to the Corporation's filing of its final prospectus dated June 12, 2019.

## Exemption

Since the Corporation is a "venture issuer" pursuant to NI 52-110 (its securities are not listed or quoted on any of the Toronto Stock Exchange, a market in the U.S., or a market outside of Canada and the U.S.), it is relying on the exemption in section 6.1 of NI 52-110, exempting the Corporation from the requirements of Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

## CORPORATE GOVERNANCE

National Policy 58-201 – *Corporate Governance Guidelines* of the Canadian Securities Administrators sets out a series of guidelines for effective corporate governance (the "**Guidelines**"). The Guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of board members. National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**") requires the disclosure by each listed corporation of its approach to corporate governance with reference to the Guidelines as it is recognized that the unique characteristics of individual corporations will result in varying degrees of compliance.

Set out below is a description of the Corporation's approach to corporate governance in relation to the Guidelines.

## Board of Directors

NI 58-101 defines an "independent director" as a director who has no direct or indirect material relationship with the Corporation. A "material relationship" is in turn defined as a relationship which could, in the view of the Board, be reasonably expected to interfere with such member's independent judgment.

The Board is currently comprised of five (5) members, three (3) of whom the Board has determined to be "independent directors" within the meaning of NI 58-101. Pierre Seccareccia, Brian Howlett, and Geoffrey Morphy are considered independent directors within the meaning of NI 58-101 since they are each independent of management and free from any material relationship with the Corporation. The basis for this determination is that, since the date of incorporation of the Corporation, none of the independent directors have worked for the Corporation, received remuneration from the Corporation or had material contracts with or material interests in the Corporation which could interfere with their ability to act with a view to the best interests of the Corporation. Emiliano Joel Grodzki is not considered an independent director because he is also an officer of the Corporation. Nicolas Bonta is not considered an independent director because of his relationship as a consultant to the Corporation who receives a salary in excess of \$150,000. If elected, Mathieu Vachon will not be considered independent because he is an officer of the Corporation.

The Board functions independently of management. To enhance its ability to act independent of management, the Board may in the future meet in the absence of members of management or may excuse such persons from all or a portion of any meeting where an actual or potential conflict of interest arises or where the Board otherwise determines is appropriate.

A copy of the mandate of the Board is available on the Corporation's website at [www.bitfarms.com](http://www.bitfarms.com) and under the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).

## Directorships

Certain of the directors and proposed directors of the Corporation are also current directors of other reporting issuers (or equivalent) in a jurisdiction or a foreign jurisdiction as follows:

| <b>Name of Director</b> | <b>Other reporting issuer<br/>(or equivalent in a foreign jurisdiction)</b> | <b>Trading Market</b> |
|-------------------------|-----------------------------------------------------------------------------|-----------------------|
| Emiliano Joel Grodzki   | N/A                                                                         | N/A                   |
| Nicolas Bonta           | N/A                                                                         | N/A                   |
|                         | Hemlo Explorers Inc.                                                        | TSXV: HMLO            |
|                         | Dundee Sustainable Technologies Inc.                                        | CSE: DST              |
| Brian Howlett           | Nighthawk Gold Corp                                                         | TSX: NHK              |
|                         | Copper Reef Mining Corp.                                                    | CSE: CZC              |
|                         | CR Capital Corp.                                                            | TSXV: CIT             |
| Pierre Seccareccia      | N/A                                                                         | N/A                   |
| L. Geoffrey Morphy      | N/A                                                                         | N/A                   |

## Orientation and Continuing Education

While the Corporation currently has no formal orientation and education program for new Board members, it is expected that sufficient information (such as recent financial statements, technical reports and various other operating, property and budget reports) will be provided to all new Board members to ensure that new directors are familiarized with the Corporation's business and the procedures of the Board. In addition, new directors will be encouraged to visit and meet with management on a regular basis. The Corporation will also encourage continuing education of its directors and officers where appropriate in order to ensure that they have the necessary skills and knowledge to meet their respective obligations to the Corporation. The Board's continuing education will also consist of correspondence with the Corporation's legal counsel to remain up to date with developments in relevant corporate and securities law matters.

## Ethical Business Conduct

The fiduciary duties placed on individual directors by the Corporation's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest will ensure that the Board operates independently of management and in the best interests of the Corporation.

Under corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of the Corporation and to exercise the care, diligence, and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, as some of the directors and proposed directors of the Corporation also serve as directors and officers of other companies engaged in similar business activities, directors must comply with the conflict of interest provisions of the CBCA, as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest.

Any interested director will be required to declare the nature and extent of his or her interest and will not be entitled to vote at meetings of directors at which matters that give rise to such a conflict of interest are considered.

A copy of the Corporation's code of business conduct and ethics is available on the Corporation's website at [www.bitfarms.com](http://www.bitfarms.com) and under the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).

## **Board Committees**

The Board has two standing committees: the Audit Committee and the Governance, Nomination and Compensation Committee. The members of these committees are in this Circular under the heading "*Audit Committee*" above, and under the heading "*Governance, Nomination and Compensation Committee*" below. The Board has adopted the Audit Committee Charter, which is attached as Appendix "B" to this Circular. A copy of the charter for the Governance, Nomination and Compensation Committee is available on the Corporation's website at [www.bitfarms.com](http://www.bitfarms.com) and under the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).

### ***Governance, Nomination and Compensation Committee***

Responsibility for identifying new candidates to join the Board belongs to the Board as a whole. The Board encourages all directors to participate in the process of identifying and recruiting new candidates. The Governance, Nomination and Compensation Committee has the responsibility of making recommendations to the Board with respect to the new nominees and for assessing directors on an on-going basis. While there are no specific criteria for Board membership, the Corporation will seek to attract and retain directors with business knowledge and a particular expertise in cryptocurrencies and technology or other areas of specialized knowledge (such as finance) which will assist in guiding the officers of the Corporation. The members of the Governance, Nomination and Compensation Committee are currently L. Geoffrey Morphy (Chair), Emiliano Grodzki and Pierre Seccareccia. L. Geoffrey Morphy and Pierre Seccareccia are independent directors within the meaning of NI 58-101.

The Governance, Nomination and Compensation Committee is responsible for assisting the Corporation in determining compensation of senior management of the Corporation as well as reviewing the adequacy and form of the directors' compensation. The Compensation Committee is expected to annually review the goals and objectives of the Corporation's CEO for the upcoming year and to perform an appraisal of the Corporation's CFO's performance for the past year. The Governance, Nomination and Compensation Committee will also administer and make recommendations regarding the operation of the Corporation's incentive plans.

The Governance, Nomination and Compensation Committee reviews, on an annual basis, the adequacy and form of compensation of directors and officers and will ensure that the levels of compensation of the Board reflect the responsibilities, time commitment and risks involved in being an effective director.

### ***Audit Committee***

The Corporation has established an Audit Committee comprised of directors who are not executive officers, employees, or control persons of the Corporation or any of its affiliates, and who are considered to be financially literate in accordance with applicable securities laws. The Audit Committee Charter is attached as Appendix "B" to this Circular. See "*Audit Committee*". A copy of the Audit Committee Charter is also available on the Corporation's website at [www.bitfarms.com](http://www.bitfarms.com) and under the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).

### ***Other Board Committees***

The Board has no committees other than the Audit Committee and the Governance, Nomination and Compensation Committee. The Board may establish additional committees depending on the needs of the Corporation.

## **Assessments**

The Board will consider the Board and committee performance from time to time, as required.

## **Diversity**

The Corporation has neither adopted term limits for the directors on its Board nor adopted any particular mechanisms of board renewal due to the fact that the Corporation is in its early developmental and growth stage. Consequently, the Corporation views the imposition of term limits or other board renewal mechanisms as disruptive to the development and success of the Corporation.

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To date, the Corporation has not adopted a formal written diversity policy and has not established targets with respect to the appointment of individuals to the Board or senior management who are women, Indigenous peoples (First Nations, Inuit and Metis), persons with disabilities, members of visible minorities or otherwise self-represent as being within designated groups (as that term is defined in the *Employment Equity Act* (Canada) (collectively, “**Designated Groups**”). The Corporation and its Governance, Nomination and Compensation Committee recognize the benefits of diversity within its Board, at the executive level, and at all levels of the organization, but does not believe that a formal policy would enhance the representation of Designated Groups on the board beyond the recruitment and selection process at its present stage in its business cycle. Diversity is one of several factors that the Corporation and its Governance, Nomination and Compensation Committee consider during the recruitment and selection process.

As of the date of this Circular, the Corporation has a total of five (5) directors and four (4) members of senior management. No directors are members of a Designated Group (0%) and no members of senior management are a member of a Designated Group (0%).

#### INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the knowledge of the Corporation, since the Corporation’s incorporation, no director, executive officer, or Shareholder who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares, or any known associates or affiliates or such persons, has or has had any material interest, direct or indirect, in any transaction or in any proposed transaction that has materially affected or is reasonably expected to materially affect the Corporation.

#### MANAGEMENT CONTRACTS

There are no management functions of the Corporation which are to any substantial degree performed by a person or a company other than the directors or executive officers of the Corporation.

#### ADDITIONAL INFORMATION

The Corporation will provide to any shareholder, upon written request to the Chief Financial Officer of the Corporation at 1376 Bayview Ave, Unit 1, Toronto, Ontario M4G 3A1, telephone: (416) 804-8535, facsimile: (647) 259-1785, a copy of:

- (a) the audited financial statements of the Corporation for its most recently completed financial period, together with the management’s discussion and analysis of such financial results and the auditor’s report thereon, and one copy of any interim financial statements subsequent to the financial statements of the Corporation that have been filed for any period after the end of its most recently completed financial period; and
- (b) this Circular.

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information about the Corporation may be found in the Corporation’s consolidated financial statements and management’s discussion and analysis for its most recently completed financial period.

#### APPROVAL

The contents of this Circular and the sending thereof to the Shareholders have been approved by the Board.

**DATED** this 20<sup>th</sup> day of May, 2020.

**BY ORDER OF THE BOARD OF DIRECTORS**

*(Signed) “Nicolas Bonta”*

Nicolas Bonta  
Chairman of the Board of Directors

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**APPENDIX “A”**

**AUDIT COMMITTEE CHARTER**

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**BITFARMS LTD.**  
**AUDIT COMMITTEE CHARTER**

This charter (the “**Charter**”) sets forth the purpose, composition, responsibilities and authority of the Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of Bitfarms Ltd. (“**Bitfarms Canada**” or the “**Company**”).

**1.0 Mandate**

The Committee shall:

- (a) assist the Board in its oversight role with respect to the quality and integrity of the financial information;
- (b) assess the effectiveness of the Company’s risk management and compliance practices;
- (c) assess the independent auditor’s performance, qualifications and independence;
- (d) assess the performance of the Company’s internal audit function;
- (e) ensure the Company’s compliance with legal and regulatory requirements; and
- (f) prepare such reports of the Committee required to be included in any Management Information Circular in accordance with applicable laws or the rules of applicable securities regulatory authorities.

**2.0 Composition and Membership**

The committee shall be composed of not less than three members, each of whom shall be a director of the Company. A majority of the members of the Committee shall not be an officer or employee of the Company. All members shall satisfy the applicable independence and experience requirements of the laws governing the Company, the applicable stock exchanges on which the Company’s securities are listed and applicable securities regulatory authorities.

Each member of the Committee shall be financially literate as such qualification is interpreted by the Board of Directors in its business judgment.

Members of the Committee shall be appointed or reappointed at the annual meeting of the Company and in the normal course of business will serve a minimum of three years. Each member shall continue to be a member of the Committee until a successor is appointed, unless the member resigns, is removed or ceases to be a Director. The Board of Directors may fill a vacancy that occurs in the Committee at any time.

The Board of Directors or, in the event of its failure to do so, the members of the Committee, shall appoint or reappoint, at the annual meeting of the Company a Chair among their number. The Chair shall not be a former Officer of the Company. Such Chair shall serve as a liaison between members and senior management.

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The time and place of meetings of the Committee and the procedure at such meetings shall be determined from time to time by the members therefore provided that:

- (a) a quorum for meetings shall be at least three members;
- (b) the Committee shall meet at least quarterly;
- (c) notice of the time and place of every meeting shall be given in writing or by telephone, facsimile, email or other electronic communication to each member of the Committee at least 24 hours in advance of such meeting;
- (d) a resolution in writing signed by all directors entitled to vote on that resolution at a meeting of the Committee is as valid as if it had been passed at a meeting of the Committee.

The Committee shall report to the Board of Directors on its activities after each of its meetings. The Committee shall review and assess the adequacy of this Charter annually and, where necessary, will recommend changes to the Board of Directors for its approval. The Committee shall undertake and review with the Board of Directors an annual performance evaluation of the Committee, which shall compare the performance of the Committee with the requirements of this Charter and set forth the goals and objectives of the Committee for the upcoming year. The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate. The report to the Board of Directors may take the form of an oral report by the chairperson of the Committee or any other designated member of the Committee.

#### **4.0 Duties and Responsibilities**

##### **4.1 Oversight of the Independent Auditor**

- (a) Sole authority to appoint or replace the independent auditor (subject to shareholder ratification) and responsibility for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between Management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Committee.
  - (b) Sole authority to pre-approve all audit services as well as non-audit services (including the fees, terms and conditions for the performance of such services) to be performed by the independent auditor.
  - (c) Evaluate the qualifications, performance and independence of the independent auditor, including (i) reviewing and evaluating the lead partner on the independent auditor's engagement with the Company, and (ii) considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence.
  - (d) Obtain and review a report from the independent auditor at least annually regarding: the independent auditor's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm; any steps taken to deal with any such issues; and all relationships between the independent auditor and the Company.
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- (e) Review and discuss with Management and the independent auditor prior to the annual audit the scope, planning and staffing of the annual audit.
- (f) Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law.
- (g) Review as necessary policies for the Company's hiring of partners, employees or former partners and employees of the independent auditor.

#### **4.2 Financial Reporting**

- (a) Review and discuss with Management and the independent auditor the annual audited financial statements prior to the publication of earnings.
  - (b) Review and discuss with Management the Company's annual and quarterly disclosures made in Management's Discussion and Analysis. The Committee shall approve any reports for inclusion in the Company's Annual Report, as required by applicable legislation.
  - (c) Review and discuss with Management and the independent auditor management's report on its assessment of internal controls over financial reporting and the independent auditor's attestation report on management's assessment.
  - (d) Review and discuss with Management the Company's quarterly financial statements prior to the publication of earnings.
  - (e) Review and discuss with Management and the independent auditor at least annually significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies.
  - (f) Review and discuss with Management and the independent auditor at least annually reports from the independent auditors on: critical accounting policies and practices to be used; significant financial reporting issues, estimates and judgments made in connection with the preparation of the financial statements; alternative treatments of financial information within generally accepted accounting principles that have been discussed with Management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and other material written communications between the independent auditor and Management, such as any management letter or schedule of unadjusted differences.
  - (g) Discuss with the independent auditor at least annually any "Management" or "internal control" letters issued or proposed to be issued by the independent auditor to the Company.
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- (h) Review and discuss with Management and the independent auditor at least annually any significant changes to the Company's accounting principles and practices suggested by the independent auditor, internal audit personnel or Management.
- (i) Discuss with Management the Company's earnings press releases, including the use of "*pro forma*" or "adjusted" non-GAAP information, as well as financial information and earnings guidance (if any) provided to analysts and rating agencies.
- (j) Review and discuss with Management and the independent auditor at least annually the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
- (k) Review and discuss with the Chief Executive Officer and the Chief Financial Officer the procedures undertaken in connection with the Chief Executive Officer and Chief Financial Officer certifications for the annual filings with applicable securities regulatory authorities.
- (l) Review disclosures made by the Company's Chief Executive Officer and Chief Financial Officer during their certification process for the annual filing with applicable securities regulatory authorities about any significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data or any material weaknesses in the internal controls, and any fraud involving Management or other employees who have a significant role in the Company's internal controls.
- (m) Discuss with the Company's General Counsel at least annually any legal matters that may have a material impact on the financial statements, operations, assets or compliance policies and any material reports or inquiries received by the Company or any of its subsidiaries from regulators or governmental agencies.

#### **4.3 Oversight of Risk Management**

- (a) Review and approve periodically Management's risk philosophy and risk management policies.
  - (b) Review with Management at least annually reports demonstrating compliance with risk management policies.
  - (c) Review with Management the quality and competence of Management appointed to administer risk management policies.
  - (d) Review reports from the independent auditor at least annually relating to the adequacy of the Company's risk management practices together with Management's responses.
  - (e) Discuss with Management at least annually the Company's major financial risk exposures and the steps Management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
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#### **4.4 Oversight of Regulatory Compliance**

- (a) Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- (b) Discuss with Management and the independent auditor at least annually any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting.
- (c) Meet with the Company's regulators, according to applicable law.
- (d) Exercise such other powers and perform such other duties and responsibilities as are incidental to the purposes, duties and responsibilities specified herein and as may from time to time be delegated to the Committee by the Board of Directors.

#### **5.0 Funding for the Independent Auditor and Retention of Other Independent Advisors**

The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditor for the purpose of issuing an audit report and to any advisors retained by the Committee. The Committee shall also have the authority to retain and, at Bitfarms Canada's expense, to set and pay the compensation for such other independent counsel and other advisors as it may from time to time deem necessary or advisable for its purposes. The Committee also has the authority to communicate directly with internal and external auditors.

#### **6.0 Procedures for Receipt of Complaints and Submissions Relating to Accounting Matters**

1. The Company shall inform employees on the Company's intranet, if there is one, or via a newsletter or e-mail that is disseminated to all employees at least annually, of the officer (the "**Complaints Officer**") designated from time to time by the Committee to whom complaints and submissions can be made regarding accounting, internal accounting controls or auditing matters or issues of concern regarding questionable accounting or auditing matters.
  2. The Complaints Officer shall be informed that any complaints or submissions so received must be kept confidential and that the identity of employees making complaints or submissions shall be kept confidential and shall only be communicated to the Committee or the Chair of the Committee.
  3. The Complaints Officer shall be informed that he or she must report to the Committee as frequently as such Complaints Officer deems appropriate, but in any event no less frequently than on a quarterly basis prior to the quarterly meeting of the Committee called to approve interim and annual financial statements of the Company.
  4. Upon receipt of a report from the Complaints Officer, the Committee shall discuss the report and take such steps as the Committee may deem appropriate.
  5. The Complaints Officer shall retain a record of a complaint or submission received for a period of six years following resolution of the complaint or submission.
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## **7.0 Procedures for Approval of Non-Audit Services**

1. The Company's external auditors shall be prohibited from performing for the Company the following categories of non-audit services:
  - (a) bookkeeping or other services related to the Company's accounting records or financial statements;
  - (b) financial information systems design and implementation;
  - (c) appraisal or valuation services, fairness opinion or contributions-in-kind reports;
  - (d) actuarial services;
  - (e) internal audit outsourcing services;
  - (f) management functions;
  - (g) human resources;
  - (h) broker or dealer, investment adviser or investment banking services;
  - (i) legal services;
  - (j) expert services unrelated to the audit; and
  - (k) any other service that the Canadian Public Accountability Board determines is impermissible.
2. In the event that the Company wishes to retain the services of the Company's external auditors for tax compliance, tax advice or tax planning, the Chief Financial Officer of the Company shall consult with the Chair of the Committee, who shall have the authority to approve or disapprove on behalf of the Committee, such non-audit services. All other non-audit services shall be approved or disapproved by the Committee as a whole.
3. The Chief Financial Officer of the Company shall maintain a record of non-audit services approved by the Chair of the Committee or the Committee for each fiscal year and provide a report to the Committee no less frequently than on a quarterly basis.

## **8.0 Reporting**

The Chair will report to the Board at each Board meeting on the Committee's activities since the last Board meeting. The Committee will annually review and approve the Committee's report for inclusion in the Annual Information Form. The secretary will circulate the minutes of each meeting of the Committee to the members of the Board.

## **9.0 Access to Information and Authority**

The Committee will be granted unrestricted access to all information regarding Bitfarms Canada that is necessary or desirable to fulfill its duties and all directors, officers and employees will be directed to cooperate as requested by Members.

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## **10.0     Review of Charter**

The Committee will annually review and assess the adequacy of this Charter and recommend any proposed changes to the Board for consideration.

Dated:                      February 11, 2020

Approved by:            Board of Directors

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**Bitfarms Announces Request for Extension to File First Quarter  
Interim Financial Statements and Management's Discussion and Analysis**

TORONTO & BROSSARD, Québec--(BUSINESS WIRE)--May 22, 2020--Bitfarms Ltd. ("Bitfarms" or the "Company") (TSXV:BITF), a blockchain infrastructure company that operates one of the largest cryptocurrency mining operations in North America, wishes to provide an update on the status of filing its interim consolidated financial statements, accompanying management's discussion and analysis, and related CEO and CFO certifications for the first quarter ended March 31, 2020.

The Ontario Securities Commission ("OSC") has acknowledged that the COVID-19 pandemic may present challenges for market participants in the meeting of certain obligations under Ontario securities law. On March 23, 2020, the OSC enacted Ontario Instrument 51-502 *Temporary Exemption from Certain Corporate Finance Requirements* providing a 45-day extension for certain periodic filings required to be made on or prior to June 1, 2020 as a result of COVID-19. Bitfarms will be relying on this extension period due to delays experienced as result of COVID-19.

Bitfarms will be relying on the OSC Temporary Exemption in respect of the following provisions:

- the requirement to file interim consolidated financial statements for the three months ended March 31, 2020 within 60 days of Bitfarms' financial quarter end as required by section 4.4 of National Instrument 51-102;
- the requirement to file management's discussion and analysis for the period covered by the interim consolidated financial statements within 60 days of Bitfarms' financial quarter end as required by section 5.1(2) of National Instrument 51-102; and
- the requirement to file certifications of the interim financial statements pursuant to section 5.1 of National Instrument 52-109.

The Company is working expeditiously and expects to file its first quarter financial statements and accompanying management's discussion and analysis by June 25, 2020. In the interim, management and other insiders of Bitfarms are subject to a trading black-out policy as described, in principle, in section 9 of National Policy 11-207 *Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions*.

As required by the OSC Temporary Exemption, the Company announces that since the filing of its annual consolidated financial statements for the year ended December 31, 2019, on April 29, 2020, the only material business development has been the Bitcoin Halving which occurred on May 11, 2020. As described in the notes to the Company's annual consolidated financial statements for the year ended December 31, 2019, and the accompanying management's discussion and analysis, the Bitcoin Halving reduced the block reward of Bitcoin blocks from 12.5 Bitcoin to 6.25 Bitcoin. The Bitcoin Halving takes place every 210,000 blocks have been mined (i.e. approximately every four years based on a 10 minute average block time). This event was well known in advance and fully expected.

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Based on the initial readjustment of network Difficulty immediately after the Halving, Management is confident that the Company is well positioned to adapt to market changes brought about by the Halving and wishes to note that the OSC Temporary Exemption is not related to circumstances related to the Halving.

Given that profitability is required for self-acting agents to perform Mining to continue to support the validation of transactions, Management expects that the impact of the Bitcoin Halving is that market variables of Bitcoin price and Difficulty will adjust over time to ensure that Mining remains profitable. However, the period of market normalization after the Bitcoin Halving to incentivizing profitability levels is unknown. As a result, if Bitcoin price and Difficulty do not adjust over time to pre-Bitcoin Halving profitability levels or the period of market normalization after the Bitcoin Halving to pre-Bitcoin Halving profitability levels is prolonged, there is a risk that the Bitcoin Halving may render the Company unprofitable for a sustained time period such that it could be unable to continue as a going concern.

As required by the OSC Temporary Exemption, the Company will issue further press releases at 30 day intervals providing updates on material business developments, if any, including updates on the interim consolidated financial statements and accompanying management's discussion and analysis for the quarter ended March 31, 2020.

#### **About Bitfarms Ltd.**

The Company owns and operates computing centres that power the global decentralized financial economy. Bitfarms provides computing power to cryptocurrency networks such as Bitcoin, earning fees from each network for securing and processing transactions. Powered by clean and competitively priced hydroelectricity, Bitfarms operates 5 computing centres in Québec, Canada. Bitfarms' experienced management team includes industrial scale data centre operators and capital markets professionals, focused on building infrastructure for the future by developing and hosting the ecosystem growing around blockchain-based technologies.

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

<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/>

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

#### **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 TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*



## **Forward-Looking Statements**

*This news release contains certain “forward-looking information” within the meaning of applicable Canadian securities laws that are based on expectations, estimates and projections as at the date of this news release. The information in this release about 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 resulting significant negative impact on the Company’s operations, the construction and operation of expanded blockchain infrastructure as currently planned, and the regulatory environment of cryptocurrency in the Provinces of Canada.*

*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 reasonable assumptions and estimates of management of the Company at the time it was 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; 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; 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; and volatile securities markets impacting security pricing unrelated to operating performance. In addition, particular factors which could impact future results of the business of Bitfarms include but are not limited to: the construction and operation of blockchain infrastructure 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 Province of Québec, 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; and there will be no regulation or law that will prevent Bitfarms from operating its business. The Company has also assumed that no significant events occur outside of the Bitfarms’ normal course of business. Although the Company has attempted to identify important factors that could cause actual results to differ materially, 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 forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.*

## **Contacts**

### **For investor and media inquiries:**

Marc Duchesne  
+1.514.277.3508  
[marc@ryanap.com](mailto:marc@ryanap.com)



## **Bitfarms Announces Acquisition of New Mining Equipment and Management Appointments and Changes**

**Toronto, Ontario and Brossard, Québec (June 1, 2020)** - Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) (TSXV:BITF) announces that it has purchased 1,847 WhatsMiner M20S miners from internally developed cash flow from operations. The new equipment is scheduled to be delivered within 4 to 5 weeks. Once fully operational, the mining hardware is expected to add approximately 133 petahash per second (“PH/s”) to the Company’s installed computing power and improve computing efficiency to over 15 PH per megawatt (“MW”). In addition, the Company announces the appointment of John Rim as Chief Operating Officer and Nicolas Bonta as Chief Development Officer as well as the resignation of Ryan Hornby as Executive Vice President and General Counsel of the Company effective June 1, 2020.

### **New Mining Equipment Purchase:**

Each WhatsMiner M20S miner produces an average of 72 terahash per second of computing capacity while consuming approximately 3.46 kWh of energy, or 48 joules per terahash. The M20S miners will utilize, in aggregate, approximately 6.2 megawatts (“MW”) of electricity. Bitfarms expects to have the new M20S hardware installed and operational by the beginning of July.

“We are pleased that the Company has been able to utilize its working capital to capitalize on historically low equipment pricing for the acquisition of the latest batch of mining equipment. This equipment will further extend the Company’s position as the most efficient publicly traded cryptocurrency miner in Canada in terms of computing power relative to electricity consumption,” commented John Rim, COO & CFO.

### **Management Appointments and Changes:**

John Rim has served as Chief Financial Officer of the Company since May 22, 2018. Mr. Rim will assume the responsibilities of Chief Operating Officer in addition to maintaining his role as Chief Financial Officer of the Company.

Nicolas Bonta has served as the Chairman of the Board of Directors of Backbone since April 12, 2018. Mr. Bonta is also a founder of Backbone and a successful entrepreneur with over 20 years of commercial business experience. Mr. Bonta will assume the role of Chief Development Officer of the Company and will be responsible for strategic corporate and business development.

The Company thanks Mr. Hornby for his contribution to the Company and wishes him well in his future endeavours. The Company will continue to be supported by its external law firms, and has no plans to hire a replacement at this time.

“We are very pleased to add Nico as our Chief Development Officer and for John to take on the additional role of Chief Operating Officer. We have a strong, commercially experienced, and cohesive management team with proven track records and we remain committed to growing our Company” commented Emi Grodzki, Interim CEO.

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## **About Bitfarms Ltd.**

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<https://www.linkedin.com/company/bitfarms/>  
Website: [www.bitfarms.com](http://www.bitfarms.com)

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**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
1376 Bayview Ave, Unit 1  
Toronto, Ontario M4G 3A1

**Item 2 Date of Material Change**

June 1, 2020

**Item 3 News Release**

The press release attached as Schedule “A” was released over GlobeNewswire on June 1, 2020.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

John Rim  
Chief Financial Officer & Chief Operating Officer  
Bitfarms Ltd.  
jrim@bitfarms.io  
416-804-8535

**Item 9 Date of Report**

June 1, 2020

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**Bitfarms Announces Acquisition of New Mining Equipment and Management Appointments and Changes**

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The Company thanks Mr. Hornby for his contribution to the Company and wishes him well in his future endeavours. The Company will continue to be supported by its external law firms, and has no plans to hire a replacement at this time.

“We are very pleased to add Nico as our Chief Development Officer and for John to take on the additional role of Chief Operating Officer. We have a strong, commercially experienced, and cohesive management team with proven track records and we remain committed to growing our Company” commented Emi Grodzki, Interim CEO.

## About Bitfarms Ltd.

The Company owns and operates computing centres that power the global decentralized financial economy. Bitfarms provides computing power to cryptocurrency networks such as Bitcoin, earning fees from each network for securing and processing transactions. Powered by clean and competitively priced hydroelectricity, Bitfarms operates 5 computing centres in Québec, Canada. Bitfarms' experienced management team includes industrial- scale data centre operators and capital markets professionals, focused on building infrastructure for the future by developing and hosting the ecosystem growing around blockchain-based technologies.

### For investor and media inquiries, please contact:

Marc Duchesne  
+1.514.277.3508  
marc@ryanap.com

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

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

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*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 TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

### Forward-Looking Statements

*This news release contains certain "forward-looking information" within the meaning of applicable Canadian securities laws that are based on expectations, estimates and projections as at the date of this news release. The information in this release about 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 resulting significant negative impact on the Company's operations, the construction and operation of expanded blockchain infrastructure as currently planned, and the regulatory environment of cryptocurrency in the Provinces of Canada.*

*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 reasonable assumptions and estimates of management of the Company at the time it was 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; 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; 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; and volatile securities markets impacting security pricing unrelated to operating performance. In addition, particular factors which could impact future results of the business of Bitfarms include but are not limited to: the construction and operation of blockchain infrastructure 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 Province of Québec, 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; and there will be no regulation or law that will prevent Bitfarms from operating its business. The Company has also assumed that no significant events occur outside of the Bitfarms' normal course of business. Although the Company has attempted to identify important factors that could cause actual results to differ materially, 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 forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.*





**Bitfarms Ltd.**  
(the "Corporation")

**FORM OF PROXY ("PROXY")**

Annual General Meeting  
June 29, 2020 at 9:00 a.m. (Toronto time)  
Offices of Peterson McVicar LLP at Suite 902, 18 King Street West  
Toronto, ON M5C 1C4  
(the "Meeting")

**RECORD DATE:** May 20, 2020  
**CONTROL NUMBER:**  
**SEQUENCE #:**  
**FILING DEADLINE FOR PROXY:** June 25, 2020 at 9:00 a.m. (Toronto time)

| VOTING METHOD    |                                                                                                                        |
|------------------|------------------------------------------------------------------------------------------------------------------------|
| <b>INTERNET</b>  | Go to <a href="http://www.voteproxyonline.com">www.voteproxyonline.com</a> and enter the 12 digit control number above |
| <b>FACSIMILE</b> | 416-595-9593                                                                                                           |
| <b>MAIL</b>      | TSX Trust Company<br>301 - 100 Adelaide Street West<br>Toronto, Ontario, M5H 4H1                                       |

The undersigned hereby appoints **John Rim**, whom failing **Nicolas Bonta** (the "Management Nominees"), or instead of any of them, the following Appointee

*Please print appointee name*

as proxyholder on behalf of the undersigned with the power of substitution to attend, act and vote for and on behalf of the undersigned in respect of all matters that may properly come before the Meeting and at any adjournment(s) or postponement(s) thereof, to the same extent and with the same power as if the undersigned were personally present at the said Meeting or such adjournment(s) or postponement(s) thereof in accordance with voting instructions, if any, provided below.

**- SEE VOTING GUIDELINES ON REVERSE -**

RESOLUTIONS - MANAGEMENT VOTING RECOMMENDATIONS ARE INDICATED BY **HIGHLIGHTED** TEXT ABOVE THE BOXES

| 1. Election of Directors  |                       | FOR                      | WITHHOLD                 |
|---------------------------|-----------------------|--------------------------|--------------------------|
| a)                        | Emiliano Joel Grodzki | <input type="checkbox"/> | <input type="checkbox"/> |
| b)                        | Nicolas Bonta         | <input type="checkbox"/> | <input type="checkbox"/> |
| c)                        | Brian Howlett         | <input type="checkbox"/> | <input type="checkbox"/> |
| d)                        | Pierre Seccareccia    | <input type="checkbox"/> | <input type="checkbox"/> |
| e)                        | L. Geoffrey Morphy    | <input type="checkbox"/> | <input type="checkbox"/> |
| f)                        | Mathieu Vachon        | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Appointment of Auditor |                       | FOR                      | WITHHOLD                 |

Appointment of **Kost, Forer, Gabbay & Kasierer, a Member of Ernst & Young Global** as Auditor of the Corporation for the ensuing year and authorizing the Directors to fix their remuneration.

o

o

This proxy revokes and supersedes all earlier dated proxies and **MUST BE SIGNED**

*PLEASE PRINT NAME*

*Signature of registered owner(s)*

*Date (MM/DD/YYYY)*

## Proxy Voting – Guidelines and Conditions

1. **THIS PROXY IS SOLICITED BY MANAGEMENT OF THE CORPORATION.**
2. **THIS PROXY SHOULD BE READ IN CONJUNCTION WITH THE MEETING MATERIALS PRIOR TO VOTING.**
3. **If you appoint the Management Nominees to vote your securities, they will vote in accordance with your instructions or, if no instructions are given, in accordance with the Management Voting Recommendations highlighted for each Resolution on the reverse. If you appoint someone else to vote your securities, they will also vote in accordance with your instructions or, if no instructions are given, as they in their discretion choose.**
4. This proxy confers discretionary authority on the person named to vote in his or her discretion with respect to amendments or variations to the matters identified in the Notice of the Meeting accompanying the proxy or such other matters which may properly come before the Meeting or any adjournment or postponement thereof.
5. **Each security holder has the right to appoint a person other than the Management Nominees specified herein to represent them at the Meeting or any adjournment or postponement thereof.** Such right may be exercised by inserting in the space labeled “*Please print appointee name*”, the name of the person to be appointed, who need not be a security holder of the Corporation.
6. To be valid, this proxy must be signed. Please date the proxy. If the proxy is not dated, it is deemed to bear the date of its mailing to the security holders of the Corporation.
7. To be valid, this proxy must be filed using one of the **Voting Methods** and *must be received by TSX Trust Company* before the **Filing Deadline for Proxies**, noted on the reverse or in the case of any adjournment or postponement of the Meeting not less than 48 hours (Saturdays, Sundays and holidays excepted) before the time of the adjourned or postponed meeting. Late proxies may be accepted or rejected by the Chairman of the Meeting in his discretion, and the Chairman is under no obligation to accept or reject any particular late proxy.
8. If the security holder is a corporation, the proxy must be executed by an officer or attorney thereof duly authorized, and the security holder may be required to provide documentation evidencing the signatory’s power to sign the proxy.
9. Guidelines for proper execution of the proxy are available at [www.stac.ca](http://www.stac.ca). Please refer to the Proxy Protocol.

### Investor inSite

TSX Trust Company offers at no cost to security holders, the convenience of secure 24-hour access to all data relating to their account including summary of holdings, transaction history, and links to valuable security holder forms and Frequently Asked Questions.

To register, please visit [www.tsxtrust.com/investorinsite](http://www.tsxtrust.com/investorinsite)

Click on, “Register” and complete the registration form. Call us toll free at 1-866-600-5869 with any questions.


**TSX TRUST COMPANY**
**VIA ELECTRONIC TRANSMISSION**

June 9, 2020

**TO ALL APPLICABLE EXCHANGES AND COMMISSIONS:**
**RE: BITFARMS LTD.**


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We are pleased to confirm that copies of the following proxy-related materials were mailed on June 8, 2020 to the Registered Securityholders and the Non-Objecting Beneficial Owners (“NOBO”):

- 1 Proxy - Registered Securityholders
- 2 Voting Instruction Form - NOBOs
- 3 Notice of Meeting Combined with Information Circular
- 4 Financial Statements and Management’s Discussion and Analysis
- 5 Proxy Return Envelope

Yours truly,

**TSX Trust Company**

*“Kieran Webb”*

Relationship Manager

kieran.webb@tmx.com

**VANCOUVER**

650 West Georgia Street, Suite 2700  
Vancouver, BC V6B 4N9

**T 604 689-3334**

**CALGARY**

300-5th Avenue SW, 10th floor  
Calgary, AB T2P 3C4

**T 403 218-2800**

**TORONTO**

301 - 100 Adelaide Street West  
Toronto ON M5H 4H1

**Toll Free 1-866-600-5869**

**T 416 361-0930**

**MONTRÉAL**

1800 - 1190, avenue des Canadiens-  
de-Montréal, C. P. 37 Montréal  
(Québec) H3B 0G7

**T 514 395-5964**



Kost Forer Gabbay & Kasierer  
144 Menachem Begin Road, Building A  
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525  
Fax: +972-3-5622555  
ey.com

Building a better  
working world

June 17, 2020

**TO:** Ontario Securities Commission

**RE:** Bitfarms Ltd. (the “**Company**”)  
National Instrument 51-102 - *Continuous Disclosure Obligations* (“**NI 51-102**”)  
Change of Auditor of a Reporting Issuer

Dear Sirs/Mesdames:

As required by NI 51-102 and in connection with us resigning as auditors of the Company, we have reviewed the information contained in the Company’s Notice of Change of Auditor, dated June 10<sup>th</sup>, 2020, and agree with the information contained in paragraphs 1-4 therein. We have no basis to agree or disagree with other statements of the registrant contained therein.

Yours truly,

**Kost, Forer, Gabbay & Kasierer,**  
**A Member of Ernst & Young Global**

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June 17, 2020

To the Chairman of Audit Committee

Enclosed is our response to the change of auditor notice dated June 10, 2020 in accordance with National Instrument 51-102. We understand that this letter will be reviewed and approved by the Audit Committee and Board of Directors, filed with Ontario Securities Commission prior to date within 14 days after our appointment, and included in the information circular accompanying the notice of any meeting of shareholders at which action is to be taken concerning a change in auditor.

Yours very truly,

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

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*PricewaterhouseCoopers LLP*

*PwC Centre, 354 Davis Road, Suite 600, Oakville, Ontario, Canada L6J 0C5*

*T: +1 905 815 6300, F: +1 905 815 6499, [www.pwc.com/ca](http://www.pwc.com/ca)*

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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June 17, 2020

To: Ontario Securities Commission

We have read the statements made by Bitfarms Ltd. in the attached copy of change of auditor notice dated June 10, 2020, which we understand will be filed pursuant to Section 4.11 of National Instrument 51-102.

We agree with the statements concerning PricewaterhouseCoopers LLP in the change of auditor notice dated June 10, 2020.

Yours very truly,

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

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*PricewaterhouseCoopers LLP*

*PwC Centre, 354 Davis Road, Suite 600, Oakville, Ontario, Canada L6J 0C5*

*T: +1 905 815 6300, F: +1 905 815 6499, [www.pwc.com/ca](http://www.pwc.com/ca)*

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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**Bitfarms Ltd.**  
**Change of Auditor Notice**  
**Pursuant to National Instrument 51-102, Section 4.11**

**I. Former auditor**

- a. On June 10, 2020,
  - i. Kost Forer Gabbay & Kasierer resigned as the auditor of Bitfarms Ltd. at the reporting issuer's request.
  - ii. The Audit Committee participated in and approved the decision to change the auditor.
  - iii. The auditor's reports of Kost Forer Gabbay & Kasierer on the financial statements of Bitfarms Ltd. for the two years ended December 31, 2019 did not contain any modifications as to departures from generally accepted accounting principles or limitation in the scope of the audit.
  - iv. In connection with the audits for the two years ended December 31, 2019 and through to June 10, 2020 there have been no reportable events, as defined in the National Instrument.

**II. Successor auditor**

The reporting issuer appointed PricewaterhouseCoopers LLP as its new auditor as of June 18, 2020. The Audit Committee and Board of Directors considered and approved the appointment.

Dated at Toronto, Ontario, this 18<sup>th</sup> day of June 2020.

**Bitfarms Ltd.**  
per: **John Rim, CFO**

**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
1376 Bayview Ave, Unit 1  
Toronto, Ontario M4G 3A1

**Item 2 Date of Material Change**

June 18, 2020.

**Item 3 News Release**

The press release attached as Schedule “A” was released on June 19, 2020.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

John Rim  
Chief Financial Officer & Chief Operating Officer  
Bitfarms Ltd.  
[jrim@bitfarms.io](mailto:jrim@bitfarms.io)  
416-804-8535

**Item 9 Date of Report**

June 19, 2020.

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## **Bitfarms Announces Change of Auditor and Provides Notice of Release of First Quarter 2020 Financial Results**

**Toronto, Ontario and Brossard, Québec (June 19, 2020)** - Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) ([TSXV:BTF](#)) announces that, at the request of the Company, Kost, Forer, Gabbay & Kasierer, a member of Ernst & Young Global (“**EY**”) has resigned as the Company’s auditor and PricewaterhouseCoopers LLP (“**PwC**”) has been appointed as the successor auditor effective June 18, 2020. In accordance with National Instrument 51-102 – *Continuous Disclosure Obligations* (“**NI-51-102**”), the Company has filed a Change of Auditor Notice (the “**Notice**”) on SEDAR together with letters from both EY and PwC, with each letter confirming agreement with the statements contained in the Notice, as applicable. There were no reportable events as defined in NI-51-102 between EY and the Company.

### **Release of First Quarter 2020 Financial Results**

Bitfarms also announces it will release its first quarter 2020 results on Wednesday June 24, 2020 prior to market open. The Company’s senior management will be hosting a webcast presentation at 10:00 AM Eastern Time on June 24, 2020 to discuss Bitfarms’ financial and operating results. To view the webcast presentation, please register using the following link:

<https://onlinexperiences.com/Launch/QReg/ShowUUID=12748A45-4F77-49B5-8DBB-793D04E62501>

The financial results and presentation will also be available on the Company’s website at [www.bitfarms.com](http://www.bitfarms.com)

### **About Bitfarms Ltd.**

The Company owns and operates computing centres that power the global decentralized financial economy. Bitfarms provides computing power to cryptocurrency networks such as Bitcoin, earning fees from each network for securing and processing transactions. Powered by clean and competitively priced hydroelectricity, Bitfarms operates 5 computing centres in Québec, Canada. Bitfarms’ experienced management team includes industrial- scale data centre operators and capital markets professionals, focused on building infrastructure for the future by developing and hosting the ecosystem growing around blockchain-based technologies.

### **For investor and media inquiries, please contact:**

Marc Duchesne  
+1.514.277.3508  
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To learn more about Bitfarms’ events, developments and online communities:

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<https://www.instagram.com/bitfarms/>  
<https://www.linkedin.com/company/bitfarms/>  
Website: [www.bitfarms.com](http://www.bitfarms.com)

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### **Forward-Looking Statements**

This news release contains certain “forward-looking information” within the meaning of applicable Canadian securities laws that are based on expectations, estimates and projections as at the date of this news release. The information in this release about 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 resulting significant negative impact on the Company’s operations, the construction and operation of expanded blockchain infrastructure as currently planned, and the regulatory environment of cryptocurrency in the Provinces of Canada.

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**Bitfarms Announces Change of Auditor and Provides Notice of Release of First Quarter 2020 Financial Results**

TORONTO & BROSSARD, Québec—(BUSINESS WIRE)--June 19, 2020—Bitfarms Ltd.

(“**Bitfarms**”, or the “**Company**”) (TSXV:BITF) announces that, at the request of the Company, Kost, Forer, Gabbay & Kasierer, a member of Ernst & Young Global (“**EY**”) has resigned as the Company’s auditor and PricewaterhouseCoopers LLP (“**PwC**”) has been appointed as the successor auditor effective June 18, 2020. In accordance with National Instrument 51-102 – *Continuous Disclosure Obligations* (“**NI-51-102**”), the Company has filed a Change of Auditor Notice (the “**Notice**”) on SEDAR together with letters from both EY and PwC, with each letter confirming agreement with the statements contained in the Notice, as applicable. There were no reportable events as defined in NI-51-102 between EY and the Company.

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

<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/>

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

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**Forward-Looking Statements**

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*This forward-looking information is based on reasonable assumptions and estimates of management of the Company at the time it was 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; 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; 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; and volatile securities markets impacting security pricing unrelated to operating performance. In addition, particular factors which could impact future results of the business of Bitfarms include but are not limited to: the construction and operation of blockchain infrastructure 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 Province of Québec, 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; and there will be no regulation or law that will prevent Bitfarms from operating its business. The Company has also assumed that no significant events occur outside of the Bitfarms' normal course of business.*

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## **Contacts**

### **For investor and media inquiries, please contact:**

Marc Duchesne  
+1.514.277.3508  
marc@ryanap.com

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**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
1376 Bayview Ave, Unit 1  
Toronto, Ontario M4G 3A1

**Item 2 Date of Material Change**

June 24, 2020

**Item 3 News Release**

The press release attached as Schedule “A” was released on June 24, 2020.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

John Rim  
Chief Financial Officer & Chief Operating Officer  
Bitfarms Ltd.  
[jrim@bitfarms.io](mailto:jrim@bitfarms.io)  
416-804-8535

**Item 9 Date of Report**

June 24, 2020

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Schedule “A”

[See attached.]

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**Bitfarms Reports Financial Results for the Three Months Ended  
March 31, 2020**

**Toronto, Ontario and Brossard, Québec (June 24, 2020)** - Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) ([TSXV:BTF](#)) today announced its consolidated results for the quarter ended March 31, 2020.

**Q1 2020 Financial Summary and Corporate Highlights**

- Consolidated revenue of US\$9.2 million, gross profit of US\$1.3 million (14% gross profit margin) and net loss of US\$2.4 million in Q1 2020 compared to US\$3.6 million, US\$0.2 million (6% gross profit margin), and a net loss of US\$2 million, respectively, in Q1 2019;
- Mining operations segment gross mining profit<sup>1</sup> of US\$4.1 million (47% gross mining margin) in Q1 2020 compared to \$1.1 million (36% gross mining margin) in Q1 2019;
- US\$1.8 million EBITDA<sup>1</sup> (20% EBITDA margin) and US\$2.8 million Adjusted EBITDA<sup>1</sup> (30% Adjusted EBITDA margin) in Q1 2020 compared to an EBITDA loss of US\$0.5 million (-14% EBITDA margin) and Adjusted EBITDA loss of US\$0.4 million (-12% Adjusted EBITDA margin) in Q1 2019; and
- Mined 1,087 Bitcoin with a Q1 2020 average break-even<sup>2</sup> Bitcoin price of US\$3,988.

“We are pleased that, despite the difficulties in general market conditions presented by the COVID-19 pandemic in Q1 2020 for most companies, Bitfarms’ operations were able to continue in normal course and yielded positive EBITDA and Adjusted EBITDA. We are pleased that the Company was able to achieve a 47% gross mining margin in the first quarter amidst challenging and uncertain market conditions.

We believe our financial performance relative to our competition reflects the difference in the strength of Bitfarms’ operational efficiency in Bitcoin mining versus our public peers. The cost efficiency of the Company’s operations is further reflected in the break-even cost of production of each Bitcoin of \$3,988, which compared very favorably to publicly disclosed financial information of other miners. The break-even cost of production of each Bitcoin achieved of \$3,988 achieved by the Company also compared very well to the average Bitcoin market price of approximately \$8,261 during the first quarter” commented John Rim, Chief Operating Officer and Chief Financial Officer.

Emiliano Grodzki, Interim Chief Executive Officer of Bitfarms added, “Bitfarms continues to solidify its position as the industry leader in terms of operational efficiency and financial performance. We will continue to carry out our strategy of disciplined, timely and cost efficient growth to achieve greater scale and further our leadership in this burgeoning industry.”

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<sup>1</sup> EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin, Gross mining profit and Gross mining margin are non-IFRS performance measures; please refer to the end of this press release regarding the use of Non-IFRS Performance Measures.

<sup>2</sup> Represents the break-even cost of Bitcoin based on variable cost of electricity and is calculated by taking the total electricity costs related to the Mining of each Bitcoin divided by the total number of Bitcoin mined, in the relevant period.

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## Financial Review

### Consolidated Company Results (000's)

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

| For the periods ended as indicated    | Three months ended |                 |           |          |
|---------------------------------------|--------------------|-----------------|-----------|----------|
|                                       | Mar. 31<br>2020    | Mar. 31<br>2019 | \$ Change | % Change |
| Revenues                              | 9,212              | 3,629           | 5,583     | 154%     |
| Cost of sales                         | 7,917              | 3,417           | 4,500     | 132%     |
| Gross profit                          | 1,295              | 212             | 1,083     | 511%     |
| Gross margin                          | 14%                | 6%              | -         | -        |
| G&A and other expenses                | 2,805              | 1,923           | 882       | 46%      |
| Operating loss                        | (1,510)            | (1,711)         | 201       | 12%      |
| Operating margin                      | (16)%              | (47)%           | -         | -        |
| Financial income                      | 363                | 25              | 338       | 1352%    |
| Interest expense                      | 1,385              | 132             | 1,253     | 949%     |
| Other financial expenses              | -                  | 188             | (188)     | (100)%   |
| Total financial expenses              | 1,385              | 320             | 1,065     | 333%     |
| Pre-tax loss                          | (2,532)            | (2,006)         | (526)     | (26)%    |
| Income tax recovery                   | (108)              | -               | (108)     | 100%     |
| Net loss                              | (2,424)            | (2,006)         | (418)     | (21)%    |
| Net loss per share - basic            | (0.03)             | (0.02)          | (0.01)    | (44)%    |
| Gross mining profit <sup>(1)</sup>    | 4,139              | 1,087           | 3,052     | 281%     |
| Gross mining margin <sup>(1)</sup>    | 47%                | 36%             | -         | -        |
| EBITDA <sup>(1)</sup>                 | 1,833              | (526)           | 2,359     | 448%     |
| EBITDA margin <sup>(1)</sup>          | 20%                | (14)%           | -         | -        |
| Adjusted EBITDA <sup>(1)</sup>        | 2,780              | (420)           | 3,200     | 762%     |
| Adjusted EBITDA margin <sup>(1)</sup> | 30%                | (12)%           | -         | -        |

#### Notes

(1) EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin, Gross mining profit and Gross mining margin are non-IFRS performance measures; please refer to Non-IFRS Performance Measures.

#### Revenue

Bitfarms' total revenue for Q1 2020 was US\$9.2 million compared to US\$3.6 million in Q1 2019. Revenue in Q1 2020 increased US\$5.6 million or 154% in Q1 2020 compared to Q1 2019 due to an increase in the average selling price of Bitcoin (i.e. \$8,138 in Q1 2020 compared to \$3,802 in Q1 2019) in addition to an increase in Bitcoin mined in Q1 2020 compared to Q1 2019 that resulted from the increase in Bitfarms' average hashrate in excess of the increase Network Difficulty.

#### Cost of Sales

Bitfarms' cost of sales for Q1 2020 was US\$7.9 million compared to US\$3.4 million in Q1 2019. Costs of sales include energy and infrastructure expenses, rental expense, depreciation and amortization, electrician salaries, and purchases and net change in inventory.

Energy and infrastructure expenses increased by US\$2.7 million or 140% in Q1 2020 compared to Q1 2019 as the Company added new mining equipment that increased electrical consumption from 22 MW in Q1 2019 to approximately 53 MW by the end of Q1 2020. Depreciation and amortization expense increased by US\$1.6 million or 121% in Q1 2020 compared to Q1 2019 due to the increase of property, plant and equipment added by the Company in throughout 2019.

#### *Gross Profit*

In Q1 2020, the Company had consolidated gross profit of US\$1.3 million (14% gross margin) on consolidated revenue of US\$9.2 million, compared to gross profit of US\$0.2 million (6% gross margin) on consolidated revenue of US\$3.6 million in Q1 2019.

#### *General & Administrative and Other Expenses*

Bitfarms' general and administrative and other expenses increased US\$0.9 million or 46% in Q1 2020 compared to Q1 2019. The increase was mainly due to higher non-cash salary expenses related to share-based compensation (US\$0.6 million) issued to employees as well as the former CEO of the Company upon his resignation on March 13, 2020.

#### *Financial Income and Expenses*

Bitfarms' financial income for Q1 2020 was US\$0.4 million compared to financial income of US\$25,000 in Q1 2019 resulting primarily from net unrealized foreign exchange gains on the revaluation into US dollars for reporting purposes of assets and liabilities denominated in Canadian dollars. Interest expense for Q1 2020 was US\$1.4 million compared to US\$0.3 million in Q1 2019. The increase is due to interest on the Dominion Capital loan since only \$5 million of the \$20 million loan was initially drawn starting March 2019.

#### **Reconciliation of Net Income to EBITDA and Adjusted EBITDA**

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

| For the periods ended as indicated | Three months ended |                 |           |          |
|------------------------------------|--------------------|-----------------|-----------|----------|
|                                    | Mar. 31<br>2020    | Mar. 31<br>2019 | \$ Change | % Change |
| Net loss before tax                | (2,532)            | (2,006)         | (526)     | (26)%    |
| Interest expense                   | 1,385              | 132             | 1,253     | 949%     |
| Depreciation expense               | 2,980              | 1,348           | 1,632     | 121%     |
| EBITDA <sup>(1)</sup>              | 1,833              | (526)           | 2,359     | 448%     |
| Stock compensation expense         | 1,010              | 111             | 899       | 810%     |
| Financial income and other         | (63)               | (5)             | (58)      | (1160)%  |
| Adjusted EBITDA <sup>(1)</sup>     | 2,780              | (420)           | 3,200     | 762%     |

Bitfarms' net loss for Q1 2020 was US\$2.4 million compared to a net loss of US\$2.0 million for Q1 2019. EBITDA and Adjusted EBITDA for Q1 2020 were US\$1.8 million and US\$2.8 million, respectively, compared to an EBITDA loss of US\$0.5 million and Adjusted EBITDA loss of US\$0.4 million in Q1 2019. EBITDA and Adjusted EBITDA are non-IFRS performance measures; please refer to the heading "Non-IFRS Performance Measures" at the end of this press release.

## Calculation of Gross Mining Profit & Gross Mining Margin

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

| For the periods ended as indicated | Three months ended |              |           |          |
|------------------------------------|--------------------|--------------|-----------|----------|
|                                    | Mar. 31 2020       | Mar. 31 2019 | \$ Change | % Change |
| Revenues                           | 8,724              | 3,000        | 5,724     | 191%     |
| Energy and infrastructure expenses | 4,585              | 1,913        | 2,672     | 140%     |
| Gross mining profit                | 4,139              | 1,087        | 3,052     | 281%     |
| Gross mining margin                | 47%                | 36%          | -         | -        |

### Webcast

The Company will be hosting a webcast presentation at 10:00 AM ET on June 24 2020. To view the webcast presentation, please register at:

<https://onlinexperiences.com/Launch/QReg/ShowUUID=12748A45-4F77-49B5-8DBB-793D04E62501>

The financial results and presentation will also be available on our website at [www.bitfarms.com](http://www.bitfarms.com).

### About Bitfarms Ltd.

The Company owns and operates computing centres that power the global decentralized financial economy. Bitfarms provides computing power to cryptocurrency networks such as Bitcoin, earning fees from each network for securing and processing transactions. Powered by clean and competitively priced hydroelectricity, Bitfarms operates 5 computing centres in Québec, Canada. Bitfarms' experienced management team includes industrial- scale data centre operators and capital markets professionals, focused on building infrastructure for the future by developing and hosting the ecosystem growing around blockchain-based technologies.

### For investor and media inquiries, please contact:

Marc Duchesne  
+1.514.277.3508  
[marc@ryanap.com](mailto:marc@ryanap.com)

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

<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/>  
Website: [www.bitfarms.io](http://www.bitfarms.io)

### 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 TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

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## **Forward-Looking Statements**

*This news release contains certain “forward-looking information” within the meaning of applicable Canadian securities laws that are based on expectations, estimates and projections as at the date of this news release. The information in this release about 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 resulting significant negative impact on the Company’s operations, the construction and operation of expanded blockchain infrastructure as currently planned, and the regulatory environment of cryptocurrency in the Provinces of Canada.*

*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 reasonable assumptions and estimates of management of the Company at the time it was 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; 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; 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; and volatile securities markets impacting security pricing unrelated to operating performance. In addition, particular factors which could impact future results of the business of Bitfarms include but are not limited to: the construction and operation of blockchain infrastructure 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 Province of Québec, 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; and there will be no regulation or law that will prevent Bitfarms from operating its business. The Company has also assumed that no significant events occur outside of the Bitfarms’ normal course of business. Although the Company has attempted to identify important factors that could cause actual results to differ materially, 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 forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.*

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## **Non-IFRS Performance Measures**

*This press release 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 Revenue. "Adjusted EBITDA" is defined as EBITDA adjusted to exclude: (i) share-based compensation; (ii) non-cash finance expenses; (iii) asset impairment charges; and (iv) other non-cash expenses. "Adjusted EBITDA margin" is defined as the percentage obtained when dividing Adjusted EBITDA by Revenue. "Gross mining profit" is defined as Revenue minus energy expenses for the Bitfarms segment of the Company. "Gross mining margin" is defined as the percentage obtained when dividing Gross mining profit by Revenue for the Bitfarms segment of the Company.*

*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. See "Reconciliation of Net Income to EBITDA and Adjusted EBITDA" for reconciliation of EBITDA and Adjusted EBITDA to net income.*

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## Bitfarms Reports Financial Results for the Three Months Ended March 31, 2020

**Toronto, Ontario and Brossard, Québec (June 24, 2020)** - Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) ([TSXV:BITE](#)) today announced its consolidated results for the quarter ended March 31, 2020.

### Q1 2020 Financial Summary and Corporate Highlights

- Consolidated revenue of US\$9.2 million, gross profit of US\$1.3 million (14% gross profit margin) and net loss of US\$2.4 million in Q1 2020 compared to US\$3.6 million, US\$0.2 million (6% gross profit margin), and a net loss of US\$2 million, respectively, in Q1 2019;
- Mining operations segment gross mining profit<sup>1</sup> of US\$4.1 million (47% gross mining margin) in Q1 2020 compared to \$1.1 million (36% gross mining margin) in Q1 2019;
- US\$1.8 million EBITDA<sup>1</sup> (20% EBITDA margin) and US\$2.8 million Adjusted EBITDA<sup>1</sup> (30% Adjusted EBITDA margin) in Q1 2020 compared to an EBITDA loss of US\$0.5 million (-14% EBITDA margin) and Adjusted EBITDA loss of US\$0.4 million (-12% Adjusted EBITDA margin) in Q1 2019; and
- Mined 1,087 Bitcoin with a Q1 2020 average break-even<sup>2</sup> Bitcoin price of US\$3,988.

“We are pleased that, despite the difficulties in general market conditions presented by the COVID-19 pandemic in Q1 2020 for most companies, Bitfarms’ operations were able to continue in normal course and yielded positive EBITDA and Adjusted EBITDA. We are pleased that the Company was able to achieve a 47% gross mining margin in the first quarter amidst challenging and uncertain market conditions.

We believe our financial performance relative to our competition reflects the difference in the strength of Bitfarms’ operational efficiency in Bitcoin mining versus our public peers. The cost efficiency of the Company’s operations is further reflected in the break-even cost of production of each Bitcoin of \$3,988, which compared very favorably to publicly disclosed financial information of other miners. The break-even cost of production of each Bitcoin achieved of \$3,988 achieved by the Company also compared very well to the average Bitcoin market price of approximately \$8,261 during the first quarter” commented John Rim, Chief Operating Officer and Chief Financial Officer.

Emiliano Grodzki, Interim Chief Executive Officer of Bitfarms added, “Bitfarms continues to solidify its position as the industry leader in terms of operational efficiency and financial performance. We will continue to carry out our strategy of disciplined, timely and cost efficient growth to achieve greater scale and further our leadership in this burgeoning industry.”

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- <sup>1</sup> EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin, Gross mining profit and Gross mining margin are non-IFRS performance measures; please refer to the end of this press release regarding the use of Non-IFRS Performance Measures.
  - <sup>2</sup> Represents the break-even cost of Bitcoin based on variable cost of electricity and is calculated by taking the total electricity costs related to the Mining of each Bitcoin divided by the total number of Bitcoin mined, in the relevant period.
-

## Financial Review

### Consolidated Company Results (000's)

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

| For the periods ended as indicated    | Three months ended |                 |           |          |
|---------------------------------------|--------------------|-----------------|-----------|----------|
|                                       | Mar. 31<br>2020    | Mar. 31<br>2019 | \$ Change | % Change |
| Revenues                              | 9,212              | 3,629           | 5,583     | 154%     |
| Cost of sales                         | 7,917              | 3,417           | 4,500     | 132%     |
| Gross profit                          | 1,295              | 212             | 1,083     | 511%     |
| Gross margin                          | 14%                | 6%              | -         | -        |
| G&A and other expenses                | 2,805              | 1,923           | 882       | 46%      |
| Operating loss                        | (1,510)            | (1,711)         | 201       | 12%      |
| Operating margin                      | (16)%              | (47)%           | -         | -        |
| Financial income                      | 363                | 25              | 338       | 1352%    |
| Interest expense                      | 1,385              | 132             | 1,253     | 949%     |
| Other financial expenses              | -                  | 188             | (188)     | (100)%   |
| Total financial expenses              | 1,385              | 320             | 1,065     | 333%     |
| Pre-tax loss                          | (2,532)            | (2,006)         | (526)     | (26)%    |
| Income tax recovery                   | (108)              | -               | (108)     | 100%     |
| Net loss                              | (2,424)            | (2,006)         | (418)     | (21)%    |
| Net loss per share - basic            | (0.03)             | (0.02)          | (0.01)    | (44)%    |
| Gross mining profit <sup>(1)</sup>    | 4,139              | 1,087           | 3,052     | 281%     |
| Gross mining margin <sup>(1)</sup>    | 47%                | 36%             | -         | -        |
| EBITDA <sup>(1)</sup>                 | 1,833              | (526)           | 2,359     | 448%     |
| EBITDA margin <sup>(1)</sup>          | 20%                | (14)%           | -         | -        |
| Adjusted EBITDA <sup>(1)</sup>        | 2,780              | (420)           | 3,200     | 762%     |
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#### Notes

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#### Revenue

Bitfarms' total revenue for Q1 2020 was US\$9.2 million compared to US\$3.6 million in Q1 2019. Revenue in Q1 2020 increased US\$5.6 million or 154% in Q1 2020 compared to Q1 2019 due to an increase in the average selling price of Bitcoin (i.e. \$8,138 in Q1 2020 compared to \$3,802 in Q1 2019) in addition to an increase in Bitcoin mined in Q1 2020 compared to Q1 2019 that resulted from the increase in Bitfarms' average hashrate in excess of the increase Network Difficulty.

#### Cost of Sales

Bitfarms' cost of sales for Q1 2020 was US\$7.9 million compared to US\$3.4 million in Q1 2019. Costs of sales include energy and infrastructure expenses, rental expense, depreciation and amortization, electrician salaries, and purchases and net change in inventory.

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#### *Gross Profit*

In Q1 2020, the Company had consolidated gross profit of US\$1.3 million (14% gross margin) on consolidated revenue of US\$9.2 million, compared to gross profit of US\$0.2 million (6% gross margin) on consolidated revenue of US\$3.6 million in Q1 2019.

#### *General & Administrative and Other Expenses*

Bitfarms' general and administrative and other expenses increased US\$0.9 million or 46% in Q1 2020 compared to Q1 2019. The increase was mainly due to higher non-cash salary expenses related to share-based compensation (US\$0.6 million) issued to employees as well as the former CEO of the Company upon his resignation on March 13, 2020.

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#### **Reconciliation of Net Income to EBITDA and Adjusted EBITDA**

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

For the periods ended as indicated

|                                | Three months ended |              |           |          |
|--------------------------------|--------------------|--------------|-----------|----------|
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| Net loss before tax            | (2,532)            | (2,006)      | (526)     | (26)%    |
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## Calculation of Gross Mining Profit & Gross Mining Margin

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

For the periods ended as indicated

|                                    | Three months ended |              |           |          |
|------------------------------------|--------------------|--------------|-----------|----------|
|                                    | Mar. 31 2020       | Mar. 31 2019 | \$ Change | % Change |
| Revenues                           | 8,724              | 3,000        | 5,724     | 191%     |
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### For investor and media inquiries, please contact:

Marc Duchesne

+1.514.277.3508

[marc@ryanap.com](mailto:marc@ryanap.com)

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

<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/>

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

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## **Forward-Looking Statements**

*This news release contains certain “forward-looking information” within the meaning of applicable Canadian securities laws that are based on expectations, estimates and projections as at the date of this news release. The information in this release about 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 resulting significant negative impact on the Company’s operations, the construction and operation of expanded blockchain infrastructure as currently planned, and the regulatory environment of cryptocurrency in the Provinces of Canada.*

*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 reasonable assumptions and estimates of management of the Company at the time it was 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; 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; 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; and volatile securities markets impacting security pricing unrelated to operating performance. In addition, particular factors which could impact future results of the business of Bitfarms include but are not limited to: the construction and operation of blockchain infrastructure 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 Province of Québec, 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; and there will be no regulation or law that will prevent Bitfarms from operating its business. The Company has also assumed that no significant events occur outside of the Bitfarms’ normal course of business. Although the Company has attempted to identify important factors that could cause actual results to differ materially, 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 forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.*

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## **Non-IFRS Performance Measures**

*This press release 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 Revenue. “Adjusted EBITDA” is defined as EBITDA adjusted to exclude: (i) share-based compensation; (ii) non-cash finance expenses; (iii) asset impairment charges; and (iv) other non-cash expenses. “Adjusted EBITDA margin” is defined as the percentage obtained when dividing Adjusted EBITDA by Revenue. “Gross mining profit” is defined as Revenue minus energy expenses for the Bitfarms segment of the Company. “Gross mining margin” is defined as the percentage obtained when dividing Gross mining profit by Revenue for the Bitfarms segment of the Company.*

*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. See “Reconciliation of Net Income to EBITDA and Adjusted EBITDA” for reconciliation of EBITDA and Adjusted EBITDA to net income.*

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AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2020

U.S. DOLLARS IN THOUSANDS

UNAUDITED

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**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

U.S. dollars in thousands

|                                                              | <b>Note</b> | <b>March 31,<br/>2020<br/>Unaudited</b> | <b>December 31,<br/>2019</b> |
|--------------------------------------------------------------|-------------|-----------------------------------------|------------------------------|
| <b>ASSETS</b>                                                |             |                                         |                              |
| <b>CURRENT ASSETS:</b>                                       |             |                                         |                              |
| Cash and cash equivalents                                    |             | \$ 2,332                                | \$ 2,159                     |
| Trade receivables, net                                       |             | 738                                     | 1,108                        |
| Other assets                                                 | 4           | 1,137                                   | 1,398                        |
| Inventories                                                  | 5           | 264                                     | 135                          |
| Income taxes receivable                                      |             | 1,595                                   | 1,743                        |
|                                                              |             | <u>6,066</u>                            | <u>6,543</u>                 |
| Assets held for sale                                         | 6           | -                                       | 7                            |
| <b>TOTAL CURRENT ASSETS</b>                                  |             | <u><b>6,066</b></u>                     | <u><b>6,550</b></u>          |
| <b>NON-CURRENT ASSETS:</b>                                   |             |                                         |                              |
| Property, plant and equipment, net                           | 7           | 36,032                                  | 37,774                       |
| Right-of-use assets                                          | 10          | 5,981                                   | 6,233                        |
| Intangible assets, net                                       |             | 643                                     | 675                          |
| Long-term deposits and advance payments on equipment         | 8           | 1,387                                   | 1,148                        |
| Embedded derivative                                          | 9           | 538                                     | 476                          |
| <b>TOTAL NON-CURRENT ASSETS</b>                              |             | <u><b>44,581</b></u>                    | <u><b>46,306</b></u>         |
| <b>TOTAL ASSETS</b>                                          |             | <u><b>\$ 50,647</b></u>                 | <u><b>\$ 52,856</b></u>      |
| <b>LIABILITIES AND EQUITY</b>                                |             |                                         |                              |
| <b>CURRENT LIABILITIES:</b>                                  |             |                                         |                              |
| Current maturities of long-term debt                         | 9           | \$ 4,275                                | \$ 874                       |
| Current maturities of lease liabilities                      | 10          | 699                                     | 746                          |
| Accounts payable and accrued liabilities                     |             | 2,211                                   | 2,389                        |
| <b>TOTAL CURRENT LIABILITIES</b>                             |             | <u><b>7,185</b></u>                     | <u><b>4,009</b></u>          |
| <b>NON-CURRENT LIABILITIES:</b>                              |             |                                         |                              |
| Long-term debt                                               | 9           | 11,357                                  | 14,849                       |
| Lease liabilities                                            | 10          | 5,053                                   | 5,717                        |
| Asset retirement provision                                   | 11          | 178                                     | 193                          |
| <b>TOTAL NON-CURRENT LIABILITIES</b>                         |             | <u><b>16,588</b></u>                    | <u><b>20,759</b></u>         |
| <b>TOTAL LIABILITIES</b>                                     |             | <u><b>23,773</b></u>                    | <u><b>24,768</b></u>         |
| <b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:</b> |             |                                         |                              |
| Share capital                                                | 12          | 35,154                                  | 33,944                       |
| Accumulated deficit                                          |             | (8,280)                                 | (5,856)                      |
| <b>TOTAL EQUITY</b>                                          |             | <u><b>26,874</b></u>                    | <u><b>28,088</b></u>         |
| <b>TOTAL LIABILITIES &amp; EQUITY</b>                        |             | <u><b>\$ 50,647</b></u>                 | <u><b>\$ 52,856</b></u>      |

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

U.S. dollars in thousands (except earnings per share)

|                                                                                     | Note | Three months ended<br>March 31, |                   |
|-------------------------------------------------------------------------------------|------|---------------------------------|-------------------|
|                                                                                     |      | 2020                            | 2019              |
|                                                                                     |      | Unaudited                       |                   |
| Revenues                                                                            | 13   | \$ 9,212                        | \$ 3,629          |
| Cost of revenues                                                                    |      | 7,917                           | 3,417             |
| Gross profit                                                                        |      | 1,295                           | 212               |
| General and administrative expenses                                                 |      | 2,805                           | 1,923             |
| Operating loss                                                                      |      | (1,510)                         | (1,711)           |
| Financial income                                                                    |      | 363                             | 25                |
| Financial expenses                                                                  |      | (1,385)                         | (320)             |
| Loss before taxes on income                                                         |      | (2,532)                         | (2,006)           |
| Income tax benefit                                                                  |      | (108)                           | -                 |
| Net loss and total comprehensive loss                                               |      | <u>\$ (2,424)</u>               | <u>\$ (2,006)</u> |
| Attributable to:                                                                    |      |                                 |                   |
| Equity holders of the Company                                                       |      | \$ (2,424)                      | \$ (1,290)        |
| Non-controlling interest                                                            |      | -                               | (716)             |
|                                                                                     |      | <u>\$ (2,424)</u>               | <u>\$ (2,006)</u> |
| Net loss per share attributable to equity holders of the Company (in U.S. dollars): |      |                                 |                   |
| Basic and diluted loss per share                                                    | 15   | <u>\$ (0.03)</u>                | <u>\$ (0.02)</u>  |

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

U.S. dollars in thousands

|                                                 | Equity attributable to equity holders of the Company |                            |                     |                  | Non-controlling interest | Total equity     |
|-------------------------------------------------|------------------------------------------------------|----------------------------|---------------------|------------------|--------------------------|------------------|
|                                                 | Share capital                                        | Obligation to issue shares | Accumulated deficit | Total            |                          |                  |
| <b>Balance as of January 1, 2020</b>            | \$ 33,944                                            | \$ -                       | \$ (5,856)          | \$ 28,088        | \$ -                     | \$ 28,088        |
| Net loss and total comprehensive loss           | -                                                    | -                          | (2,424)             | (2,424)          | -                        | (2,424)          |
| Share-based payment                             | 1,010                                                | -                          | -                   | 1,010            | -                        | 1,010            |
| Exercise of warrants                            | 200                                                  | -                          | -                   | 200              | -                        | 200              |
| <b>Balance as of March 31, 2020 (unaudited)</b> | <u>\$ 35,154</u>                                     | <u>\$ -</u>                | <u>\$ (8,280)</u>   | <u>\$ 26,874</u> | <u>\$ -</u>              | <u>\$ 26,874</u> |
| <b>Balance as of January 1, 2019</b>            | \$ 19,812                                            | \$ 4,386                   | \$ (8,755)          | \$ 15,443        | \$ 5,209                 | \$ 20,652        |
| Net loss and total comprehensive loss           | -                                                    | -                          | (1,290)             | (1,290)          | (716)                    | (2,006)          |
| Share-based payment in legal subsidiary         | -                                                    | -                          | -                   | -                | 111                      | 111              |
| <b>Balance as of March 31, 2019 (unaudited)</b> | <u>\$ 19,812</u>                                     | <u>\$ 4,386</u>            | <u>\$ (10,045)</u>  | <u>\$ 14,153</u> | <u>\$ 4,604</u>          | <u>\$ 18,757</u> |

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

U.S. dollars in thousands

|                                                                                           | Three months ended |                 |
|-------------------------------------------------------------------------------------------|--------------------|-----------------|
|                                                                                           | March 31,          |                 |
|                                                                                           | 2020               | 2019            |
|                                                                                           | Unaudited          |                 |
| <b>Cash flows from operating activities:</b>                                              |                    |                 |
| Net loss                                                                                  | \$ (2,424)         | \$ (2,006)      |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: |                    |                 |
| Depreciation and amortization                                                             | 2,980              | 1,348           |
| Financial expenses                                                                        | 1,385              | 254             |
| Share-based payment                                                                       | 1,010              | 111             |
| Financial income                                                                          | (588)              | -               |
| Interest and financial expenses paid                                                      | (1,057)            | (151)           |
| Provision for asset retirement and loss on disposition of property, plant and equipment   | (10)               | (9)             |
|                                                                                           | <u>3,720</u>       | <u>1,553</u>    |
| Changes in non-cash working capital components (A)                                        | 143                | 263             |
| Net cash provided by (used in) operating activities                                       | <u>1,439</u>       | <u>(190)</u>    |
| <b>Cash flows from investing activities:</b>                                              |                    |                 |
| Purchase of property, plant and equipment and intangible                                  | (761)              | (1,688)         |
| Proceeds from sale of property, plant and equipment                                       | 7                  | 1,293           |
| Advance payments for equipment                                                            | (107)              | (1,227)         |
| Net cash used in investing activities                                                     | <u>(861)</u>       | <u>(1,622)</u>  |
| <b>Cash flows from financing activities:</b>                                              |                    |                 |
| Issuance of warrants                                                                      | -                  | 946             |
| Exercise of warrants                                                                      | 200                | -               |
| Proceeds from long-term debt, net                                                         | -                  | 3,550           |
| Repayment of lease liabilities                                                            | (181)              | (180)           |
| Repayment of long-term debt                                                               | (419)              | (96)            |
| Net cash provided by (used in) financing activities                                       | <u>(400)</u>       | <u>4,220</u>    |
| Exchange rate differences on currency translation                                         | <u>(5)</u>         | <u>3</u>        |
| Increase in cash and cash equivalents                                                     | 173                | 2,411           |
| Cash and cash equivalents at beginning of period                                          | <u>2,159</u>       | <u>552</u>      |
| Cash and cash equivalents at end of period                                                | <u>\$ 2,332</u>    | <u>\$ 2,963</u> |

The accompanying notes are an integral part of the interim condensed consolidated financial statements.



**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

U.S. dollars in thousands

|     |                                                                         | <b>Three months ended March 31,</b> |               |
|-----|-------------------------------------------------------------------------|-------------------------------------|---------------|
|     |                                                                         | <b>2020</b>                         | <b>2019</b>   |
|     |                                                                         | <b>Unaudited</b>                    |               |
| (A) | <u>Changes in working capital components:</u>                           |                                     |               |
|     | Decrease in trade receivables, net                                      | \$ 327                              | \$ 398        |
|     | Decrease (increase) in other current assets                             | 242                                 | (17)          |
|     | Increase in inventories                                                 | (143)                               | (233)         |
|     | Decrease (increase) in long-term deposits                               | (132)                               | 363           |
|     | Decrease in accounts payable and accrued liabilities                    | (302)                               | (213)         |
|     | Decrease in income taxes receivable                                     | 151                                 | 15            |
|     | Decrease in liabilities held for sale                                   | -                                   | (50)          |
|     |                                                                         | <u>\$ 143</u>                       | <u>\$ 263</u> |
| (B) | <u>Significant non-cash transactions:</u>                               |                                     |               |
|     | Purchase of property, plant and equipment financed by short-term credit | <u>\$ 650</u>                       | <u>\$ 822</u> |

The accompanying notes are an integral part of the interim condensed consolidated financial statements.



**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency**

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**NOTE 1: GENERAL**

- a. The Company was incorporated under the Canada Business Corporations Act on October 11, 2018 and has its registered and head office located at 1376 Bayview Avenue, Suite 1, Toronto, ON M4G 3A1.
- b. These interim financial statements have been prepared in a condensed format as of March 31, 2020 and for three months then ended ("interim consolidated financial statements"). The interim condensed consolidated financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2019, and for the year then ended and accompanying notes ("annual consolidated financial statements").
- c. For the three months ended March 31, 2020, the Company had a net loss of \$2,424. As of March 31, 2020, the Company had negative working capital of \$1,119 and an accumulated deficit of \$8,280. Based on internally prepared forecasted cash flows that take into consideration what management of the Group considers reasonably possible scenarios, management believes that the Group will continue to be able to achieve positive cash flows from operations that will enable the Group to meet its obligations for at least one year from the date of the interim consolidated financial statements.

The Group is primarily engaged in the cryptocurrency mining industry, that is a highly volatile market with significant inherent risk. 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 Group's operations. Due to the volatility of the prices of cryptocurrencies and the effects of possible changes in the other aforementioned factors, there can be no assurance that future mining operations will be profitable.

In March 2020, the World Health Organization declared COVID-19 a pandemic. The global response to the pandemic is constantly evolving, including various measures implemented at the global, national, provincial and local levels. The major impacts that COVID-19 is expected to have on the Backbone operating segment include potential increases in cryptocurrency price volatility, difficulty obtaining new financing due to global economic slowdown, and delays in receiving future orders of mining hardware and parts sourced from overseas. While the Backbone operating segment is expected to continue operating throughout the pandemic, government-imposed restrictions encouraging social distancing may impact the number of employees permitted to work in the mining facilities. A reduction in workforce in the mining facilities may reduce the Company's ability to maximize operational efficiency. Volta's services are considered to be essential by government authorities and are expected to continue throughout the pandemic. The impacts of COVID-19 on the Volta operating segment are expected to reduce revenues from the sale of electrician services and parts, as well as result in longer collection periods for outstanding trade receivables, and potential increases in bad debts resulting from the economic impact of COVID-19 on existing customers. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency****NOTE 1: GENERAL (Cont.)**

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

|    |                               |                                                  |
|----|-------------------------------|--------------------------------------------------|
| 1. | Bitfarms Ltd. or the Company  | Bitfarms Ltd.                                    |
| 2. | Backbone                      | Backbone Hosting Solutions Inc.                  |
| 3. | Volta                         | 9159-9290 Quebec Inc.                            |
| 4. | Bitfarms Ltd. pre-Arrangement | Bitfarms Ltd. (Israel)                           |
| 5. | The Group                     | The Company and its subsidiaries                 |
| 6. | BTC                           | Bitcoin                                          |
| 7. | LTC                           | Litecoin                                         |
| 8. | BVVE                          | Blockchain Verification and Validation Equipment |

e. These unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on June 24, 2020.

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements, unless otherwise stated.

a. Basis of presentation of the financial statements:

The interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in IAS 34, “*Interim Financial Reporting*”.

**NOTE 3: OPERATING SEGMENTS**

a. General:

The operating segments are identified on the basis of information that is reviewed by the chief operating decision maker (“CODM”) to make decisions about resources to be allocated and assess its performance. Accordingly, for management purposes, the Group is organized into operating segments based on the products and services of its business units and has operating segments as follows:

|          |                                                                                                                                                                     |
|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Backbone | Backbone operates server farms that support the validation and verification of transactions on the blockchain, earning cryptocurrency for providing these services. |
| Volta    | Volta provides electrician services to both commercial and residential customers in Quebec.                                                                         |



**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 3: OPERATING SEGMENTS (Cont.)**

The segment results reported to the CODM include items that are allocated directly to the segments and items that can be allocated on a reasonable basis. Items that were not allocated, mainly corporate expenses related to Bitfarms Ltd. (Israel) and financial expenses are managed on a group basis.

|                                     | <b>Three months ended March 31, 2020 (Unaudited)</b> |                |                    |                   |
|-------------------------------------|------------------------------------------------------|----------------|--------------------|-------------------|
|                                     | <b>Backbone</b>                                      | <b>Volta</b>   | <b>Adjustments</b> | <b>Total</b>      |
| Revenues:                           |                                                      |                |                    |                   |
| External customers                  | \$ 8,724                                             | \$ 488         | \$ -               | \$ 9,212          |
| Inter segment revenues              | -                                                    | 701            | (701)              | -                 |
| Total revenues                      | <u>8,724</u>                                         | <u>1,189</u>   | <u>(701)</u>       | <u>9,212</u>      |
| Cost of revenues                    | <u>7,485</u>                                         | <u>1,072</u>   | <u>(640)</u>       | <u>7,917</u>      |
| Gross profit                        | <u>1,239</u>                                         | <u>117</u>     | <u>(61)</u>        | <u>1,295</u>      |
| General and administrative expenses | 2,582                                                | 140            | -                  | 2,722             |
| Segment loss                        | <u>\$ (1,343)</u>                                    | <u>\$ (23)</u> | <u>\$ (61)</u>     | <u>\$ (1,427)</u> |
| Unallocated corporate expenses      |                                                      |                |                    | 83                |
| Financial expenses, net             |                                                      |                |                    | 1,022             |
| Loss before taxes on income         |                                                      |                |                    | <u>\$ (2,532)</u> |

## b. Reporting on operating segments:

|                                     | <b>Three months ended March 31, 2019 (Unaudited)</b> |              |                    |                   |
|-------------------------------------|------------------------------------------------------|--------------|--------------------|-------------------|
|                                     | <b>Backbone</b>                                      | <b>Volta</b> | <b>Adjustments</b> | <b>Total</b>      |
| Revenues:                           |                                                      |              |                    |                   |
| External customers                  | \$ 3,000                                             | \$ 629       | \$ -               | \$ 3,629          |
| Inter segment revenues              | -                                                    | 529          | (529)              | -                 |
| Total revenues                      | <u>3,000</u>                                         | <u>1,158</u> | <u>(529)</u>       | <u>3,629</u>      |
| Cost of revenues                    | <u>3,034</u>                                         | <u>1,013</u> | <u>(630)</u>       | <u>3,417</u>      |
| Gross profit (loss)                 | <u>(34)</u>                                          | <u>145</u>   | <u>101</u>         | <u>212</u>        |
| General and administrative expenses | 1,598                                                | 140          | -                  | 1,738             |
| Segment profit (loss)               | <u>\$ (1,632)</u>                                    | <u>\$ 5</u>  | <u>\$ 101</u>      | <u>\$ (1,526)</u> |
| Unallocated corporate expenses      |                                                      |              |                    | 185               |
| Financial expenses, net             |                                                      |              |                    | 295               |
| Loss before taxes on income         |                                                      |              |                    | <u>\$ (2,006)</u> |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 4: OTHER ASSETS**

|                               | <u>March 31,</u><br><u>2020</u> | <u>December 31,</u><br><u>2019</u> |
|-------------------------------|---------------------------------|------------------------------------|
|                               | <u>Unaudited</u>                |                                    |
| Sales taxes receivable        | \$ 810                          | \$ 398                             |
| Prepaid expenses              | 327                             | 558                                |
| Electricity credit receivable | -                               | 442                                |
|                               | <u>\$ 1,137</u>                 | <u>\$ 1,398</u>                    |

**NOTE 5: INVENTORIES**

|                          | <u>March 31,</u><br><u>2020</u> | <u>December 31,</u><br><u>2019</u> |
|--------------------------|---------------------------------|------------------------------------|
|                          | <u>Unaudited</u>                |                                    |
| Electrical components    | \$ 168                          | \$ 135                             |
| Cryptocurrency inventory | 96                              | -                                  |
|                          | <u>\$ 264</u>                   | <u>\$ 135</u>                      |

Details of the Company's cryptocurrency inventory are as follows:

|                     | <u>March 31,</u><br><u>2020</u> | <u>December 31,</u><br><u>2019</u> |
|---------------------|---------------------------------|------------------------------------|
|                     | <u>Unaudited</u>                |                                    |
| Quantity of Bitcoin | 15                              | -                                  |
| Cost                | \$ 96                           | \$ -                               |
| Fair Value *        | \$ 96                           | \$ -                               |

\* The Company based the fair value of the inventory on the prices quoted on [www.coinmarketcap.com](http://www.coinmarketcap.com) which calculates the price by taking the weighted average prices, based on volume, reported in each cryptocurrency market as at March 31, 2020. The fair value measurement is categorized as level 1 in the fair value hierarchy.

**NOTE 6: ASSETS HELD FOR SALE**

On May 24, 2019, the Company's management decided to sell 2,500 Antminer L3+ and committed to carry out a plan for the sale of the equipment. As at March 31, 2020, the Company had located a purchaser and received non-refundable deposits totaling approximately \$332 and has made the mining hardware available to the purchaser. The purchaser has not collected the mining hardware, which is no longer in use by the Company. The Company has deferred recognizing a gain on the disposition of the assets, as it is not reasonably certain that the transaction will be completed. The proceeds received from the purchaser have been accounted for as a liability included in accounts payable. Assets held for sale as at December 31, 2019, excluding the Antminer L3+, were sold in January 2020, for approximately their carrying amount.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 7: PROPERTY, PLANT AND EQUIPMENT

a. As of March 31, 2020 and December 31, 2019, property, plant and equipment consisted of:

|                                                     | BVVE and<br>electrical<br>components | Mineral assets  | Land and<br>buildings | Leasehold<br>improvements | Vehicles      | Total            |
|-----------------------------------------------------|--------------------------------------|-----------------|-----------------------|---------------------------|---------------|------------------|
| <b>Cost:</b>                                        |                                      |                 |                       |                           |               |                  |
| <b>Balance as of January 1, 2020</b>                | \$ 54,127                            | \$ 9,000        | \$ 2,721              | \$ 2,415                  | \$ 381        | \$ 68,644        |
| Additions during the period                         | 666                                  | -               | 50                    | 188                       | -             | 904              |
| <b>Balance as of March 31, 2020<br/>(Unaudited)</b> | <u>54,793</u>                        | <u>9,000</u>    | <u>2,771</u>          | <u>2,603</u>              | <u>381</u>    | <u>69,548</u>    |
| <b>Balance as of January 1, 2019</b>                | 35,439                               | 9,000           | 2,033                 | 2,140                     | 333           | 48,945           |
| Additions during the period                         | 21,967                               | -               | 688                   | 275                       | 73            | 23,003           |
| Dispositions during the period                      | (3,193)                              | -               | -                     | -                         | (25)          | (3,218)          |
| Transfer to assets held for sale                    | (86)                                 | -               | -                     | -                         | -             | (86)             |
| <b>Balance as of December 31, 2019</b>              | <u>54,127</u>                        | <u>9,000</u>    | <u>2,721</u>          | <u>2,415</u>              | <u>381</u>    | <u>68,644</u>    |
| <b>Accumulated Depreciation:</b>                    |                                      |                 |                       |                           |               |                  |
| <b>Balance as of January 1, 2020</b>                | 28,976                               | -               | 101                   | 1,641                     | 152           | 30,870           |
| Depreciation                                        | 2,558                                | -               | 19                    | 50                        | 19            | 2,646            |
| <b>Balance as of March 31, 2020<br/>(Unaudited)</b> | <u>31,534</u>                        | <u>-</u>        | <u>120</u>            | <u>1,691</u>              | <u>171</u>    | <u>33,516</u>    |
| <b>Balance as of January 1, 2019</b>                | 26,424                               | -               | 38                    | 1,530                     | 91            | 28,083           |
| Depreciation                                        | 5,318                                | -               | 63                    | 111                       | 71            | 5,563            |
| Dispositions during the period                      | (2,753)                              | -               | -                     | -                         | (10)          | (2,763)          |
| Transfer to assets held for sale                    | (13)                                 | -               | -                     | -                         | -             | (13)             |
| <b>Balance as of December 31, 2019</b>              | <u>28,976</u>                        | <u>-</u>        | <u>101</u>            | <u>1,641</u>              | <u>152</u>    | <u>30,870</u>    |
| Net book value as of                                |                                      |                 |                       |                           |               |                  |
| <b>March 31, 2020 (Unaudited)</b>                   | <u>\$ 23,259</u>                     | <u>\$ 9,000</u> | <u>\$ 2,651</u>       | <u>\$ 912</u>             | <u>\$ 210</u> | <u>\$ 36,032</u> |
| <b>December 31, 2019</b>                            | <u>\$ 25,151</u>                     | <u>\$ 9,000</u> | <u>\$ 2,620</u>       | <u>\$ 774</u>             | <u>\$ 229</u> | <u>\$ 37,774</u> |

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

|                                                 | Bitmain<br>Antminer S9<br>(BTC/BCH) | Bitmain<br>New Gen<br>Antminers<br>(BTC/BCH) * | Bitmain<br>Antminer<br>L3+ (LTC) | Innosilicon<br>T3 & T2T<br>(BTC/BCH)** | Canaan<br>Avalon A10<br>(BTC/BCH) | Whatsminer<br>M20S<br>(BTC/BCH) |
|-------------------------------------------------|-------------------------------------|------------------------------------------------|----------------------------------|----------------------------------------|-----------------------------------|---------------------------------|
| Balance as of January 1, 2020                   | 15,159                              | 2,071                                          | 400                              | 6,543                                  | 2,490                             | 2,470                           |
| Additions during the period                     | -                                   | 3                                              | -                                | -                                      | -                                 | -                               |
| Dispositions during the period                  | -                                   | -                                              | -                                | -                                      | -                                 | -                               |
| <b>Balance as of March 31, 2020 (Unaudited)</b> | <u>15,159</u>                       | <u>2,074</u>                                   | <u>400</u>                       | <u>6,543</u>                           | <u>2,490</u>                      | <u>2,470</u>                    |

\* Includes 1,554 Antminer T15, 119 Antminer S17, 399 Antminer S15 and 2 Antminer S11

\*\* Includes 5,095 T3 and 1,448 T2T.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency****NOTE 7: PROPERTY, PLANT AND EQUIPMENT (Cont.)**

In addition to the equipment details listed above, Backbone entered into profit sharing agreements with two parties to host 1,165 Antminer S9's. The profit-sharing agreements are structured such that Backbone does not share the profits with the other parties unless minimum profitability thresholds are met. Once the profitability threshold is met, the other parties are entitled to 39% of the revenues and Backbone must pay all related electricity costs. The contracts can be terminated by either party at any time. For the three month period ended March 31, 2020, Backbone mined a total of approximately 18 Bitcoin (three month period ended March 31, 2019, 56 bitcoin) using the hosted Antminer S9's. As at March 31, 2020, accounts payable and accrued liabilities included \$13 payable to the two parties.

**NOTE 8: LONG-TERM DEPOSITS AND ADVANCE PAYMENTS ON EQUIPMENT**

|                                                  | <b>March 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|--------------------------------------------------|---------------------------|------------------------------|
|                                                  | <b>Unaudited</b>          |                              |
| Security deposits for rent, energy and insurance | \$ 1,280                  | \$ 1,021                     |
| Advance payments on equipment                    | 107                       | 127                          |
|                                                  | <u>\$ 1,387</u>           | <u>\$ 1,148</u>              |

**NOTE 9: LONG-TERM DEBT**

|                                           | <b>March 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|-------------------------------------------|---------------------------|------------------------------|
|                                           | <b>Unaudited</b>          |                              |
| Dominion Capital loan                     | \$ 15,325                 | \$ 15,084                    |
| Backbone vendor financing                 | 100                       | 394                          |
| Volta notes payable                       | 104                       | 122                          |
| Volta vendor financing                    | 103                       | 123                          |
| Total long-term debt                      | <u>15,632</u>             | <u>15,723</u>                |
| Less current maturities of long-term debt | <u>(4,275)</u>            | <u>(874)</u>                 |
| Non-current maturities of long-term debt  | <u>\$ 11,357</u>          | <u>\$ 14,849</u>             |



**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency****NOTE 9: LONG-TERM DEBT**

- a. On March 15, 2019, the Group entered into a secured debt financing facility for up to \$20,000 with Dominion Capital LLC (the Lender). The debt facility is structured into four separate loan tranches of \$5,000 per tranche. Each loan tranche was drawn down in 2019 and bears interest at 10% per annum. The term of each loan tranche is 24 months with a balloon payment for any remaining outstanding balance at the end of the term of the loan tranche. The loan tranches expire in March, April, June and August of 2021.

A monthly payment equivalent to 10% of the value of cryptocurrencies mined by Backbone during the month is required in repayment of the total loan tranches drawn. The monthly payments shall be applied to interest and the balance to principal, and in the event that the amount of the cryptocurrency mined is less than the amount of interest owing, such additional amounts shall be remitted such that the interest is payable in full on a current basis. The loan contains a “make-whole” clause which stipulates that the 10% interest rate is calculated on the initial principal balance of the loan tranche and does not decrease as the principal balance is repaid. The 10% interest rate is calculated over the 24-month term of each loan tranche regardless of whether the loan tranche is repaid prior to its maturity. Any unpaid interest at the earlier of the loan tranche’s early repayment, or the loan tranche’s 24-month maturity is included in the balloon payment. The loan tranches are fully secured by the assets of the Group on a first-priority basis.

Pursuant to the terms with the Lender, the Company is required to comply with certain covenants as long as any amount is outstanding. The significant covenants are to maintain a bank balance of \$1,000 at all times, as well as restrictions on issuing additional debt or selling property, plant and equipment without re-investing the proceeds into new purchases of property, plant and equipment

The loan features result in a loan liability measured at amortized cost, warrants that are accounted for as an equity component and an embedded derivative measured at fair value through profit or loss.

*Loan liability*

The loan is measured at amortized cost using the effective interest method. Management used significant judgement and estimates when determining the effective interest rate. Payment amounts are determined as 10% of the cryptocurrency mined by Backbone. In order to calculate the effective interest rate, management had to estimate Backbone’s future cryptocurrency mining revenues in order to estimate the timing and amount of future loan repayments. The effective interest rate was determined to be 26.93%, 30.16%, 37.10 % and 38.02% for the first, second, third and fourth tranches, respectively. The carrying amount of the loan liability approximates its fair value. Included in financial expenses for the three months ended March 31, 2020 and 2019 are \$1,229 and \$44 of interest expense related to the loan.

*Embedded derivative*

The value of the “make-whole” clause described above will vary based on management’s projections of the timing of the loan repayment, which are based on Backbone’s cryptocurrency mining revenues. This interest feature has been accounted for as an embedded derivative that is measured at fair value through profit or loss.



**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency****NOTE 9: LONG-TERM DEBT (Cont.)***Key assumptions*

Key assumptions used in recording the embedded derivative as of March 31, 2020, are described below. These assumptions are subject to change based on future developments and such changes could have a material effect on embedded derivative.

*Revenues* - Two optimistic, two pessimistic and one status quo scenario were used in estimating future bitcoin price and network difficulty, which are key factors in predicting revenues from cryptocurrency mining. Management assigned probabilities to each scenario, which were used to calculate weighted average expected outcomes. The weighted average bitcoin price and network difficulty used in the projections in order to determine the fair value of the embedded derivative were \$10.9 and  $1.2 \times 10^{13}$ , respectively.

*Internal hashrate* - Management was required to predict the growth of the Company's internal hashrate, one of the main revenue drivers in combination with bitcoin price and network difficulty, to predict revenues. Accordingly, management was required to make assumptions regarding the timing of all four loan tranche drawdowns as well as the pricing and availability of cryptocurrency mining hardware.

The fair value measurement is based upon level 3 inputs, as a result management has performed a sensitivity analysis using varying discount rates:

|                                 | <b>Scenario 1</b> | <b>Scenario 2</b> | <b>Scenario 3</b> |
|---------------------------------|-------------------|-------------------|-------------------|
| Discount rate                   | 30.05%            | 33.05%            | 36.05%            |
| Total value - asset (liability) | \$ (118)          | \$ 538            | \$ 1,161          |

As of March 31, 2020, management recognized an embedded derivative asset with a fair value of \$538 (March 31, 2019 – \$nil) resulting in an unrealized gain of \$62 for the three months ended March 31, 2020 included in financial income (three months ended March 31, 2019 - \$nil).

- b. Backbone signed an agreement to purchase BVVE in the amount of \$2,000, with an outstanding balance of \$100 at March 31, 2020 (December 31, 2019 - \$394). According to the agreement, the aforementioned amount will be repaid in 20 equal monthly instalments commencing on June 15, 2018. A discount rate of 8% was used to calculate the present value of the installments and record the BVVE in the amount of \$1,826 upon acquisition.
- c. Volta signed several agreements to purchase vehicles, with an outstanding balance of \$104 (CAD \$148,000) as of March 31, 2020 (December 31, 2019 - \$122). Ten notes payable, bearing interest between 3.99% and 8.2% repayable in monthly instalments totaling \$3(CAD \$3,900) principal and interest, maturing between May 2020 and October 2025, secured by vehicles having a net carrying value of \$132

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 9: LONG-TERM DEBT (Cont.)**

- d. Volta received long-term vendor financing with an outstanding balance of \$103 (CAD \$146,000) as of March 31, 2020, bearing interest at 5%, payable by monthly instalments of \$4 (CAD \$5,198) principal and interest, maturing September 2022.

**NOTE 10: LEASES**

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and their movements during the three month period ended March 31, 2020:

|                              | <b>Leased<br/>premises</b> | <b>Vehicles</b> | <b>Other<br/>equipment</b> | <b>Total ROU<br/>assets</b> | <b>Lease<br/>liabilities</b> |
|------------------------------|----------------------------|-----------------|----------------------------|-----------------------------|------------------------------|
| As of January 1, 2020        | \$ 6,024                   | \$ 157          | \$ 52                      | \$ 6,233                    | \$ 6,463                     |
| Additions and extensions     | (10)                       | -               | -                          | (10)                        | (6)                          |
| Depreciation                 | (217)                      | (22)            | (3)                        | (242)                       | -                            |
| Payments                     | -                          | -               | -                          | -                           | (303)                        |
| Interest                     | -                          | -               | -                          | -                           | 122                          |
| FX gain on lease liabilities | -                          | -               | -                          | -                           | (525)                        |
| As of March 31, 2020         | \$ 5,797                   | \$ 135          | \$ 49                      | \$ 5,981                    | \$ 5,752                     |

Leased premises include farming facilities as well as office locations.

**NOTE 11: ASSET RETIREMENT OBLIGATION**

As of March 31, 2020, the Group estimated the costs of restoring its leased premises to their original state at the end of their respective lease terms, ranging from 3 to 10 years, to be \$294, discounted to present value of \$178

**NOTE 12: EQUITY**

Composition:

|                               | <b>Authorized</b>         | <b>Issued and outstanding at</b> |                              |
|-------------------------------|---------------------------|----------------------------------|------------------------------|
|                               | <b>March 31,<br/>2020</b> | <b>March 31,<br/>2020</b>        | <b>December 31,<br/>2019</b> |
|                               | <b>(Unaudited)</b>        | <b>(Unaudited)</b>               |                              |
|                               | <b>Number of shares</b>   |                                  |                              |
| Common shares of no par value | Unlimited                 | 84,620,630                       | 83,620,630                   |

On both January 13, 2020 and February 12, 2020 Dominion Capital exercised a combined total of 500,000 warrants to acquire 500,000 common shares resulting in proceeds of \$200 being paid to the Company.

On March 11, 2020 the Company issued 500,000 common shares to the former CEO upon his resignation, see Note 16 for details.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 13: ADDITIONAL DETAILS TO THE STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME***Revenues:*

Details of the cryptocurrency mined by the Backbone operating segment and their related fair values at the time of mining are as follows:

|              | <b>Three months ended March 31, 2020 (Unaudited)</b> |                 |                 |
|--------------|------------------------------------------------------|-----------------|-----------------|
|              | <b>Bitcoin</b>                                       | <b>Litecoin</b> | <b>Total \$</b> |
| Quantity     | 1,087                                                | 41              | -               |
| Fair value * | 8,977                                                | 3               | 8,980           |

|              | <b>Three months ended March 31, 2019 (Unaudited)</b> |                 |                 |
|--------------|------------------------------------------------------|-----------------|-----------------|
|              | <b>Bitcoin</b>                                       | <b>Litecoin</b> | <b>Total \$</b> |
| Quantity     | 837                                                  | 1,495           | -               |
| Fair value * | 3,180                                                | 72              | 3,252           |

The above figures differ from those included in Revenues as the Company's revenue recognition policy is to recognize revenues upon conversion of cryptocurrencies to fiat currency.

\* The Company based the fair value of the cryptocurrency mined at the time of mining on the prices quoted on [www.coinmarketcap.com](http://www.coinmarketcap.com), which calculates the price by taking the weighted average prices, based on volume, reported in each cryptocurrency market. The fair value measurement is categorized as level 1 in the fair value hierarchy.

**NOTE 14: TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

## a. Balances with related parties:

|                                                               | <b>March 31,<br/>2020<br/>Unaudited</b> | <b>December 31,<br/>2019</b> |
|---------------------------------------------------------------|-----------------------------------------|------------------------------|
| Accounts receivable:                                          |                                         |                              |
| Companies controlled by directors                             | \$ -                                    | \$ 18                        |
| Accounts payable:                                             |                                         |                              |
| Directors' remuneration (included in accrued liabilities)     | \$ 31                                   | \$ -                         |
| Companies controlled by certain directors and consulting fees | 60                                      | 15                           |
|                                                               | <u>\$ 91</u>                            | <u>\$ 15</u>                 |
| Lease liabilities:                                            |                                         |                              |
| Companies controlled by directors                             | <u>\$ 1,734</u>                         | <u>\$ 2,000</u>              |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency****NOTE 14: TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont.)**

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

b. Transactions with related parties during the three month period ended March 31, 2020:

1. One of the companies in the Group made rent payments totaling approximately \$108 for the three month period ended March 31, 2020 (three month period ended March 31, 2019 - \$150) to companies controlled by directors. The rent payments were classified as interest included in financial expenses and principal repayment of lease liabilities.
2. One of the companies in the Group entered into consulting agreements with two of the directors. The consulting fees charged by directors totaled approximately \$60 for the three month period ended March 31, 2020 (\$100 for the three month period ended March 31, 2019).

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

|                                     | <b>Three months ended March 31,</b> |             |
|-------------------------------------|-------------------------------------|-------------|
|                                     | <b>2020</b>                         | <b>2019</b> |
|                                     | <b>Unaudited</b>                    |             |
| Cost of revenues                    | \$ -                                | \$ 191      |
| General and administrative expenses | 60                                  | 100         |
| Financial expenses                  | 38                                  | 38          |

c. Compensation of key management and directors:

Key management for the three months ended March 31, 2020 includes the Chief Executive Officer, Chief Financial Officer, Chief Strategy Officer and Executive Vice President. Key management for the three months ended March 31, 2019 includes the Group's President, Chief Executive Officer, Chief Financial Officer, Chief Strategy Officer, Executive Vice President, Vice President of Operations and Vice President of Infrastructure. The remuneration paid to directors and members of key management personnel are as follows: Group's President, Vice President of Operations and Vice President of Infrastructure

|                      | <b>Three months ended March 31,</b> |               |
|----------------------|-------------------------------------|---------------|
|                      | <b>2020</b>                         | <b>2019</b>   |
|                      | <b>Unaudited</b>                    |               |
| Short-term benefits  | \$ 475                              | \$ 231        |
| Share based payments | 948                                 | 111           |
|                      | <u>\$ 1,423</u>                     | <u>\$ 342</u> |

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 15: NET LOSS PER SHARE

Details of the number of shares and loss used in the computation of net loss per share:

|                                                                    | Three months ended March 31, (Unaudited)  |                                                                         |                                              |                                                                         |
|--------------------------------------------------------------------|-------------------------------------------|-------------------------------------------------------------------------|----------------------------------------------|-------------------------------------------------------------------------|
|                                                                    | 2020                                      |                                                                         | 2019                                         |                                                                         |
|                                                                    | Weighted<br>average shares<br>outstanding | Net loss<br>attributable<br>to the<br>shareholders<br>of the<br>Company | Weighted<br>average<br>shares<br>outstanding | Net loss<br>attributable<br>to the<br>shareholders<br>of the<br>Company |
|                                                                    |                                           |                                                                         |                                              |                                                                         |
|                                                                    | Number of<br>shares (in<br>thousands)     |                                                                         | Number of<br>shares (in<br>thousands)        |                                                                         |
| Total shares for the calculation of basic net loss per share       | 84,048                                    | -                                                                       | 39,740                                       | -                                                                       |
| Total exchangeable shares                                          | -                                         | -                                                                       | 17,335                                       | -                                                                       |
| Total shares for the calculation of basic net loss per share       | 84,048                                    | -                                                                       | 57,075                                       | -                                                                       |
| The effect of dilutive potential common shares                     | 6,067                                     | -                                                                       | -                                            | -                                                                       |
| Total shares for the purpose of calculating diluted loss per share | 90,115                                    | -                                                                       | -                                            | -                                                                       |
| Net loss for the calculation of basic and diluted loss per share   | -                                         | \$ (2,424)                                                              | 57,075                                       | \$ (1,290)                                                              |

Earnings per share for the three months ended March 31, 2020 and 2019 are as follows:

|                                  | Three months ended March 31, |        |
|----------------------------------|------------------------------|--------|
|                                  | 2020                         | 2019   |
|                                  | Unaudited                    |        |
| Basic and diluted loss per share | (0.03)                       | (0.02) |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 16: SHARE BASED PAYMENT**

The expense recognized in the financial statements for employee services received is shown in the following table:

|                                                             | <b>Three months ended March 31,</b> |             |
|-------------------------------------------------------------|-------------------------------------|-------------|
|                                                             | <b>2020</b>                         | <b>2019</b> |
|                                                             | <b>Unaudited</b>                    |             |
| Equity-settled share-based payment plans                    | 1,010                               | 111         |
| Total expense arising from share-based payment transactions | 1,010                               | 111         |

The share-based payment transactions entered into between the Group and its employees during the three month period ended March 31, 2020 are described below.

Details of the outstanding stock options as of March 31, 2020 are as follows:

|                             | <b>March 31, 2020 (Unaudited)</b> |                                                |
|-----------------------------|-----------------------------------|------------------------------------------------|
|                             | <b>Number of Options</b>          | <b>Weighted Average Exercise Price (\$CAD)</b> |
| Outstanding, January 1      | 8,345,000                         | 0.99                                           |
| Granted                     | -                                 | -                                              |
| Exercised                   | -                                 | -                                              |
| Forefeited                  | (147,500)                         | 0.99                                           |
| Expired                     | (280,000)                         | 0.99                                           |
| Outstanding, March 31, 2020 | 7,917,500                         | 1.07                                           |
| Exercisable, March 31, 2020 | 5,423,916                         | 1.06                                           |

The weighted average contractual life of the stock options as of March 31, 2020 was 3.5 years.

On March 11, 2020, Wes Fulford resigned as Chief Executive Officer (CEO) and Director of Bitfarms and its subsidiaries. In consideration for past services rendered, the former CEO's stock compensation agreement was modified to immediately vest all unvested stock options, extend the expiration date of 3,000,000 options from 90 days subsequent to his resignation to July 31, 2022. Furthermore, the Company granted the former CEO 500,000 common shares and modified 500,000 options to expire as of June 2020. The stock option modifications and grant of 500,000 common shares resulted in the Company recording stock compensation expense of \$624.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency**

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**NOTE 17: SUBSEQUENT EVENTS***Bitcoin halving event*

In May 2020, the Bitcoin block reward decreased from 12.5 to 6.25 Bitcoins per block (the “Bitcoin Halving”), and consequently the number of new Bitcoin issued to miners would be reduced to approximately 900 per day.

As of the date of approval of these interim condensed consolidated financial statements the Company’s management has not observed market normalization to pre-halving profitability levels, and the future financial impact cannot yet be estimated.

*Purchase of mining hardware*

In May 2020, the Company purchased and paid for mining hardware with a cost of \$1,900 with expected delivery in late June 2020.





Management's Discussion & Analysis

For the three months ended March 31, 2020

Q1  
2020

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## Introduction

The following Management's Discussion and Analysis ("MD&A") for Bitfarms Ltd. (together with its subsidiaries, the "Company" or "Bitfarms") should be read in conjunction with the Company's first quarter 2020 unaudited interim period condensed consolidated financial statements and the accompanying notes for the three months ended March 31, 2020 and the audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2019. In addition, the following MD&A should be read in conjunction with the Company's "Caution Regarding Forward-Looking Statements" beginning on page 17 of this MD&A.

The Company's first quarter 2020 unaudited interim period condensed consolidated financial statements and the accompanying notes have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company's first quarter 2020 unaudited interim period condensed consolidated financial statements include the accounts of the Company and other entities that the Company controls and are reported in US dollars, except where otherwise noted.

Under IFRS, certain expenses and income must be recognized that are not necessarily reflective of the Company's underlying 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 on page 18 for more information. This MD&A contains various terms related to the Company's business and industry. Please refer to the Glossary of Terms on page 19 of this MD&A.

## Company Overview

The Company operates through two operating corporate subsidiaries and reportable operating segments: Backbone Hosting Solutions Inc. ("Backbone") and 9159-9290 Quebec Inc. (operating as Volta Electrique, "Volta"). Backbone owns and operates server farms, comprised of computers (referred to as a "Miners") designed for the purpose of validating transactions, primarily on the Bitcoin Blockchain. The Miners operate 24 hours a day and revenues are earned from Block Rewards and transaction fees issued in the form of cryptocurrencies by the Bitcoin network that the Company receives in return for validating transactions (referred to as "Mining"). Backbone regularly exchanges cryptocurrencies mined into U.S. dollars through reputable and established cryptocurrency trading platforms.

As of the date of this MD&A, Bitfarms currently operates five server farm facilities in Québec, Canada, with electrical infrastructure capacity of 64 MW for Mining Bitcoin. The Company has contracts securing an aggregate of 160 MW of hydro-electric green energy in Quebec. In addition, Bitfarms owns proprietary software that is used to control, manage, report and secure mining operations. The software scans and reports the location, computing power and temperature of all Miners at regular intervals to allow the Company to monitor performance and ensure Miners are operating at maximum capacity and up-time. Volta provides electrician services to both commercial and residential customers in Quebec, while assisting Bitfarms in building and maintaining its server farms.

Consolidated Results of Operations

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

| For the periods ended as indicated    | Three months ended |                 | \$ Change | % Change |
|---------------------------------------|--------------------|-----------------|-----------|----------|
|                                       | Mar. 31<br>2020    | Mar. 31<br>2019 |           |          |
| Revenues                              | 9,212              | 3,629           | 5,583     | 154%     |
| Cost of sales                         | 7,917              | 3,417           | 4,500     | 132%     |
| Gross profit                          | 1,295              | 212             | 1,083     | 511%     |
| Gross margin                          | 14%                | 6%              | -         | -        |
| G&A and other expenses                | 2,805              | 1,923           | 882       | 46%      |
| Operating loss                        | (1,510)            | (1,711)         | 201       | 12%      |
| Operating margin                      | (16)%              | (47)%           | -         | -        |
| Financial income                      | 363                | 25              | 338       | 1352%    |
| Interest expense                      | 1,385              | 132             | 1,253     | 949%     |
| Other financial expenses              | -                  | 188             | (188)     | (100)%   |
| Total financial expenses              | 1,385              | 320             | 1,065     | 333%     |
| Pre-tax loss                          | (2,532)            | (2,006)         | (526)     | (26)%    |
| Income tax recovery                   | (108)              | -               | (108)     | 100%     |
| Net loss                              | (2,424)            | (2,006)         | (418)     | (21)%    |
| Net loss per share - basic            | (0.03)             | (0.02)          | (0.01)    | (44)%    |
| Gross mining profit <sup>(1)</sup>    | 4,139              | 1,087           | 3,052     | 281%     |
| Gross mining margin <sup>(1)</sup>    | 47%                | 36%             | -         | -        |
| EBITDA <sup>(1)</sup>                 | 1,833              | (526)           | 2,359     | 448%     |
| EBITDA margin <sup>(1)</sup>          | 20%                | (14)%           | -         | -        |
| Adjusted EBITDA <sup>(1)</sup>        | 2,780              | (420)           | 3,200     | 762%     |
| Adjusted EBITDA margin <sup>(1)</sup> | 30%                | (12)%           | -         | -        |

*First Quarter 2020 Highlights:*

- Consolidated revenue of \$9.2 million; gross profit of \$1.3 million (14% gross profit margin), operating loss of \$1.5 million (16% operating loss margin), and net loss of \$2.4 million;
- Mining operations segment gross mining profit<sup>1</sup> of \$4.1 million (47% gross mining margin);
- \$1.8 million EBITDA (20% EBITDA margin) and \$2.8 million Adj. EBITDA (30% Adj. EBITDA margin);
- Mined 1,087 Bitcoin with an average break-even<sup>2</sup> Bitcoin price of \$3,988

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

<sup>2</sup> Represents the break-even cost of Bitcoin based on variable cost of electricity and is calculated by taking the total electricity costs related to the Mining of each of Bitcoin divided by the total number of Bitcoin mined, respectively, in the relevant period.

#### Revenue

Revenue was \$9.2 million for the three month period ended March 31, 2020 ("Q1 2020") compared to \$3.6 million for the comparable three month period in 2019 ("Q1 2019").

| (U.S. \$ in thousands except where indicated)                                                                                           | Note | Bitcoin | (USD) | % Change |
|-----------------------------------------------------------------------------------------------------------------------------------------|------|---------|-------|----------|
| Consolidated revenue based on coins sold during Q1 2019                                                                                 |      | 789     | 3,629 |          |
| Impact of increase in average Bitfarms' hashrate average in excess of increase in network difficulty during Q1 2020 compared to Q1 2019 | 1    | 250     | 951   | 26%      |
| Impact of increase in Q1 2020 average Bitcoin sale price compared to Q1 2019 average Bitcoin sale price                                 | 2    |         | 4,648 | 128%     |
| Difference in Bitcoin inventory as at Q1 2020 compared to Q1 2019                                                                       | 3    | 44      | 167   | 5%       |
| Q4 2018 Inventory sold in Q1 2019                                                                                                       | 4    | (11)    | (42)  | (1)%     |
| Decrease in Volta third party revenue and other mining variances                                                                        |      |         | (141) | (4)%     |
| Revenue for the three months ended March 31, 2020                                                                                       |      | 1,072   | 9,212 | 154%     |

#### Notes

- 1 Calculated as the difference in Bitcoin mined in Q1 2020 compared to Q1 2019 (i.e. 1,087 - 837) multiplied by Q1 2019 average Bitcoin price (i.e. \$3,802)
- 2 Calculated as the difference in average realized Bitcoin price in Q1 2020 compared to Q1 2019 (i.e. \$8,138 - \$3,802) multiplied by Bitcoin sold in Q1 2020 (i.e. 1,072)
- 3 Calculated as the difference in Bitcoin inventory as at March 31, 2019 compared to March 31, 2020 (i.e. 59 - 15) multiplied by the average realized Bitcoin price for Q1 2019 (i.e. \$3,802)
- 4 Calculated as the Bitcoin inventory as at December 31, 2018 compared to March 31, 2019 (i.e. 0 - 11) multiplied by the average realized Bitcoin price for Q1 2019 (i.e. \$3,802)

The most significant factors influencing the net increase to Bitfarms' revenue in Q1 2020 compared to Q1 2019 are presented in the table above. Revenue increased \$1 million or 26% due to increased Bitcoin mined resulting from higher average Bitfarms hashrate in excess of average network difficulty and \$4.6 million or 128% due to a higher average realized Bitcoin sale price of \$8,138 compared to \$3,802 in Q1 2020 versus Q1 2019.

The Company recognizes revenue when the Bitcoin are sold and it is the practice of the Company to sell its cryptocurrencies for fiat (i.e. U.S. dollar), within one to four days after the cryptocurrencies are mined. The Company sells its cryptocurrency through cryptocurrency trading platforms operated by Tagomi Holdings, Inc. and Gemini Trust Company, LLC, two licensed digital asset exchanges regulated by the New York State Department of Financial Services and operated out of New York, New York, USA. In certain specific and limited cases, Bitfarms does not convert Bitcoin directly into fiat and uses Bitcoin to directly settle payment obligations, including the loan from DC BFL SPV, LLC ("Dominion Capital") described below.

Bitfarms' cryptocurrencies mined in Q1 2020 compared to Q1 2019 are summarized in the table below:

| For the periods ended as indicated | Three months ended |              | Change  | % Change |
|------------------------------------|--------------------|--------------|---------|----------|
|                                    | Mar. 31 2020       | Mar. 31 2019 |         |          |
| Bitcoin                            | 1,087              | 837          | 250     | 30%      |
| Litecoin                           | 41                 | 1,495        | (1,454) | (97)%    |

### Cost of Sales

Bitfarms' cost of sales for Q1 2020 was \$7.9 million compared to \$3.4 million in Q1 2019. Costs of sales include energy and infrastructure expenses, depreciation and amortization, electrician salaries, and, purchases and net change in inventory which are summarized in the table below:

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

| For the periods ended as indicated    | Three months ended |              | \$ Change | % Change |
|---------------------------------------|--------------------|--------------|-----------|----------|
|                                       | Mar. 31 2020       | Mar. 31 2019 |           |          |
| Energy and infrastructure             | 4,585              | 1,913        | 2,672     | 140%     |
| Depreciation and amortization         | 2,980              | 1,348        | 1,632     | 121%     |
| Electrician salaries                  | 277                | 161          | 116       | 72%      |
| Purchases and net change in inventory | 75                 | (5)          | 80        | 1600%    |
| Cost of sales                         | 7,917              | 3,417        | 4,500     | 132%     |

Energy and infrastructure expenses increased by \$2.7 million or 140% in Q1 2020 compared to Q1 2019, primarily due to an increase in electricity expense, which was approximately \$2.4 million higher in Q1 2020 compared to Q1 2019 as the Company added new Miners which increased electrical consumption from 22 MW at the end of Q1 2019 to 53 MW at the end of Q1 2020.

Depreciation and amortization expense increased by \$1.6 million or 121% in Q1 2020 compared to Q1 2019 primarily resulting from depreciation expense recorded on net additions to property, plant and equipment of approximately \$18.2 million from Q2 2019 through Q4 2019.

### Gross Profit

Bitfarms' gross profit for Q1 2020 was \$1.3 million compared to \$0.2 million for Q1 2019. The gross profit margin increased from 6% to 14% in Q1 2020 compared to Q1 2019 primarily due to the increase in Bitcoin mined and average realized Bitcoin sale price, as described in detail in the analysis of revenue above. The 154% increase in revenues were offset by an increase of 132% in cost of sales, primarily driven by increases in energy and infrastructure and depreciation and amortization expenses as described above.

### General & Administrative & Other Expenses

Bitfarms' general and administrative and other expenses increased by \$0.9 million or 46% in Q1 2020 compared to Q1 2019. The main reason for the increase was higher non-cash expenses of approximately \$0.9 million in Q1 2020 compared to Q1 2019 related to employee stock options approved and granted in 2019 that did not exist in Q1 2019. Furthermore, \$0.6 million of the \$0.9 million increase in non-cash stock compensation expense was related to stock compensation modifications in connection with the resignation of the former CEO in March 2020.

#### Financial Income and Expenses

Bitfarms' financial income for Q1 2020 was \$0.4 million compared to financial income of \$25,000 in Q1 2019. The \$0.3 million increase in financial income was mainly related to \$0.3 million of net unrealized foreign exchange gains recorded on revaluation of assets and liabilities denominated in Canadian dollars to US dollars, the Company's functional currency. Financial expense for Q1 2020 was \$1.4 million compared to \$0.3 million in Q1 2019. The increase is primarily related to interest expense of \$1.2 million incurred on the Dominion Capital loan in Q1 2020 compared to \$44,000 in Q1 2019, as described under Financial Instruments and Risks. Financial income and expenses are comprised of interest on the Dominion Capital loan, gain on embedded derivative and classification of a portion of rent as interest expense on lease liabilities, and unrealized foreign exchange gains and losses on monetary items denominated in Canadian dollars to the functional currency in US dollars, and interest on Volta's long-term debt repayments and bank charges.

#### Reconciliation of Non-IFRS measures

#### Reconciliation of Net Income to EBITDA and Adjusted EBITDA

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

For the periods ended as indicated

|                                | Three months ended |              | \$ Change | % Change |
|--------------------------------|--------------------|--------------|-----------|----------|
|                                | Mar. 31 2020       | Mar. 31 2019 |           |          |
| Net loss before tax            | (2,532)            | (2,006)      | (526)     | (26)%    |
| Interest expense               | 1,385              | 132          | 1,253     | 949%     |
| Depreciation expense           | 2,980              | 1,348        | 1,632     | 121%     |
| EBITDA <sup>(1)</sup>          | 1,833              | (526)        | 2,359     | 448%     |
| Stock compensation expense     | 1,010              | 111          | 899       | 810%     |
| Financial income and other     | (63)               | (5)          | (58)      | (1160)%  |
| Adjusted EBITDA <sup>(1)</sup> | 2,780              | (420)        | 3,200     | 762%     |

Bitfarms' net loss for Q1 2020 was \$2.4 million compared to a net loss of \$2.0 million for Q1 2019. Bitfarms' income tax expense for the Q1 2020 was a recovery of \$108 compared to \$nil for Q1 2019.

#### Calculation of Gross Mining Profit & Gross Mining Margin

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

For the periods ended as indicated

|                                    | Three months ended |              | \$ Change | % Change |
|------------------------------------|--------------------|--------------|-----------|----------|
|                                    | Mar. 31 2020       | Mar. 31 2019 |           |          |
| Revenues                           | 8,724              | 3,000        | 5,724     | 191%     |
| Energy and infrastructure expenses | 4,585              | 1,913        | 2,672     | 140%     |
| Gross mining profit                | 4,139              | 1,087        | 3,052     | 281%     |
| Gross mining margin                | 47%                | 36%          | -         | -        |

"Gross mining profit" is defined as Revenue minus energy and infrastructure expenses for the Backbone segment of the Company. "Gross mining margin" is defined as the percentage obtained when dividing Gross mining margin by Revenue for the Backbone segment of the Company.

Reportable Operating Segments

Backbone

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

For the periods ended as indicated

|                                       | Three months ended |              | \$ Change | % Change |
|---------------------------------------|--------------------|--------------|-----------|----------|
|                                       | Mar. 31 2020       | Mar. 31 2019 |           |          |
| Revenue                               | 8,724              | 3,000        | 5,724     | 191%     |
| Cost of sales                         | 7,485              | 3,034        | 4,451     | 147%     |
| Gross profit (loss)                   | 1,239              | (34)         | 1,273     | 3744%    |
| Gross margin                          | 14%                | (1)%         | -         | -        |
| G&A and other expenses                | 2,582              | 1,598        | 984       | 62%      |
| Operating loss                        | (1,343)            | (1,632)      | 289       | 18%      |
| Operating margin                      | (15)%              | (54)%        | -         | -        |
| Financial income                      | 363                | 25           | 338       | 1352%    |
| Interest expense                      | 1,372              | 129          | 1,243     | 964%     |
| Other finance expenses                | -                  | 183          | (183)     | (100)%   |
| Net loss before tax                   | (2,352)            | (1,919)      | (433)     | (23)%    |
| EBITDA <sup>(1)</sup>                 | 1,973              | (467)        | 2,440     | 522%     |
| EBITDA margin <sup>(1)</sup>          | 23%                | (16)%        | -         | -        |
| Adjusted EBITDA <sup>(1)</sup>        | 2,920              | (362)        | 3,282     | 907%     |
| Adjusted EBITDA margin <sup>(1)</sup> | 33%                | (12)%        | -         | -        |

Reconciliation of Non-IFRS Performance Measures

|                                |         |         |       |         |
|--------------------------------|---------|---------|-------|---------|
| Net loss before tax            | (2,352) | (1,919) | (433) | (23)%   |
| Interest expense               | 1,372   | 129     | 1,243 | 964%    |
| Depreciation expense           | 2,953   | 1,323   | 1,630 | 123%    |
| EBITDA <sup>(1)</sup>          | 1,973   | (467)   | 2,440 | 522%    |
| Stock compensation expense     | 1,010   | 110     | 900   | 818%    |
| Financial income and other     | (63)    | (5)     | (58)  | (1160)% |
| Adjusted EBITDA <sup>(1)</sup> | 2,920   | (362)   | 3,282 | 907%    |

<sup>(1)</sup> EBITDA, EBITDA margin, Adjusted EBITDA, and Adjusted EBITDA margin are non-IFRS performance measures; please refer to the heading "Caution Regarding Non-IFRS Financial Performance Measures" at the end of this MD&A regarding the use of non-IFRS Measures.

Volta

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

For the periods ended as indicated

|                                       | Three months ended |              | \$ Change | % Change |
|---------------------------------------|--------------------|--------------|-----------|----------|
|                                       | Mar. 31 2020       | Mar. 31 2019 |           |          |
| Revenue                               | 488                | 629          | (141)     | (22)%    |
| Cost of sales                         | 432                | 383          | 49        | 13%      |
| Gross profit                          | 56                 | 246          | (190)     | (77)%    |
| Gross margin                          | 11%                | 39%          | -         | -        |
| G&A and other expenses                | 140                | 140          | -         | -        |
| Operating income (loss)               | (84)               | 106          | (190)     | (179)%   |
| Operating margin                      | (17)%              | 17%          | -         | -        |
| Interest expense                      | 13                 | 3            | 10        | 333%     |
| Other finance expenses                | -                  | 5            | (5)       | 0%       |
| Net income (loss) before tax          | (97)               | 98           | (195)     | (199)%   |
| EBITDA <sup>(1)</sup>                 | (57)               | 126          | (183)     | (145)%   |
| EBITDA margin <sup>(1)</sup>          | (12)%              | 20%          | -         | -        |
| Adjusted EBITDA <sup>(1)</sup>        | (57)               | 126          | (183)     | (145)%   |
| Adjusted EBITDA margin <sup>(1)</sup> | (12)%              | 20%          | -         | -        |

#### Reconciliation of Non-IFRS Performance Measures

|                                |      |     |       |        |
|--------------------------------|------|-----|-------|--------|
| Net income (loss) before tax   | (97) | 98  | (195) | (199)% |
| Interest expense               | 13   | 3   | 10    | 333%   |
| Depreciation expense           | 27   | 25  | 2     | 8%     |
| EBITDA <sup>(1)</sup>          | (57) | 126 | (183) | (145)% |
| Adjusted EBITDA <sup>(1)</sup> | (57) | 126 | (183) | (145)% |

<sup>(1)</sup> EBITDA, EBITDA margin, Adjusted EBITDA, and Adjusted EBITDA margin are non-IFRS performance measures; please refer to the heading "Caution Regarding Non-IFRS Financial Performance Measures" at the end of this MD&A regarding the use of non-IFRS Measures.

#### Selected Quarterly Information

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

|                                           | Q1 2020 | Q4 2019 | Q3 2019 | Q2 2019 | Q1 2019 | Q4 2018  | Q3 2018 | Q2 2018 |
|-------------------------------------------|---------|---------|---------|---------|---------|----------|---------|---------|
| Revenue                                   | 9,212   | 10,536  | 9,739   | 8,517   | 3,629   | 5,292    | 6,243   | 6,592   |
| Net income (loss)                         | (2,424) | 1,125   | 4,605   | (1,320) | (2,006) | (21,313) | (1,661) | (1,337) |
| Basic and diluted income (loss) per share | (0.03)  | 0.02    | 0.06    | (0.01)  | (0.02)  | (0.23)   | (0.02)  | (0.02)  |

The Company's industry does not have any seasonality. Factors that may impact revenue and profitability quarter over quarter include cryptocurrency pricing, network difficulty and the Company's hashrate.



## Liquidity and Capital Resources

### Cash Flows

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

| For the periods ended as indicated                | Three months ended |              | \$ Change | % Change |
|---------------------------------------------------|--------------------|--------------|-----------|----------|
|                                                   | Mar. 31 2020       | Mar. 31 2019 |           |          |
| Cash & cash equivalents, beginning of the period  | 2,159              | 552          | 1,607     | 291%     |
| Cash flows from (used in):                        |                    |              |           |          |
| Operating activities                              | 1,439              | (190)        | 1,629     | 857%     |
| Investing activities                              | (861)              | (1,622)      | 761       | 47%      |
| Financing activities                              | (400)              | 4,220        | (4,620)   | (109)%   |
| Exchange rate differences on currency translation | (5)                | 3            | (8)       | (267)%   |
| Cash & cash equivalents, end of the period        | 2,332              | 2,963        | (631)     | (21)%    |

#### *Cash Flows from Operating Activities*

Cash flows from operating activities increased by \$1.6 million or 857% during the three months ended March 31, 2020 compared to three months ended March 31, 2019. This was primarily due to an increase in gross mining profit<sup>4</sup> of \$3 million in Q1 2020 compared to Q1 2019, resulting from higher realized Bitcoin prices and increase of Bitfarms' hashrate relative to the network hashrate in excess of the increase of cost of sales. The increase in gross mining margin was primarily offset by an increase in financial expenses of \$1.1 million in Q1 2020 compared to Q1 2019 mainly related to interest on the Dominion Capital loan.

#### *Cash Flows used in Investing Activities*

Cash flows used in investing activities decreased by \$0.8 million or 47% during the three months ended March 31, 2020 compared to the three months ended March 31, 2019. This was primarily due to the draw down and initial deployment of the Dominion Capital loan in March 2019 into new ASICs, electrical components and Sherbrooke infrastructure buildout.

#### *Cash Flows from Financing Activities*

Cash flows from financing activities decreased \$4.6 million or 109% during the three months ended March 31, 2020 compared to the three months ended March 31, 2019. This was primarily due to the Company drawing down on the first \$5.0 million loan tranches on the \$20.0 million debt facility from Dominion Capital in March 2019. During the three months ended March 31, 2020 the Company made repayments of long-term debt in the amount of \$0.4 million, repayments of lease liabilities in the amount of \$0.2 million which were offset by the proceeds from the exercise of warrants in the amount of \$0.2 million.

<sup>4</sup> Gross mining profit is a non-IFRS performance measures; please refer to the end of this MD&A regarding the use of Non-IFRS Financial Performance Measures.

#### Working Capital

As at March 31, 2020, Bitfarms had a working capital deficit of \$1.1 million compared to positive working capital of \$2.5 million on December 31, 2019, primarily due to the first \$5.0 million loan tranche, with an outstanding balance of \$3.9 million, being classified as current. As at March 31, 2020, Bitfarms had cash and cash equivalents of \$2.3 million compared to \$2.2 million as at December 31, 2019. Cash and cash equivalents are mainly U.S. and Canadian dollar deposits at regulated financial institutions. In addition, Bitfarms held cryptocurrency with a fair market value of \$96 as at March 31, 2020 compared to nil as at December 31, 2019.

#### Components of Total Debt

The Company expects that cash and cash equivalents and future operating cash flows will enable it to fund its working capital requirements and financial obligations, over the next twelve months.

Since inception, the Company has primarily financed its growth through retained earnings, vendor financing, and, since March 2019, a long-term debt facility. The current portion of long-term debt of Bitfarms was \$4.3 million as of March 31, 2020 compared to \$0.9 million on December 31, 2019, primarily resulting from classification of the outstanding balance of the first loan tranche, drawn down in March 2019, being classified as current. The current maturities of long-term debt may fluctuate due to the variable repayment terms of the loan with Dominion Capital (see below). Bitfarms' long-term debt consists of the following:

- (a) Bitfarms purchased Miners in the amount of \$2.0 million and obtained non-interest bearing vendor financing to pay for the purchase in twenty monthly instalments commencing on June 15, 2018. The financing was recorded at a present value of \$1.8 million. The outstanding balance of this loan owing was \$0.1 million as at March 31, 2020;
- (b) Volta signed several agreements to purchase vehicles with an outstanding balance of \$0.1 million as at March 31, 2020. Ten notes payable, bearing interest between 3.99% and 8.2% repayable in monthly instalments totaling approximately \$3,000 principal and interest, maturing between May 2020 and October 2025, secured by vehicles having a net carrying value of \$0.1 million;
- (c) Volta received long-term vendor financing with an outstanding balance of \$0.1 million bearing interest at 5.00% payable by monthly instalments of \$4,000 principal and interest maturing at September 2022; and
- (d) Bitfarms entered into a secured debt financing facility for up to \$20.0 million with Dominion Capital. The debt facility is structured into four separate loan tranches of \$5.0 million each bearing interest at 10% per annum on the full principal balance of each loan tranche regardless of principal repayments made during the term of each loan tranche. The term of each loan tranche is 24 months with a balloon payment for any remaining outstanding balance at the end the term. A monthly payment equivalent to 10% of the value of cryptocurrencies mined by Bitfarms during the month is required in repayment of the total loan tranches drawn. This amount shall first be applied to accrued interest and the balance to principal. In the event that the amount of interest owing is greater than the amount of cryptocurrency mined, an additional amount shall be remitted such that the interest is paid in full. The debt facility is fully secured by the assets of Bitfarms on a first priority basis.

## Capital Resources

Bitfarms' capital management objective is to ensure its ability to maximize the return to its shareholders. 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 maintaining a strong capital base so as to maintain investor confidence to sustain future development of the business, maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations, and ensuring sufficient liquidity to pursue organic growth.

Bitfarms may manage its capital structure by issuing equity, obtaining loan financing, adjusting capital spending, or disposing of assets. The Company is not subject to any externally imposed capital requirements, with the exception of the Company's agreement not to issue common shares below \$0.40 USD during the term of the loan with Dominion Capital.

### *Purchase Commitments*

In May 2020, the Company entered into an agreement to purchase mining hardware for \$1.9 million and paid in full amount in advance, with delivery expected to occur in June 2020.

### *Sherbrooke Expansion*

To complete each remaining phase of the Sherbrooke Expansion, Bitfarms will need to incur infrastructure buildout costs including exhaust structure, mining structure and building modifications, as well as sourcing of mining hardware and electrical components.

The capital cost for the construction of the remaining Phases 3 through 6 is currently estimated to range between \$35.0 million to \$40.0 million, inclusive of Miner purchases based on recent hardware pricing. These costs will be divided between both properties, with the majority being allocated to the Leger Property.

The ability to undertake the construction of Phases 3 through 6 of the Sherbrooke Expansion depends, among other things, on the Company's ability to raise the required financing. As a result, there is no definitive or planned timetable for Phases 3 through 6 of the Sherbrooke Expansion. The Company intends to finance the remainder of the construction of Phases 3 through 6 of the Sherbrooke Expansion by raising additional debt or equity capital or a combination of these means, as well as through the cash flow generated from its operations. There can be no assurance that the remaining Sherbrooke Expansion will be fully funded and undertaken at this time on any particular schedule or at all.

In response to both a complaint concerning noise at the Sherwood Property and indications from officials at the municipality of Sherbrooke that they were reviewing applicable regulations, the Company has met with community residents and city officials on several occasions. While the Company believes it is compliant with all applicable regulations, the Company has implemented further sound mitigating measures, including the construction of a sound barrier wall at a cost of approximately \$0.2 million.

#### Off-Balance Sheet Arrangements

There are currently no off-balance sheet arrangements which could have an effect on current or future results or operations, or the financial condition of Bitfarms.

#### Share Capital

On February 4, 2020, shareholders approved an amendment to the articles of incorporation of the Company to authorize the issuance of class A preferred shares. As of the date of this MD&A, the Company has 84,620,630 common shares, 5,058,916 vested employee stock options, 1,673,582 unvested employee stock options, and 5,916,668 warrants to Dominion Capital issued and outstanding, as well as 300,000 other warrants. As of the date of this MD&A there were no preferred shares outstanding.

#### Financial Instruments & Risks

It is anticipated that in the normal course of operations, Bitfarms will be exposed to exchange risk, foreign currency risk and credit risk.

##### *Dominion Capital Loan*

As of March 31, 2020, the Dominion Capital loan consisted of four \$5.0 million tranches that were drawn down from the financing facility, which included a total of four available \$5.0 million loan tranches (please refer to the Components of Total Debt section above). The features of the loan, which include the issuance of 1,666,667 warrants per tranche with an exercise price of \$0.40, as well as a make-whole interest clause resulted in a financial liability accounted for at amortized cost, warrant liabilities previously recorded at fair value through profit or loss which were reclassified to equity during the period, and an embedded derivative recorded at fair value through profit or loss. The purpose of the loan was to provide the Company with additional funds to achieve its growth objectives, notably, the buildout of the first two phases of the Sherbrooke Expansion.

##### *Financial Instrument at Amortized Cost*

Management used significant judgement and estimates when determining the effective interest rate of the financial liability accounted for at amortized cost. Payment amounts are determined as 10% of the cryptocurrency mined by Bitfarms. In order to calculate the effective interest rate, management had to estimate Bitfarms' future cryptocurrency mining revenues in order to estimate the timing and amount of future loan repayments. The effective interest rate was determined to be 26.93%, 30.16%, 37.10% and 38.02% for the first, second and third and fourth tranches, respectively. The component of the financial instrument carried at amortized cost resulted in interest expense of \$1.2 million included in financial expenses for the three month periods ended March 31, 2020.

##### *Warrants*

Upon inception of the Dominion Capital loan, the warrants contained an anti-dilutive feature that would have resulted in a reduction in the exercise price in the event that Bitfarms Ltd. were to issue shares at a price lower than the exercise price. On September 27, 2019, the Company received all necessary approvals in order to remove the anti-dilutive feature. In exchange for removal of the anti-dilutive feature, the Company agreed not to issue common shares below the exercise price of \$0.40 USD during the term of the loan with the lender.

#### *Embedded Derivative*

The value of the “make-whole” clause described above will vary based on management’s projections of the timing of the loan repayment, which are based on Bitfarms’ cryptocurrency mining revenues. This interest feature has been accounted for as an embedded derivative that is measured at fair value through profit or loss. Since this is a non-option derivative, the fair value upon initial recognition of the loan liability is nil. As of March 31, 2020, management revised its projections of the timing of the loan repayment and discounted future payments to their present value using the effective interest rates determined upon inception of each loan tranche. As of March 31, 2020, management recognized an embedded derivative asset with a value of \$0.5 million resulting in a gain of \$63,000 in financial income. Any change in management’s assumptions of Bitcoin price, Bitcoin Network Difficulty and the Company’s internal hashrate may have a material impact on profit or loss upon remeasurement in subsequent periods.

#### *Credit Risk*

Credit risk is the risk of an unexpected loss if a third party fails to meet its contractual obligations, including cash and cash equivalents, accounts receivable and long-term deposits. The risk regarding cash and cash equivalents is mitigated by holding the cash and cash equivalents through Canadian chartered banks. 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. The Company places deposits with suppliers of cryptocurrency mining hardware in the normal course of operations in order to secure orders and delivery dates. The Company deals with major suppliers of cryptocurrency equipment and routinely maintains strong relationships with suppliers and evaluates the mining hardware market. Other long-term deposits include deposits with local government run energy producers. The Company is also exposed to credit risk through conversion of cryptocurrency to fiat currency through the use of cryptocurrency exchanges. The Company maintains relationships with multiple exchanges and mitigates credit risk by routinely converting cryptocurrency to fiat currency to limit exposure. Furthermore, the Company performs periodic evaluations of cryptocurrency exchanges.

#### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to pay its financial obligations when they are due. The Company’s policy is to monitor its cash balances and planned cash flows generated from operations to ensure, as far as possible, that it maintains sufficient liquidity in order to pay its projected financial liabilities. The contractual maturities of trade and other payables are less than three months. Long-term debt, as of March 31, 2020, includes financial obligations with contractual maturities, including principal and interest, as follows:

|                      |                      |
|----------------------|----------------------|
| 2020                 | \$ 2,720,000         |
| 2021                 | \$ 17,918,000        |
| 2022 and thereafter: | \$ 93,000            |
| <b>Total</b>         | <b>\$ 20,731,000</b> |

Lease liabilities includes financial obligations with contractual maturities as follows, inclusive of interest, as of March 31, 2020:

|                      |           |                  |
|----------------------|-----------|------------------|
| 2020                 | \$        | 822,000          |
| 2021                 | \$        | 1,072,000        |
| 2022                 | \$        | 961,000          |
| 2023                 | \$        | 818,000          |
| 2024 and thereafter: | \$        | 3,521,000        |
| <b>Total</b>         | <b>\$</b> | <b>7,194,000</b> |

#### *Foreign Currency Risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the US Dollar as all its revenue, excluding Volta, and most of its capital expenditures and financing are transacted in US dollars. The Company is exposed to variability in the Canadian dollar to US dollar exchange rate when paying operating expenses incurred and payable in Canadian dollars. The Company funds foreign currency transactions by buying the foreign currency at the spot rate when required. Management does not currently hedge its foreign currency risk.

#### *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 Company is primarily engaged in the cryptocurrency mining industry that is a highly volatile market with significant inherent risk. 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. The Company does not currently hedge the conversion of cryptocurrencies to fiat currency.

#### *Custody of Crypto Asset Risk*

Cryptocurrencies are controllable by the possessors of the unique public key and private key relating to the digital wallet used to store the cryptocurrencies. If keys are lost, stolen or destroyed this could result in a loss for the Company. In order to mitigate the risk of loss of cryptocurrencies the Company sells cryptocurrency routinely and uses multi-signature digital wallets to store cryptocurrency until its eventual sale. The digital wallets used for Bitcoin and Litecoin require 2 out of 3, and 2 out of 5 individuals, respectively, in order to approve a spending transaction. Each of the users has a separate password that is not known by the other users. The transactions can only be initiated from the physical computer where the multi-signature wallet is installed for each user. In order to install the multi-signature wallet on a computer, twelve "seed" words that are distinct to each user are required, which are physically stored offline in confidential locations offsite.

Security breaches and hacking have been prevalent in cryptocurrency exchanges. The Company mitigates this risk by performing ongoing evaluations of exchanges, and routinely converting cryptocurrencies to fiat currency so that no material amount of crypto assets is held at any given time.

## Other Risks

The following discussion summarizes the principal risk factors that apply to the Company's business and that may have a material adverse effect on the Company's business and financial condition and results of operations, or the trading price of the Company's shares. Due to the nature of the Company's business, the legal and economic climate in which it operates and its present stage of development and proposed operations, the Company is subject to significant risks. In evaluating the Company and its business, investors should carefully consider, in addition to other information contained in this MD&A, the risk factors below as well as those included in the Company's 2019 Annual MD&A dated April 29, 2020. These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with its operations. Additional risk and uncertainties not presently known to the Company, or that are, currently deemed immaterial, may also impair operations. If any such risks actually occur, the business, financial condition, liquidity and results of operations could be materially adversely affected.

### *Bitcoin Halving Event Risk*

In May 2020, the Bitcoin Block Reward decreased from 12.5 to 6.25 Bitcoins per block (the "Bitcoin Halving"), and consequently the number of new Bitcoin issued to miners would be reduced to approximately 900 per day.

The Bitcoin Halving may have a material impact on the Company's profitability. Given that profitability is required for self-acting agents to perform Mining to continue to support the validation of transactions, the expected impact of the Bitcoin Halving is that market variables of Bitcoin price and Difficulty will adjust over time to ensure that the profitability of Mining remains profitable. The period of market normalization after the Bitcoin Halving to incentivizing profitability levels is unknown. As a result, if Bitcoin price and Difficulty do not adjust over time to pre-Bitcoin Halving profitability levels or the period of market normalization after the Bitcoin Halving to pre-Bitcoin Halving profitability levels is too long, there is a risk that the Bitcoin Halving will render the Company unprofitable for a sustained time period such that it could be unable to continue as a going concern.

### *COVID-19 Pandemic Risk*

In March 2020, the World Health Organization declared COVID-19 a pandemic. The global response to the pandemic is constantly evolving, including various measures implemented at the global, national, provincial and local levels. The major impacts that COVID-19 is expected to have on the Backbone operating segment include potential increases in cryptocurrency price volatility, difficulty obtaining new financing due to global economic slowdown, and delays in receiving future orders of mining hardware and parts sourced from overseas. While the Backbone operating segment is expected to continue operating throughout the pandemic, government-imposed restrictions encouraging social distancing is expected to impact the number of employees permitted to work in the mining facilities. A reduction in workforce in the mining facilities may reduce the Company's ability to maximize operational efficiency. Volta's services are considered to be essential by government authorities and are expected to continue throughout the pandemic. The impacts of COVID-19 on the Volta operating segment are expected to reduce revenues from the sale of electrician services and parts, as well as result in longer collection periods for outstanding trade receivables, and potential increases in bad debts resulting from the economic impact of COVID-19 on existing customers.

#### Related Party Transactions

During the three months ended March 31, 2020, the Company had the following transactions with related parties:

1. Bitfarms made rent payments totaling approximately \$108,000 for the three months ended March 31, 2020 (three months ended March 31, 2019 - \$151,000) to companies controlled by a director and officer, Emiliano Grodzki and Mathieu Vachon and a former director, Pierre-Luc Quimper.
2. Bitfarms entered into consulting agreements with two of the directors, Nicolas Bonta and Emiliano Grodzki. The consulting fees charged by directors totaled approximately \$60,000 for the three months ended March 31, 2020 (three months ended March 31, 2019 - \$100,000).

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

#### Recent and Subsequent Events

##### *Bitcoin Halving Event*

As described in the section titled "Other Risks on page 15 of this MD&A the Bitcoin Block Reward decreased from 12.5 to 6.25 Bitcoin per Block.

As of the date of this MD&A the Company's management has not observed market normalization to pre- halving profitability levels and the future financial impact cannot be estimated.

##### *Purchase of Mining Hardware*

In May 2020, the Company entered into an agreement to purchase mining hardware for \$1,900 and paid in full amount in advance.

##### *Changes to Board of Directors*

On April 16, 2020 Brian Howlett was appointed as a director of the Company. On May 15, 2020 Wendi Locke and Sophie Galper-Komet resigned as directors of Bitfarms. On May 19, 2020 L. Geoffrey Morphy was appointed as a director of the Company.



#### 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 in 2020 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:

- Bitcoin halving event;
- COVID 19 pandemic;
- the availability of financing opportunities and risks associated with economic conditions, including Bitcoin price and Bitcoin network difficulty;
- the ability to service debt obligations and maintain flexibility in respect of debt covenants;
- 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;
- 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; and
- other factors beyond the Company's control.

The above is not an exhaustive list of the factors that may affect the Company's forward-looking statements. 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. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian Securities Authorities, including the Company's annual MD&A dated April 29, 2020. 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 Revenue. "Adjusted EBITDA" is defined as EBITDA adjusted to exclude: (i) share-based compensation; (ii) non-cash finance expenses; (iii) asset impairment charges; and (iv) other non-cash expenses. "Adjusted EBITDA margin" is defined as the percentage obtained when dividing Adjusted EBITDA by Revenue. "Gross mining profit" is defined as Revenue minus energy and infrastructure expenses for the Backbone segment of the Company. "Gross mining margin" is defined as the percentage obtained when dividing Gross mining profit by Revenue for the Backbone segment of the Company.

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 in pages 6, 7 and 8.

## Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company and its subsidiaries is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. In designing such controls, it should be recognized that due to inherent limitations, any control, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is required to use judgment in evaluating controls and procedures.

## 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:** Bitcoin 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 Bitcoin 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. Bitcoin is created when the Bitcoin network issues Block Rewards through the Mining process.

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

**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 Bitcoin 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 Bitcoin Blockchain. As a reward for their services, Bitcoin Miners collect transaction fees for the transactions they confirm, along with newly created Bitcoins as Block Rewards.

**Network Difficulty:** Network difficulty is a unitless measure of how difficult it is to find a hash below a given target. The Bitcoin 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 Bitcoin 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 Bitcoin network to validate transactions on the Bitcoin Blockchain.

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

**FORM 52-109FV2**  
**CERTIFICATION OF INTERIM FILINGS**  
**VENTURE ISSUER BASIC 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 March 31, 2020.
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.

Date: June 24, 2020

“Emiliano Grodzki”

Emiliano Grodzki  
 Chief Executive Officer

**NOTE TO READER**

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings* (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

- I. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- II. a process 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.

The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

**FORM 52-109FV2**  
**CERTIFICATION OF INTERIM FILINGS**  
**VENTURE ISSUER BASIC CERTIFICATE**

I, John Rim, 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 March 31, 2020.
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.

Date: June 24, 2020

“John Rim”

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John Rim  
 Chief Financial Officer

**NOTE TO READER**

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings* (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

- I. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- II. a process 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.

The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
1376 Bayview Ave, Unit 1  
Toronto, Ontario M4G 3A1

**Item 2 Date of Material Change**

June 29, 2020.

**Item 3 News Release**

The press release attached as Schedule “A” was released over Business Wire on June 29, 2020.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

John Rim  
Chief Financial Officer & Chief Operating Officer  
Bitfarms Ltd.  
jrim@bitfarms.io  
416-804-8535

**Item 9 Date of Report**

June 29, 2020.

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### **Bitfarms Announces Corporate Update and Stock Option Grant**

**Toronto, Ontario and Brossard, Québec (June 29, 2020)** - Bitfarms Ltd. ("Bitfarms") (TSXV: BITF) today announces that delivery has been made of 1,847 WhatsMiner M20S and installation will be completed within the next 2 to 3 days. As announced on June 1, 2020, the new equipment was funded from internally generated cash flow. Once fully operational, the mining hardware is expected to add approximately 133 petahash per second ("PH/s") to the Company's installed computing power and improve computing efficiency to over 15 PH per megawatt ("MW"). Each WhatsMiner M20S miner produces an average of 72 terahash per second of computing capacity while consuming approximately 3.46 kWh of energy, or 48 joules per terahash. The M20S miners will utilize, in aggregate, approximately 6.4 megawatts ("MW") of electricity. This equipment will further extend the Company's position as the most efficient publicly traded cryptocurrency miner in Canada in terms of computing power relative to electricity consumption.

In addition, pursuant to the Company's shareholder approved Stock Option Plan, stock options have been granted to certain officers, directors and employees of the Company to purchase 2,600,000 Common shares of the Company at an exercise price of \$0.36 per share for a term of five years with service based vesting provisions to support retention. Following the grant of stock options, the Company has a total of 9,552,500 options outstanding representing approximately 11.3% of the outstanding common shares of the Company.

#### **About Bitfarms Ltd.**

The Company owns and operates computing centres that power the global decentralized financial economy. Bitfarms provides computing power to cryptocurrency networks such as Bitcoin, earning fees from each network for securing and processing transactions. Powered by clean and competitively priced hydroelectricity, Bitfarms operates 5 computing centres in Québec, Canada. Bitfarms' experienced management team includes industrial- scale data centre operators and capital markets professionals, focused on building infrastructure for the future by developing and hosting the ecosystem growing around blockchain-based technologies.

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

<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/>

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

#### **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 TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*



## **Forward-Looking Statements**

*This news release contains certain “forward-looking information” within the meaning of applicable Canadian securities laws that are based on expectations, estimates and projections as at the date of this news release. The information in this release about 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 resulting significant negative impact on the Company’s operations, the construction and operation of expanded blockchain infrastructure as currently planned, and the regulatory environment of cryptocurrency in the Provinces of Canada.*

*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.*

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## **Contacts**

### **For investor and media inquiries, please contact:**

Marc Duchesne  
+1.514.277.3508  
marc@ryanap.com

**Bitfarms Announces Change of Auditor and Provides Notice of Release of First Quarter 2020 Financial Results**

TORONTO & BROSSARD, Québec--(BUSINESS WIRE)--June 19, 2020--Bitfarms Ltd.

(“**Bitfarms**”, or the “**Company**”) (TSXV:BITF) announces that, at the request of the Company, Kost, Forer, Gabbay & Kasierer, a member of Ernst & Young Global (“**EY**”) has resigned as the Company’s auditor and PricewaterhouseCoopers LLP (“**PwC**”) has been appointed as the successor auditor effective June 18, 2020. In accordance with National Instrument 51-102 – *Continuous Disclosure Obligations* (“**NI-51-102**”), the Company has filed a Change of Auditor Notice (the “**Notice**”) on SEDAR together with letters from both EY and PwC, with each letter confirming agreement with the statements contained in the Notice, as applicable. There were no reportable events as defined in NI-51-102 between EY and the Company.

**Release of First Quarter 2020 Financial Results**

Bitfarms also announces it will release its first quarter 2020 results on Wednesday June 24, 2020 prior to market open. The Company’s senior management will be hosting a webcast presentation at 10:00 AM Eastern Time on June 24, 2020 to discuss Bitfarms’ financial and operating results. To view the webcast presentation, please register using the following link:

<https://onlinexperiences.com/Launch/QReg/ShowUUID=12748A45-4F77-49B5-8DBB-793D04E62501>

The financial results and presentation will also be available on the Company’s website at [www.bitfarms.com](http://www.bitfarms.com)

**About Bitfarms Ltd.**

The Company owns and operates computing centres that power the global decentralized financial economy. Bitfarms provides computing power to cryptocurrency networks such as Bitcoin, earning fees from each network for securing and processing transactions. Powered by clean and competitively priced hydroelectricity, Bitfarms operates 5 computing centres in Québec, Canada. Bitfarms’ experienced management team includes industrial- scale data centre operators and capital markets professionals, focused on building infrastructure for the future by developing and hosting the ecosystem growing around blockchain-based technologies.

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

<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/>

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

**Cautionary Statement**

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## **Forward-Looking Statements**

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## **Contacts**

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Marc Duchesne  
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marc@ryanap.com

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**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
1376 Bayview Ave, Unit 1  
Toronto, Ontario M4G 3A1

**Item 2 Date of Material Change**

August 20, 2020.

**Item 3 News Release**

The press release attached as Schedule “A” was released over Business Wire on August 20, 2020.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

John Rim  
Chief Financial Officer & Chief Operating Officer  
Bitfarms Ltd.  
jrim@bitfarms.io  
416-804-8535

**Item 9 Date of Report**

August 20, 2020.

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**Bitfarms Announces Lease Financing for 1,000 New Generation Miners Adding 82 Petahash of Computing Power, Agreement to Amend Existing Loans and Provides Notice of Release of Second Quarter 2020 Financial Results**

**Toronto, Ontario and Brossard, Québec (August 20, 2020)** - Bitfarms Ltd. ("**Bitfarms**" or the "**Company**") (TSXV: BITF) is pleased to announce that it has entered into an equipment lease with BlockFills for 1,000 WhatsMiner M31S+ miners to be delivered and installed in approximately two weeks. BlockFills is the first electronic, off exchange, digital liquidity provider, operating an electronic communication network model. Bitfarms is also pleased to announce that it has reached an agreement, in principal, with Dominion Capital LLC ("**Dominion**") to amend certain terms and conditions of two of its US\$5,000,000 loan tranches. The maturity date of the Company's US\$5,000,000 loan tranche originally due April 17, 2021 will be extended to November 1, 2021. In addition, the Company's loan tranche due June 20, 2021 will add a conversion feature that will allow Dominion to convert debt to equity at a rate of US\$0.59 per common share, a premium of approximately 70% to the current market price of the Company's shares. The aforementioned amendments are subject to TSXV approval and finalization of legal documentation.

**Lease of 1,000 New Generation Miners**

The Company has entered into an equipment lease with BlockFills for 1,000 WhatsMiner M31S+ miners for a term of 24 months and carries an implicit annual interest rate of 12%. The lease also includes a bargain purchase option which when exercised will transfer ownership of the equipment to Bitfarms at end of the lease term for a nominal amount. Bitfarms will make weekly lease payments that will fully retire the capitalized cost of the miners over the term of the lease.

Each WhatsMiner M31S+ miner produces an average of 82 terahash per second of computing power while consuming approximately 3.44 kWh of energy, or 42 joules per terahash. The mining hardware is expected to be fully operational within two weeks and will add approximately 82 petahash per second to the Company's installed computing power as well as consuming approximately 3.4 megawatts ("MW") of electricity. The new equipment will improve the Company's computing efficiency to approximately 17 PH per MW further extending Bitfarms' position as the most efficient publicly traded cryptocurrency miner in Canada in terms of computing power relative to electricity consumption.

**Restructuring of Existing Notes**

The Company has reached an agreement with Dominion to amend the second loan tranche of US\$5,000,000 to extend the maturity date from the original due date of April 17, 2021 to November 1, 2021. The interest rate for the period from April 17 to November 1, 2021 will remain unchanged at 10% per annum. As consideration, Bitfarms will issue 1 million restricted shares to Dominion.

The Company has also reached agreement with Dominion to amend its third loan tranche of US\$5,000,000 due June 20, 2021 to make it convertible, at the option of Dominion, into common shares of Bitfarms at a fixed conversion of US\$0.59 per share, a premium of approximately 70% to the current market price of the Company's shares.

"The restructuring of our second and third loan tranches with Dominion will provide valuable flexibility and additional time to build cash from operations to improve Bitfarms' ability to meet its future commitments and obligations as it continues to grow and scale its business. Dominion have been great partners and supporters of Bitfarms as we continue to grow" commented John Rim, COO and CFO of Bitfarms.

"We are also pleased to partner with BlockFills to lease 1,000 new generation miners, especially during this period when available mining equipment inventory is low. Bitfarms is working with BlockFills to enter into further lease financing over the next few weeks that will allow the Company to add even more operational capacity. Given the recent rise in Bitcoin prices, Bitfarms is well-positioned as mining economics continue to improve after the Bitcoin Halving this past May and we are excited to be able to continue with the execution of our growth strategy" said Emi Grodzki, Interim CEO of Bitfarms.

#### **Release of Second Quarter 2020 Financial Results**

Bitfarms also announces it will release its second quarter 2020 results on Friday, August 28, 2020 prior to market open. The Company's senior management will be hosting a webcast presentation at 10:00 AM Eastern Time on August 28, 2020 to discuss Bitfarms' financial and operating results. The webcast presentation and registration link will be available on the Company's website at [www.bitfarms.com](http://www.bitfarms.com).

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## **Bitfarms Announces Lease Financing for 1,000 New Generation Miners Adding 82 Petahash of Computing Power, Agreement to Amend Existing Loans and Provides Notice of Release of Second Quarter 2020 Financial Results**

TORONTO & BROSSARD, Québec--(BUSINESS WIRE)--August 20, 2020--Bitfarms Ltd. ("**Bitfarms**" or the "**Company**") (TSXV: BITF) is pleased to announce that it has entered into an equipment lease with BlockFills for 1,000 WhatsMiner M31S+ miners to be delivered and installed in approximately two weeks. BlockFills is the first electronic, off exchange, digital liquidity provider, operating an electronic communication network model. Bitfarms is also pleased to announce that it has reached an agreement, in principal, with Dominion Capital LLC ("**Dominion**") to amend certain terms and conditions of two of its US\$5,000,000 loan tranches. The maturity date of the Company's US\$5,000,000 loan tranche originally due April 17, 2021 will be extended to November 1, 2021. In addition, the Company's loan tranche due June 20, 2021 will add a conversion feature that will allow Dominion to convert debt to equity at a rate of US\$0.59 per common share, a premium of approximately 70% to the current market price of the Company's shares. The aforementioned amendments are subject to TSXV approval and finalization of legal documentation.

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#### **Release of Second Quarter 2020 Financial Results**

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## **Contacts**

### **For investor and media inquiries, please contact:**

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marc@ryanap.com

**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
1376 Bayview Ave, Unit 1  
Toronto, Ontario M4G 3A1

**Item 2 Date of Material Change**

August 28, 2020.

**Item 3 News Release**

The press release attached as Schedule “A” was disseminated on August 28, 2020.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

John Rim  
Chief Financial Officer & Chief Operating Officer  
Bitfarms Ltd.  
jrim@bitfarms.io  
416-804-8535

**Item 9 Date of Report**

August 28, 2020.

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## Bitfarms Reports Financial Results for the Three and Six Months Ended June 30, 2020

**Toronto, Ontario and Brossard, Québec (August 28, 2020)** - Bitfarms Ltd. ("Bitfarms", or the "Company") ([TSXV:BITE](#)) today announced its consolidated results for the three and six months ended June 30, 2020.

### Q2 2020 Financial Summary and Corporate Highlights

- Consolidated revenue of US\$7.4 million; gross loss of US\$0.1 million (-2% gross loss margin), operating loss of US\$1.5 million (20% operating loss margin), and net loss of US\$3.7 million;
- Mining operations segment gross mining profit<sup>1</sup> of US\$2.5 million (36% gross mining margin);
- US\$0.4 million EBITDA (6% EBITDA margin) and US\$1.4 million Adj. EBITDA (19% Adj. EBITDA margin);
- Mined 815 Bitcoins with an average break-even<sup>2</sup> Bitcoin price of \$5,075;
- Completed 5MW expansion of the Company's St-Hyacinthe facility to increase the maximum capacity at St. Hyacinthe from 10 megawatts ("MW") to 15 MW;
- Acquired 1,865 WhatsMiner M20S producing approximately 135 PH/s and consuming approximately 6.4 MW which were installed and operational by the beginning of July 2020; and
- Appointed PricewaterhouseCoopers LLP as the Company's auditor.

"Despite the ongoing market turbulence caused by the COVID-19 pandemic and the challenge presented by the Bitcoin Halving that occurred in May, we are pleased that Bitfarms' operations yielded positive EBITDA and Adjusted EBITDA in the second quarter. The Company's 36% gross mining margin and break-even cost per Bitcoin of \$5,075 on the production of 815 Bitcoin achieved in the second quarter significantly outpaced our Canadian competition.

With the 1,000 new mining rigs expected to be delivered and installed within the few days, the Company will have added 217 PH or over 25% growth so far in 2020 despite challenging market conditions. Finally, the recently announced refinancing will provide the time and flexibility that the Company needs to continue to execute on its growth plans" commented John Rim, Chief Operating Officer and Chief Financial Officer.

Emiliano Grodzki, Interim Chief Executive Officer of Bitfarms added, "Bitfarms continues to demonstrate its resiliency and strength of operations despite challenging market conditions. Based on publicly disclosed financial information, we believe that the 815 Bitcoin mined by Bitfarms in the second quarter was the most amongst all publicly traded Bitcoin mining companies. We're pleased with the strength of our business model and we are well positioned to continue to carry out our strategy of disciplined, timely and cost-efficient growth."

- 
- 1 EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin, Gross mining profit and Gross mining margin are non-IFRS performance measures; please refer to the end of this MD&A regarding the use of Non-IFRS Financial Performance Measures.
  - 2 Represents the break-even cost of Bitcoin based on variable cost of electricity and is calculated by taking the total electricity costs related to the Mining of Bitcoin divided by the total number of Bitcoin mined, respectively, in the relevant period.

## Financial Review

### Consolidated Company Results (000's)

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

|                                         | Three months ended |                 |           |          | Six months ended |                 |           |          |
|-----------------------------------------|--------------------|-----------------|-----------|----------|------------------|-----------------|-----------|----------|
|                                         | Jun. 30<br>2020    | Jun. 30<br>2019 | \$ Change | % Change | Jun. 30<br>2020  | Jun. 30<br>2019 | \$ Change | % Change |
| For the periods ended as indicated      |                    |                 |           |          |                  |                 |           |          |
| Revenues                                | 7,372              | 8,517           | (1,145)   | (13%)    | 16,584           | 12,146          | 4,438     | 37%      |
| Cost of sales                           | 7,506              | 4,586           | 2,920     | 64%      | 15,423           | 8,003           | 7,420     | 93%      |
| Gross profit (loss)                     | (134)              | 3,930           | (4,064)   | (103%)   | 1,161            | 4,143           | (2,982)   | (72%)    |
| Gross margin (loss)                     | (2%)               | 46%             | —         | —        | 7%               | 34%             | —         | —        |
| Gain on disposition of cryptocurrencies | 23                 | —               | 23        | 100%     | 23               | —               | 23        | 100%     |
| Loss on disposition of assets           | (707)              | (4)             | (703)     | (17575%) | (707)            | (7)             | (700)     | (10000%) |
| Operating income (loss)                 | (1,482)            | 575             | (2,057)   | (358%)   | (2,992)          | (1,132)         | (1,860)   | (164%)   |
| Operating margin (loss)                 | (20%)              | 7%              | —         | —        | (18%)            | (9%)            | —         | —        |
| G&A and other expenses                  | 1,371              | 3,355           | (1,984)   | (59%)    | 4,176            | 5,275           | (1,099)   | (21%)    |
| Financial income                        | 57                 | —               | 57        | 100%     | 265              | —               | 265       | 100%     |
| Interest expense                        | 1,400              | 689             | 711       | 103%     | 2,785            | 821             | 1,964     | 239%     |
| Other financial expenses                | 202                | 1,202           | (1,000)   | (83%)    | 47               | 1,366           | (1,319)   | (97%)    |
| Total financial expenses                | 1,602              | 1,891           | (289)     | (15%)    | 2,832            | 2,187           | 645       | 29%      |
| Pre-tax loss                            | (3,734)            | (1,320)         | (2,414)   | (183%)   | (6,266)          | (3,326)         | (2,940)   | (88%)    |
| Income tax recovery                     | (4)                | —               | (4)       | 100%     | (112)            | —               | (112)     | 100%     |
| Net loss                                | (3,730)            | (1,320)         | (2,410)   | (183%)   | (6,154)          | (3,326)         | (2,828)   | (85%)    |
| Net loss per share - basic              | (0.04)             | (0.01)          | —         | —        | (0.07)           | (0.04)          | —         | —        |
| Gross mining profit <sup>(1)</sup>      | 2,506              | 5,122           | (2,616)   | (51%)    | 6,602            | 6,205           | 397       | 6%       |
| Gross mining margin <sup>(1)</sup>      | 36%                | 67%             | —         | —        | 42%              | 58%             | —         | —        |
| EBITDA <sup>(1)</sup>                   | 416                | 668             | (252)     | (38%)    | 2,249            | 142             | 2,107     | 1484%    |
| EBITDA margin <sup>(1)</sup>            | 6%                 | 8%              | —         | —        | 14%              | 1%              | —         | —        |
| Adjusted EBITDA <sup>(1)</sup>          | 1,435              | 3,329           | (1,894)   | (57%)    | 4,340            | 2,908           | 1,432     | 49%      |
| Adjusted EBITDA margin <sup>(1)</sup>   | 19%                | 39%             | —         | —        | 26%              | 24%             | —         | —        |

#### Notes

(1) EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin, Gross mining profit and Gross mining margin are non-IFRS performance measures; please refer to Non-IFRS Performance Measures.

#### Revenue

Bitfarms' total revenue for Q2 2020 was US\$7.4 million compared to US\$8.5 million in Q2 2019. Revenue in Q2 2020 decreased US\$1.1 million or 13% compared to Q2 2019 due to a reduced quantity of Bitcoin mined resulting from the Bitcoin Halving Event in May, offset by an increase in the average selling price of Bitcoin (i.e. \$8,429 in Q2 2020 compared to \$7,679 in Q2 2019) in addition to an increase in Bitfarms' average hashrate in excess of the increase in Network Difficulty.

#### Cost of Sales

Bitfarms' cost of sales for Q2 2020 was US\$7.5 million compared to US\$4.6 million in Q2 2019. Costs of sales include energy and infrastructure expenses, rental expense, depreciation and amortization, electrician salaries, and purchases and net change in inventory.

Energy and infrastructure expenses increased by US\$1.8 million or 68% in Q2 2020 compared to Q2 2019 as the Company added new mining equipment that increased electrical consumption from an average of 28 MW during Q2 2019 to approximately 48 MW during Q2 2020. Depreciation and amortization expense increased by US\$1.5 million or 112% in Q2 2020 compared to Q2 2019 due to the net additions to property, plant and equipment of approximately US\$20.3M from Q2 2019 throughout Q2 2020.

### Gross Profit

In Q2 2020, the Company had consolidated gross loss of US\$0.1 million (-2% gross margin) on consolidated revenue of US\$7.4 million, compared to gross profit of US\$3.9 million (46% gross margin) on consolidated revenue of US\$8.5 million in Q2 2019.

### General & Administrative and Other Expenses

Bitfarms' general and administrative and other expenses decreased US\$ 2.0 million or 59% in Q2 2020 compared to Q2 2019. The primary reason for the decrease was lower non-cash expenses related to share-based compensation issued to employees of approximately US\$1.2 million as well as US\$0.5 million lower salaries and wages expenses resulting from fewer executive level employees and government wage subsidies received in connection with COVID-19 in Q2 2020 compared to Q2 2019. There was an additional decrease of US\$0.3 million in Q2 2020 resulting from reduced professional fees in connection with the Company's TSX-V listing process in Q2 2019.

### Financial Income and Expenses

Bitfarms' financial income for Q2 2020 was US\$0.1 million compared to US\$nil for Q2 2019. The increase in financial income was related to a US\$0.1 million gain recorded on the embedded derivative. Financial expense for Q2 2020 was US\$1.5 million compared to US\$1.9 million in Q2 2019. The US\$0.4 million decrease is primarily related to a US\$0.8 million loss on warrant revaluation as well as a US\$0.4 million loss on embedded derivative in Q2 2019 that did not occur in Q2 2020, offset by interest expense of US\$1.3 million incurred on the Dominion Capital loan in Q2 2020 compared to US\$0.5 million in Q2 2019.

### Reconciliation of Net Income to EBITDA and Adjusted EBITDA

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

| For the periods ended as indicated | Three months ended |         | Six months ended |          |         |         |           |          |
|------------------------------------|--------------------|---------|------------------|----------|---------|---------|-----------|----------|
|                                    | Jun. 30            | Jun. 30 | \$ Change        | % Change | Jun. 30 | Jun. 30 | \$ Change | % Change |
|                                    | 2020               | 2019    |                  |          | 2020    | 2019    |           |          |
| Net loss before tax                | (3,734)            | (1,320) | (2,414)          | (183%)   | (6,266) | (3,326) | (2,940)   | (88%)    |
| Interest expense                   | 1,400              | 689     | 711              | 103%     | 2,785   | 821     | 1,964     | 239%     |
| Depreciation expense               | 2,750              | 1,299   | 1,451            | 112%     | 5,730   | 2,647   | 3,083     | 116%     |
| EBITDA <sup>(1)</sup>              | 416                | 668     | (252)            | (38%)    | 2,249   | 142     | 2,107     | 1484%    |
| Stock compensation expense         | 254                | 1,462   | (1,208)          | (83%)    | 1,264   | 1,572   | (308)     | (20%)    |
| Financial income and other         | 765                | 1,199   | (434)            | (36%)    | 827     | 1,194   | (367)     | (31%)    |
| Adjusted EBITDA <sup>(1)</sup>     | 1,435              | 3,329   | (1,894)          | (57%)    | 4,340   | 2,908   | 1,432     | 49%      |

Bitfarms' net loss for Q2 2020 was US\$3.7 million compared to a net loss of US\$1.3 million for Q2 2019. EBITDA and Adjusted EBITDA for Q2 2020 were US\$0.4 million and US\$1.4 million, respectively, compared to an EBITDA and Adjusted EBITDA of US\$0.7 million and US\$3.3 million in Q2 2019. EBITDA and Adjusted EBITDA are non- IFRS performance measures; please refer to the heading "Non-IFRS Performance Measures" at the end of this press release.

## Calculation of Gross Mining Profit & Gross Mining Margin

Gross mining margin (Backbone segment)

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

|                                    | Three months ended |                 |           |          | Six months ended |                 |           |          |
|------------------------------------|--------------------|-----------------|-----------|----------|------------------|-----------------|-----------|----------|
|                                    | Jun. 30<br>2020    | Jun. 30<br>2019 |           |          | Jun. 30<br>2020  | Jun. 30<br>2019 |           |          |
| For the periods ended as indicated |                    |                 | \$ Change | % Change |                  |                 | \$ Change | % Change |
| Revenue                            | 6,870              | 7,687           | (817)     | (11%)    | 15,594           | 10,687          | 4,907     | 46%      |
| Cost of sales                      | 7,189              | 3,926           | 3,263     | 83%      | 14,674           | 6,959           | 7,715     | 111%     |
| Gross profit (loss)                | (319)              | 3,761           | (4,080)   | (108%)   | 920              | 3,728           | (2,808)   | (75%)    |
| Depreciation and amortization      | 2,729              | 1,280           | 1,449     | 113%     | 5,682            | 2,603           | 3,079     | 118%     |
| Net change in inventory and other  | 96                 | 81              | 15.00     | —        | —                | (126)           | 126       | 100%     |
| Gross mining profit                | 2,506              | 5,122           | (2,616)   | (51%)    | 6,602            | 6,205           | 397       | 6%       |
| Gross mining margin                | 36%                | 67%             | —         | —        | 42%              | 58%             | —         | —        |

## Webcast

The Company will be hosting a webcast presentation at 10:00 AM ET on August 28 2020. To view the webcast presentation, please register at:

<https://onlinexperiences.com/Launch/QReg/ShowUUID=C70B5887-6D74-423A-8BD6-A6207A4064C0>

The financial results and presentation will also be available on our website at [www.bitfarms.com](http://www.bitfarms.com).

## About Bitfarms Ltd.

The Company owns and operates computing centres that power the global decentralized financial economy. Bitfarms provides computing power to cryptocurrency networks such as Bitcoin, earning fees from each network for securing and processing transactions. Powered by clean and competitively priced hydroelectricity, Bitfarms operates 5 computing centres in Québec, Canada. Bitfarms' experienced management team includes industrial- scale data centre operators and capital markets professionals, focused on building infrastructure for the future by developing and hosting the ecosystem growing around blockchain-based technologies.

### For investor and media inquiries, please contact:

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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 TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

### **Forward-Looking Statements**

*This news release contains certain “forward-looking information” within the meaning of applicable Canadian securities laws that are based on expectations, estimates and projections as at the date of this news release. The information in this release about 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 resulting significant negative impact on the Company’s operations, the construction and operation of expanded blockchain infrastructure as currently planned, and the regulatory environment of cryptocurrency in the Provinces of Canada.*

*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 reasonable assumptions and estimates of management of the Company at the time it was 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; 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; 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; and volatile securities markets impacting security pricing unrelated to operating performance. In addition, particular factors which could impact future results of the business of Bitfarms include but are not limited to: the construction and operation of blockchain infrastructure 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 Province of Québec, 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; and there will be no regulation or law that will prevent Bitfarms from operating its business. The Company has also assumed that no significant events occur outside of the Bitfarms’ normal course of business. Although the Company has attempted to identify important factors that could cause actual results to differ materially, 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 forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.*



## **Non-IFRS Performance Measures**

*This press release 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 Revenue. "Adjusted EBITDA" is defined as EBITDA adjusted to exclude: (i) share-based compensation; (ii) non-cash finance expenses; (iii) asset impairment charges; and (iv) other non-cash expenses. "Adjusted EBITDA margin" is defined as the percentage obtained when dividing Adjusted EBITDA by Revenue. "Gross mining profit" is defined as Revenue minus energy expenses for the Bitfarms segment of the Company. "Gross mining margin" is defined as the percentage obtained when dividing Gross mining profit by Revenue for the Bitfarms segment of the Company.*

*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. See "Reconciliation of Net Income to EBITDA and Adjusted EBITDA" for reconciliation of EBITDA and Adjusted EBITDA to net income.*



**Bitfarms Reports Financial Results for the Three and Six Months Ended  
June 30, 2020**

**Toronto, Ontario and Brossard, Québec (August 28, 2020)** - Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) ([TSXV:BTF](#)) today announced its consolidated results for the three and six months ended June 30, 2020.

**Q2 2020 Financial Summary and Corporate Highlights**

- Consolidated revenue of US\$7.4 million; gross loss of US\$0.1 million (-2% gross loss margin), operating loss of US\$1.5 million (20% operating loss margin), and net loss of US\$3.7 million;
- Mining operations segment gross mining profit<sup>1</sup> of US\$2.5 million (36% gross mining margin);
- US\$0.4 million EBITDA (6% EBITDA margin) and US\$1.4 million Adj. EBITDA (19% Adj. EBITDA margin);
- Mined 815 Bitcoins with an average break-even<sup>2</sup> Bitcoin price of \$5,075;
- Completed 5MW expansion of the Company’s St-Hyacinthe facility to increase the maximum capacity at St. Hyacinthe from 10 megawatts (“MW”) to 15 MW;
- Acquired 1,865 WhatsMiner M20S producing approximately 135 PH/s and consuming approximately 6.4 MW which were installed and operational by the beginning of July 2020; and
- Appointed PricewaterhouseCoopers LLP as the Company’s auditor.

“Despite the ongoing market turbulence caused by the COVID-19 pandemic and the challenge presented by the Bitcoin Halving that occurred in May, we are pleased that Bitfarms’ operations yielded positive EBITDA and Adjusted EBITDA in the second quarter. The Company’s 36% gross mining margin and break-even cost per Bitcoin of \$5,075 on the production of 815 Bitcoin achieved in the second quarter significantly outpaced our Canadian competition.

With the 1,000 new mining rigs expected to be delivered and installed within the few days, the Company will have added 217 PH or over 25% growth so far in 2020 despite challenging market conditions. Finally, the recently announced refinancing will provide the time and flexibility that the Company needs to continue to execute on its growth plans” commented John Rim, Chief Operating Officer and Chief Financial Officer.

Emiliano Grodzki, Interim Chief Executive Officer of Bitfarms added, “Bitfarms continues to demonstrate its resiliency and strength of operations despite challenging market conditions. Based on publicly disclosed financial information, we believe that the 815 Bitcoin mined by Bitfarms in the second quarter was the most amongst all publicly traded Bitcoin mining companies. We’re pleased with the strength of our business model and we are well positioned to continue to carry out our strategy of disciplined, timely and cost-efficient growth.”

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

<sup>2</sup> Represents the break-even cost of Bitcoin based on variable cost of electricity and is calculated by taking the total electricity costs related to the Mining of Bitcoin divided by the total number of Bitcoin mined, respectively, in the relevant period.

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## Financial Review

### Consolidated Company Results (000's)

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

| For the periods ended as indicated      | Three months ended |                 |              |             | Six months ended |                 |              |             |
|-----------------------------------------|--------------------|-----------------|--------------|-------------|------------------|-----------------|--------------|-------------|
|                                         | Jun. 30<br>2020    | Jun. 30<br>2019 | \$<br>Change | %<br>Change | Jun. 30<br>2020  | Jun. 30<br>2019 | \$<br>Change | %<br>Change |
| Revenues                                | 7,372              | 8,517           | (1,145)      | (13%)       | 16,584           | 12,146          | 4,438        | 37%         |
| Cost of sales                           | 7,506              | 4,586           | 2,920        | 64%         | 15,423           | 8,003           | 7,420        | 93%         |
| Gross profit (loss)                     | (134)              | 3,930           | (4,064)      | (103%)      | 1,161            | 4,143           | (2,982)      | (72%)       |
| Gross margin (loss)                     | (2%)               | 46%             | -            | -           | 7%               | 34%             | -            | -           |
| Gain on disposition of cryptocurrencies | 23                 | -               | 23           | 100%        | 23               | -               | 23           | 100%        |
| Loss on disposition of assets           | (707)              | (4)             | (703)        | (17575%)    | (707)            | (7)             | (700)        | (10000%)    |
| Operating income (loss)                 | (1,482)            | 575             | (2,057)      | (358%)      | (2,992)          | (1,132)         | (1,860)      | (164%)      |
| Operating margin (loss)                 | (20%)              | 7%              | -            | -           | (18%)            | (9%)            | -            | -           |
| G&A and other expenses                  | 1,371              | 3,355           | (1,984)      | (59%)       | 4,176            | 5,275           | (1,099)      | (21%)       |
| Financial income                        | 57                 | -               | 57           | 100%        | 265              | -               | 265          | 100%        |
| Interest expense                        | 1,400              | 689             | 711          | 103%        | 2,785            | 821             | 1,964        | 239%        |
| Other financial expenses                | 202                | 1,202           | (1,000)      | (83%)       | 47               | 1,366           | (1,319)      | (97%)       |
| Total financial expenses                | 1,602              | 1,891           | (289)        | (15%)       | 2,832            | 2,187           | 645          | 29%         |
| Pre-tax loss                            | (3,734)            | (1,320)         | (2,414)      | (183%)      | (6,266)          | (3,326)         | (2,940)      | (88%)       |
| Income tax recovery                     | (4)                | -               | (4)          | 100%        | (112)            | -               | (112)        | 100%        |
| Net loss                                | (3,730)            | (1,320)         | (2,410)      | (183%)      | (6,154)          | (3,326)         | (2,828)      | (85%)       |
| Net loss per share - basic              | (0.04)             | (0.01)          | -            | -           | (0.07)           | (0.04)          | -            | -           |
| Gross mining profit <sup>(1)</sup>      | 2,506              | 5,122           | (2,616)      | (51%)       | 6,602            | 6,205           | 397          | 6%          |
| Gross mining margin <sup>(1)</sup>      | 36%                | 67%             | -            | -           | 42%              | 58%             | -            | -           |
| EBITDA <sup>(1)</sup>                   | 416                | 668             | (252)        | (38%)       | 2,249            | 142             | 2,107        | 1484%       |
| EBITDA margin <sup>(1)</sup>            | 6%                 | 8%              | -            | -           | 14%              | 1%              | -            | -           |
| Adjusted EBITDA <sup>(1)</sup>          | 1,435              | 3,329           | (1,894)      | (57%)       | 4,340            | 2,908           | 1,432        | 49%         |
| Adjusted EBITDA margin <sup>(1)</sup>   | 19%                | 39%             | -            | -           | 26%              | 24%             | -            | -           |

#### Notes

- (1) EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin, Gross mining profit and Gross mining margin are non-IFRS performance measures; please refer to Non-IFRS Performance Measures.

#### Revenue

Bitfarms' total revenue for Q2 2020 was US\$7.4 million compared to US\$8.5 million in Q2 2019. Revenue in Q2 2020 decreased US\$1.1 million or 13% compared to Q2 2019 due to a reduced quantity of Bitcoin mined resulting from the Bitcoin Halving Event in May, offset by an increase in the average selling price of Bitcoin (i.e. \$8,429 in Q2 2020 compared to \$7,679 in Q2 2019) in addition to an increase in Bitfarms' average hashrate in excess of the increase in Network Difficulty.

#### Cost of Sales

Bitfarms' cost of sales for Q2 2020 was US\$7.5 million compared to US\$4.6 million in Q2 2019. Costs of sales include energy and infrastructure expenses, rental expense, depreciation and amortization, electrician salaries, and purchases and net change in inventory.

Energy and infrastructure expenses increased by US\$1.8 million or 68% in Q2 2020 compared to Q2 2019 as the Company added new mining equipment that increased electrical consumption from an average of 28 MW during Q2 2019 to approximately 48 MW during Q2 2020. Depreciation and amortization expense increased by US\$1.5 million or 112% in Q2 2020 compared to Q2 2019 due to the net additions to property, plant and equipment of approximately US\$20.3M from Q2 2019 throughout Q2 2020.

#### *Gross Profit*

In Q2 2020, the Company had consolidated gross loss of US\$0.1 million (-2% gross margin) on consolidated revenue of US\$7.4 million, compared to gross profit of US\$3.9 million (46% gross margin) on consolidated revenue of US\$8.5 million in Q2 2019.

#### *General & Administrative and Other Expenses*

Bitfarms' general and administrative and other expenses decreased US\$ 2.0 million or 59% in Q2 2020 compared to Q2 2019. The primary reason for the decrease was lower non-cash expenses related to share-based compensation issued to employees of approximately US\$1.2 million as well as US\$0.5 million lower salaries and wages expenses resulting from fewer executive level employees and government wage subsidies received in connection with COVID-19 in Q2 2020 compared to Q2 2019. There was an additional decrease of US\$0.3 million in Q2 2020 resulting from reduced professional fees in connection with the Company's TSX-V listing process in Q2 2019.

#### *Financial Income and Expenses*

Bitfarms' financial income for Q2 2020 was US\$0.1 million compared to US\$nil for Q2 2019. The increase in financial income was related to a US\$0.1 million gain recorded on the embedded derivative. Financial expense for Q2 2020 was US\$1.5 million compared to US\$1.9 million in Q2 2019. The US\$0.4 million decrease is primarily related to a US\$0.8 million loss on warrant revaluation as well as a US\$0.4 million loss on embedded derivative in Q2 2019 that did not occur in Q2 2020, offset by interest expense of US\$1.3 million incurred on the Dominion Capital loan in Q2 2020 compared to US\$0.5 million in Q2 2019.

#### **Reconciliation of Net Income to EBITDA and Adjusted EBITDA**

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

| For the periods ended as indicated | Three months ended |                 |              |             | Six months ended |                 |              |             |
|------------------------------------|--------------------|-----------------|--------------|-------------|------------------|-----------------|--------------|-------------|
|                                    | Jun. 30<br>2020    | Jun. 30<br>2019 | \$<br>Change | %<br>Change | Jun. 30<br>2020  | Jun. 30<br>2019 | \$<br>Change | %<br>Change |
| Net loss before tax                | (3,734)            | (1,320)         | (2,414)      | (183%)      | (6,266)          | (3,326)         | (2,940)      | (88%)       |
| Interest expense                   | 1,400              | 689             | 711          | 103%        | 2,785            | 821             | 1,964        | 239%        |
| Depreciation expense               | 2,750              | 1,299           | 1,451        | 112%        | 5,730            | 2,647           | 3,083        | 116%        |
| EBITDA <sup>(1)</sup>              | 416                | 668             | (252)        | (38%)       | 2,249            | 142             | 2,107        | 1484%       |
| Stock compensation expense         | 254                | 1,462           | (1,208)      | (83%)       | 1,264            | 1,572           | (308)        | (20%)       |
| Financial income and other         | 765                | 1,199           | (434)        | (36%)       | 827              | 1,194           | (367)        | (31%)       |
| Adjusted EBITDA <sup>(1)</sup>     | 1,435              | 3,329           | (1,894)      | (57%)       | 4,340            | 2,908           | 1,432        | 49%         |

Bitfarms' net loss for Q2 2020 was US\$3.7 million compared to a net loss of US\$1.3 million for Q2 2019. EBITDA and Adjusted EBITDA for Q2 2020 were US\$0.4 million and US\$1.4 million, respectively, compared to an EBITDA and Adjusted EBITDA of US\$0.7 million and US\$3.3 million in Q2 2019. EBITDA and Adjusted EBITDA are non- IFRS performance measures; please refer to the heading "Non-IFRS Performance Measures" at the end of this press release.

## Calculation of Gross Mining Profit & Gross Mining Margin

Gross mining margin (Backbone segment)

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

| For the periods ended as indicated | Three months ended |                 |              |             | Six months ended |                 |              |             |
|------------------------------------|--------------------|-----------------|--------------|-------------|------------------|-----------------|--------------|-------------|
|                                    | Jun. 30<br>2020    | Jun. 30<br>2019 | \$<br>Change | %<br>Change | Jun. 30<br>2020  | Jun. 30<br>2019 | \$<br>Change | %<br>Change |
| Revenue                            | 6,870              | 7,687           | (817)        | (11%)       | 15,594           | 10,687          | 4,907        | 46%         |
| Cost of sales                      | 7,189              | 3,926           | 3,263        | 83%         | 14,674           | 6,959           | 7,715        | 111%        |
| Gross profit (loss)                | (319)              | 3,761           | (4,080)      | (108%)      | 920              | 3,728           | (2,808)      | (75%)       |
| Depreciation and amortization      | 2,729              | 1,280           | 1,449        | 113%        | 5,682            | 2,603           | 3,079        | 118%        |
| Net change in inventory and other  | 96                 | 81              | 15.00        | -           | -                | (126)           | 126          | 100%        |
| Gross mining profit                | 2,506              | 5,122           | (2,616)      | (51%)       | 6,602            | 6,205           | 397          | 6%          |
| Gross mining margin                | 36%                | 67%             | -            | -           | 42%              | 58%             | -            | -           |

## Webcast

The Company will be hosting a webcast presentation at 10:00 AM ET on August 28 2020. To view the webcast presentation, please register at:

<https://onlinexperiences.com/Launch/QReg/ShowUUID=C70B5887-6D74-423A-8BD6-A6207A4064C0>

The financial results and presentation will also be available on our website at [www.bitfarms.com](http://www.bitfarms.com).

## About Bitfarms Ltd.

The Company owns and operates computing centres that power the global decentralized financial economy. Bitfarms provides computing power to cryptocurrency networks such as Bitcoin, earning fees from each network for securing and processing transactions. Powered by clean and competitively priced hydroelectricity, Bitfarms operates 5 computing centres in Québec, Canada. Bitfarms' experienced management team includes industrial- scale data centre operators and capital markets professionals, focused on building infrastructure for the future by developing and hosting the ecosystem growing around blockchain-based technologies.

## For investor and media inquiries, please contact:

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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 TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

## **Forward-Looking Statements**

This news release contains certain “forward-looking information” within the meaning of applicable Canadian securities laws that are based on expectations, estimates and projections as at the date of this news release. The information in this release about 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 resulting significant negative impact on the Company’s operations, the construction and operation of expanded blockchain infrastructure as currently planned, and the regulatory environment of cryptocurrency in the Provinces of Canada.

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 reasonable assumptions and estimates of management of the Company at the time it was 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; 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; 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; and volatile securities markets impacting security pricing unrelated to operating performance. In addition, particular factors which could impact future results of the business of Bitfarms include but are not limited to: the construction and operation of blockchain infrastructure 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 Province of Québec, 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; and there will be no regulation or law that will prevent Bitfarms from operating its business. The Company has also assumed that no significant events occur outside of the Bitfarms’ normal course of business. Although the Company has attempted to identify important factors that could cause actual results to differ materially, 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 forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.

## **Non-IFRS Performance Measures**

*This press release 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 Revenue. “Adjusted EBITDA” is defined as EBITDA adjusted to exclude: (i) share-based compensation; (ii) non-cash finance expenses; (iii) asset impairment charges; and (iv) other non-cash expenses. “Adjusted EBITDA margin” is defined as the percentage obtained when dividing Adjusted EBITDA by Revenue. “Gross mining profit” is defined as Revenue minus energy expenses for the Bitfarms segment of the Company. “Gross mining margin” is defined as the percentage obtained when dividing Gross mining profit by Revenue for the Bitfarms segment of the Company.*

*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. See “Reconciliation of Net Income to EBITDA and Adjusted EBITDA” for reconciliation of EBITDA and Adjusted EBITDA to net income.*



AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2020

U.S. DOLLARS IN THOUSANDS

UNAUDITED

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## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

|                                                              | Note | June 30,<br>2020<br><u>Unaudited</u> | December 31,<br>2019<br><u></u> |
|--------------------------------------------------------------|------|--------------------------------------|---------------------------------|
| <b>ASSETS</b>                                                |      |                                      |                                 |
| <b>CURRENT ASSETS:</b>                                       |      |                                      |                                 |
| Cash and cash equivalents                                    |      | \$ 1,361                             | \$ 2,159                        |
| Trade receivables, net                                       |      | 838                                  | 1,108                           |
| Other assets                                                 | 5    | 855                                  | 1,398                           |
| Inventories                                                  | 6    | 143                                  | 135                             |
| Income taxes receivable                                      |      | 1,567                                | 1,743                           |
|                                                              |      | <u>4,764</u>                         | <u>6,543</u>                    |
| Assets held for sale                                         | 7    | -                                    | 7                               |
| <b>TOTAL CURRENT ASSETS</b>                                  |      | <u>4,764</u>                         | <u>6,550</u>                    |
| <b>NON-CURRENT ASSETS:</b>                                   |      |                                      |                                 |
| Property, plant and equipment, net                           | 8    | 34,935                               | 37,774                          |
| Right-of-use assets                                          | 11   | 5,782                                | 6,233                           |
| Intangible assets, net                                       |      | 550                                  | 675                             |
| Long-term deposits and equipment prepayments                 | 9    | 1,027                                | 1,148                           |
| Embedded derivative                                          | 10   | 596                                  | 476                             |
| <b>TOTAL NON-CURRENT ASSETS</b>                              |      | <u>42,890</u>                        | <u>46,306</u>                   |
| <b>TOTAL ASSETS</b>                                          |      | <u>\$ 47,654</u>                     | <u>\$ 52,856</u>                |
| <b>LIABILITIES AND EQUITY</b>                                |      |                                      |                                 |
| <b>CURRENT LIABILITIES:</b>                                  |      |                                      |                                 |
| Current maturities of long-term debt                         | 10   | \$ 12,309                            | \$ 874                          |
| Current maturities of lease liabilities                      | 11   | 741                                  | 746                             |
| Accounts payable and accrued liabilities                     |      | 2,140                                | 2,389                           |
| <b>TOTAL CURRENT LIABILITIES</b>                             |      | <u>15,190</u>                        | <u>4,009</u>                    |
| <b>NON-CURRENT LIABILITIES:</b>                              |      |                                      |                                 |
| Long-term debt                                               | 10   | 3,778                                | 14,849                          |
| Lease liabilities                                            | 11   | 5,101                                | 5,717                           |
| Asset retirement provision                                   | 12   | 187                                  | 193                             |
| <b>TOTAL NON-CURRENT LIABILITIES</b>                         |      | <u>9,066</u>                         | <u>20,759</u>                   |
| <b>TOTAL LIABILITIES</b>                                     |      | <u>24,256</u>                        | <u>24,768</u>                   |
| <b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:</b> |      |                                      |                                 |
| Share capital                                                | 13   | 30,867                               | 30,475                          |
| Contributed surplus                                          |      | 4,541                                | 3,469                           |
| Accumulated deficit                                          |      | (12,010)                             | (5,856)                         |
| <b>TOTAL EQUITY</b>                                          |      | <u>23,398</u>                        | <u>28,088</u>                   |
| <b>TOTAL LIABILITIES &amp; EQUITY</b>                        |      | <u>\$ 47,654</u>                     | <u>\$ 52,856</u>                |

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS****U.S. dollars in thousands (except earnings per share)**

|                                                                                     | Note | Three months ended<br>June 30, |                   | Six months ended<br>June 30, |                   |
|-------------------------------------------------------------------------------------|------|--------------------------------|-------------------|------------------------------|-------------------|
|                                                                                     |      | 2020                           | 2019              | 2020                         | 2019              |
|                                                                                     |      | Unaudited                      |                   |                              |                   |
| Revenues                                                                            | 13   | \$ 7,372                       | \$ 8,517          | \$ 16,584                    | \$ 12,146         |
| Cost of revenues                                                                    |      | 7,506                          | 4,587             | 15,423                       | 8,003             |
| Gross profit (loss)                                                                 |      | (134)                          | 3,930             | 1,161                        | 4,143             |
| Gain on disposition of cryptocurrencies                                             |      | 23                             | -                 | 23                           | -                 |
| General and administrative expenses                                                 |      | 1,371                          | 3,355             | 4,176                        | 5,275             |
| Operating income (loss)                                                             |      | (1,482)                        | 575               | (2,992)                      | (1,132)           |
| Loss on disposition of property, plant and equipment                                |      | (707)                          | (4)               | (707)                        | (7)               |
| Financial income                                                                    |      | 57                             | -                 | 265                          | -                 |
| Financial expenses                                                                  |      | (1,602)                        | (1,891)           | (2,832)                      | (2,187)           |
| Loss before taxes on income                                                         |      | (3,734)                        | (1,320)           | (6,266)                      | (3,326)           |
| Income tax benefit                                                                  |      | (4)                            | -                 | (112)                        | -                 |
| Net loss and total comprehensive loss                                               |      | <u>\$ (3,730)</u>              | <u>\$ (1,320)</u> | <u>\$ (6,154)</u>            | <u>\$ (3,326)</u> |
| Attributable to:                                                                    |      |                                |                   |                              |                   |
| Equity holders of the Company                                                       |      | \$ (3,730)                     | \$ (834)          | \$ (6,154)                   | \$ (2,124)        |
| Non-controlling interest                                                            |      | -                              | (486)             | -                            | (1,202)           |
|                                                                                     |      | <u>\$ (3,730)</u>              | <u>\$ (1,320)</u> | <u>\$ (6,154)</u>            | <u>\$ (3,326)</u> |
| Net loss per share attributable to equity holders of the Company (in U.S. dollars): |      |                                |                   |                              |                   |
| Basic and diluted loss per share                                                    | 15   | <u>\$ (0.04)</u>               | <u>\$ (0.01)</u>  | <u>\$ (0.07)</u>             | <u>\$ (0.04)</u>  |

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

U.S. dollars in thousands

|                                                                      | Equity attributable to equity holders of the Company |                     |                            |                     |                  | Non-controlling interest | Total equity     |
|----------------------------------------------------------------------|------------------------------------------------------|---------------------|----------------------------|---------------------|------------------|--------------------------|------------------|
|                                                                      | Share capital                                        | Contributed surplus | Obligation to issue shares | Accumulated deficit | Total            |                          |                  |
| <b>Balance as of January 1, 2020</b>                                 | \$ 30,475                                            | \$ 3,469            | \$ -                       | \$ (5,856)          | \$ 28,088        | \$ -                     | \$ 28,088        |
| Net loss and total comprehensive loss                                | -                                                    | -                   | -                          | (6,154)             | (6,154)          | -                        | (6,154)          |
| Share-based payment                                                  | 192                                                  | 1,072               | -                          | -                   | 1,264            | -                        | 1,264            |
| Exercise of warrants                                                 | 200                                                  | -                   | -                          | -                   | 200              | -                        | 200              |
| <b>Balance as of June 30, 2020 (unaudited)</b>                       | <u>\$ 30,867</u>                                     | <u>\$ 4,541</u>     | <u>\$ -</u>                | <u>\$ (12,010)</u>  | <u>\$ 23,398</u> | <u>\$ -</u>              | <u>\$ 23,398</u> |
| <b>Balance as of January 1, 2019</b>                                 | \$ 19,812                                            | -                   | \$ 4,386                   | \$ (8,755)          | \$ 15,443        | \$ 5,209                 | \$ 20,652        |
| Net loss and total comprehensive loss                                | -                                                    | -                   | -                          | (2,124)             | (2,124)          | (1,202)                  | (3,326)          |
| Share-based payment in legal subsidiary                              | -                                                    | 1,410               | -                          | -                   | 1,410            | 161                      | 1,571            |
| Exchange of share based payment from legal subsidiary to the Company | 141                                                  | 766                 | -                          | -                   | 907              | (907)                    | -                |
| Exchange of exchangeable shares issued in the reverse acquisition    | 4,386                                                | -                   | (4,386)                    | -                   | -                | -                        | -                |
| <b>Balance as of June 30, 2019 (unaudited)</b>                       | <u>\$ 24,339</u>                                     | <u>\$ 2,176</u>     | <u>\$ -</u>                | <u>\$ (10,879)</u>  | <u>\$ 15,636</u> | <u>\$ 3,261</u>          | <u>\$ 18,897</u> |

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

U.S. dollars in thousands

|                                                                                      | Six months ended<br>June 30, |            |
|--------------------------------------------------------------------------------------|------------------------------|------------|
|                                                                                      | 2020                         | 2019       |
|                                                                                      | Unaudited                    |            |
| <b>Cash flows from operating activities:</b>                                         |                              |            |
| Net loss                                                                             | \$ (6,154)                   | \$ (3,326) |
| Adjustments to reconcile net loss to net cash provided by operating activities:      |                              |            |
| Depreciation and amortization                                                        | 5,730                        | 2,647      |
| Financial expenses                                                                   | 2,832                        | 2,203      |
| Share-based payment                                                                  | 1,264                        | 1,571      |
| Financial income                                                                     | (426)                        | -          |
| Interest and financial expenses paid                                                 | (1,935)                      | (821)      |
| Loss on disposal of property, plant and equipment and provision for asset retirement | 708                          | 16         |
|                                                                                      | 8,173                        | 5,616      |
| Changes in non-cash working capital components (A)                                   | 429                          | (801)      |
| Net cash provided by operating activities                                            | 2,448                        | 1,489      |
| <b>Cash flows from investing activities:</b>                                         |                              |            |
| Purchase of property, plant and equipment and intangible assets                      | (3,216)                      | (5,870)    |
| Proceeds from sale of property, plant and equipment                                  | 602                          | 1,405      |
| Advance payments for equipment                                                       | -                            | (6,120)    |
| Net cash used in investing activities                                                | (2,614)                      | (10,585)   |
| <b>Cash flows from financing activities:</b>                                         |                              |            |
| Issuance of warrants                                                                 | -                            | 3,368      |
| Exercise of warrants                                                                 | 200                          | -          |
| Proceeds from long-term debt, net                                                    | -                            | 11,201     |
| Repayment of lease liabilities                                                       | (351)                        | (331)      |
| Repayment of long-term debt                                                          | (453)                        | (340)      |
| Net cash provided by (used in) financing activities                                  | (604)                        | 13,898     |
| Exchange rate differences on currency translation                                    | (28)                         | -          |
| Increase (decrease) in cash and cash equivalents                                     | (798)                        | 4,802      |
| Cash and cash equivalents at beginning of period                                     | 2,159                        | 552        |
| Cash and cash equivalents at end of period                                           | \$ 1,361                     | \$ 5,354   |

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

U.S. dollars in thousands

|     |                                                                                      | Six months ended<br>June 30, |                 |
|-----|--------------------------------------------------------------------------------------|------------------------------|-----------------|
|     |                                                                                      | 2020                         | 2019            |
|     |                                                                                      | Unaudited                    |                 |
| (A) | <u>Changes in working capital components:</u>                                        |                              |                 |
|     | Decrease (increase) in trade receivables, net                                        | \$ 193                       | \$ (15)         |
|     | Decrease (increase) in other current assets                                          | 550                          | (372)           |
|     | Increase in inventories                                                              | (15)                         | (161)           |
|     | Decrease (increase) in long-term deposits                                            | 121                          | (294)           |
|     | Increase (decrease) in accounts payable and accrued liabilities                      | (487)                        | 98              |
|     | Decrease (increase) in income taxes receivable Decrease in liabilities held for sale | 67                           | (7)             |
|     |                                                                                      | -                            | (50)            |
|     |                                                                                      | <u>\$ 429</u>                | <u>\$ (801)</u> |
| (B) | <u>Significant non-cash transactions:</u>                                            |                              |                 |
|     | Addition of right-of-use assets and related lease liabilities                        | \$ 36                        | \$ 175          |
|     | Purchase of property, plant and equipment financed by short-term credit              | \$ 819                       | \$ 708          |

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 1: GENERAL AND LIQUIDITY**

- a. The Company was incorporated under the Canada Business Corporations Act on October 11, 2018 and has its registered and head office located at 1376 Bayview Avenue, Suite 1, Toronto, ON M4G 3A1.
- b. These interim financial statements have been prepared in a condensed format as of June 30, 2020 and for the three and six months then ended ("interim consolidated financial statements"). The interim condensed consolidated financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2019, and for the year then ended and accompanying notes ("annual consolidated financial statements").
- c. For the six months ended June 30, 2020, the Company had a net loss of \$6,154. As of June 30, 2020, the Company had negative working capital of \$10,426 and an accumulated deficit of \$12,010. Based on internally prepared forecasted cash flows that take into consideration what management of the Group considers reasonably possible scenarios, as well as the refinancing of long-term debt and equipment lease described in Note 18, management believes that the Group will continue to be able to achieve positive cash flows from operations that will enable the Group to meet its obligations for at least one year from the date of the interim consolidated financial statements.

The Group is primarily engaged in the cryptocurrency mining industry, that is a highly volatile market with significant inherent risk. 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 and negatively impact the Group's operations. Due to the volatility of cryptocurrency prices and the effects of possible changes in the other aforementioned factors, there can be no assurance that future mining operations will be profitable and generate sufficient cash flows to repay the financing facility with Dominion Capital, maturing in 2021, as described in Note 10. In addition, adverse changes to the factors mentioned above may impact the carrying value of the Company's property, plant and equipment resulting in impairment charges being recorded.

In March 2020, the World Health Organization declared COVID-19 a pandemic. The global response to the pandemic is constantly evolving, including various measures implemented at the global, national, provincial and local levels. The major impacts that COVID-19 are expected to have on the Backbone operating segment include potential increases in cryptocurrency price volatility, difficulty obtaining new financing due to a global economic slowdown, and delays in receiving future orders of mining hardware and parts sourced from overseas. The Backbone operating segment has been, and is expected to, continue operating throughout the pandemic.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 1: GENERAL AND LIQUIDITY (Cont.)**

Volta's services are considered to be essential by government authorities and have been, and are expected to continue, operating throughout the pandemic. The impacts of COVID-19 on the Volta operating segment have reduced revenues by \$469 or 32% from the sale of electrician services and parts for the six months ended June 30, 2020 compared to the six months ended June 30, 2019, as well as having resulted in longer collection periods for outstanding trade receivables. There is a potential for increased bad debts resulting from the economic impact of COVID-19 on existing customers. The Group has benefited from the Canada Emergency Wage Subsidy ("CEWS") in the amount of approximately \$280 and will continue to monitor its eligibility to claim the CEWS. There can be no assurance that the Group will continue to be eligible for the CEWS as future changes to revenues as well as modification to the eligibility criteria may render the Group ineligible.

The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government interventions. It is not possible to reliably estimate the length and severity of these developments as well as the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

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

|    |                              |                                                  |
|----|------------------------------|--------------------------------------------------|
| 1. | Bitfarms Ltd. or the Company | Bitfarms Ltd.                                    |
| 2. | Backbone                     | Backbone Hosting Solutions Inc.                  |
| 3. | Volta                        | 9159-9290 Quebec Inc.                            |
| 4. | The Group                    | The Company and its subsidiaries                 |
| 5. | BTC                          | Bitcoin                                          |
| 6. | LTC                          | Litecoin                                         |
| 7. | BVVE                         | Blockchain Verification and Validation Equipment |

e. These unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on August 27, 2020.

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements, unless otherwise stated.

a. Basis of presentation of the financial statements:

The interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in IAS 34, "*Interim Financial Reporting*".

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 3: CHANGES IN ACCOUNTING POLICIES**

The Group, through Backbone, operates server farms supporting the verification and validation of blockchain transactions in exchange for cryptocurrency, referred to as “cryptocurrency mining”. During the period, the Group changed its accounting policy with respect to revenue recognition from cryptocurrency mining and subsequent measurement of cryptocurrency on hand. Prior to this change, the Group accounted for cryptocurrency as inventory until it was sold in exchange for fiat currency. Inventories of cryptocurrency were measured at the lower of cost to produce and net realizable value. The cost of cryptocurrency inventory was comprised of the costs incurred with respect to the validation and verification of blockchain transactions, consisting mainly of electricity and depreciation. Net realizable value was measured as the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. Revenue was recognized when the cryptocurrency was converted into fiat currency or when the cryptocurrency was transferred to another party in settlement of a debt to this party. The Group now recognizes revenue upon receipt of cryptocurrency in exchange for its mining activities at the fair market value of the cryptocurrency received, as described below.

IFRS 15 provides a five step model for identifying revenue from contracts with customers, as follows:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when the Company satisfies a performance obligation

The Group has entered into contracts with mining pools and has undertaken the performance obligation of providing computing power to the mining pool in exchange for non-cash consideration in the form of cryptocurrency. The Group measures the non-cash consideration received at the fair market value of the cryptocurrency received. Management estimates fair value 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 previously considered Coinmarketcap to be a Level 1 input under IFRS 13 Fair Value Measurement. However, management has revised this opinion and now considers Coinmarketcap to be a level 2 input as the price represents an average of quoted prices on various markets and not necessarily the Group’s principal market. Any difference between the fair value of cryptocurrency recorded upon receipt from mining activities and the actual realized price upon disposal are recorded as a gain or loss on disposition of cryptocurrency.

Cryptocurrency on hand at the end of a reporting period is accounted for under IAS 38 Intangible Assets, as an intangible asset with an indefinite useful life initially measured at cost, deemed to be the fair value upon receipt as described above, and subsequently measured under the revaluation model. Under the revaluation model, increases in the cryptocurrency’s carrying amount is recognized in other comprehensive income and accumulated in equity under revaluation surplus. However, increases are recognized in profit or loss to the extent that it reverses a revaluation decrease of cryptocurrency previously recognized in profit or loss. The fair value of cryptocurrency on hand at the end of the reporting period is calculated as the quantity of cryptocurrency on hand multiplied by price quoted on Coinmarketcap as of the reporting date.



**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 3: CHANGES IN ACCOUNTING POLICIES (Cont.)**

The Company has continued to classify cryptocurrency on hand at the end of a period as a current asset as management has determined that cryptocurrency markets have sufficient liquidity to allow conversion within the Company's normal operating cycle.

The Group believes that the revised policy and presentation provide more relevant financial information to the users of the financial statements. The accounting policy change has been applied retrospectively, but the Group's management has determined that the impact of the accounting policy change in previous periods is not material. The cumulative effect of retrospective application of the accounting policy change on retained earnings as of January 1, 2020 was nil as the Company did not have any cryptocurrency on hand as of December 31, 2019. Furthermore, the Group's management believes that the disclosures made in previous periods relating to the quantity and fair value of cryptocurrencies mined during the periods, the cost and fair market value of cryptocurrencies on hand at the end of the periods and the proceeds received from disposal of cryptocurrencies during the periods is sufficient to allow users of the financial statements to understand the Company's financial results. The accounting standards in the cryptocurrency mining industry are still evolving and the Group's management believes that this accounting policy change is better aligned with current industry practices. Additionally, the Group may be required to re-evaluate their accounting policy with respect to revenue recognition and subsequent remeasurement of cryptocurrency on hand in the event of the issuance of new accounting guidance or a change in the Group's business practice of regularly disposing of cryptocurrencies.

The Company did not have any cryptocurrency on hand as of June 30, 2020 or December 31, 2019.

**NOTE 4: OPERATING SEGMENTS**

## a. General:

The operating segments are identified on the basis of information that is reviewed by the chief operating decision maker ("CODM") to make decisions about resources to be allocated and assess its performance. Accordingly, for management purposes, the Group is organized into operating segments based on the products and services of its business units and has operating segments as follows:

|          |                                                                                                                                                                     |
|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Backbone | Backbone operates server farms that support the validation and verification of transactions on the blockchain, earning cryptocurrency for providing these services. |
| Volta    | Volta provides electrician services to both commercial and residential customers in Quebec.                                                                         |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 4: OPERATING SEGMENTS (Cont.)**

The segment results reported to the CODM include items that are allocated directly to the segments and items that can be allocated on a reasonable basis. Items that were not allocated, mainly corporate expenses related to Bitfarms Ltd. (Israel) and financial expenses are managed on a group basis.

## b. Reporting on operating segments:

|                                                   | <b>Three months ended June 30, 2020 (Unaudited)</b> |              |                    |                   |
|---------------------------------------------------|-----------------------------------------------------|--------------|--------------------|-------------------|
|                                                   | <b>Backbone</b>                                     | <b>Volta</b> | <b>Adjustments</b> | <b>Total</b>      |
| Revenues:                                         |                                                     |              |                    |                   |
| External customers                                | \$ 6,870                                            | \$ 502       | \$ -               | \$ 7,372          |
| Inter segment revenues                            | -                                                   | 295          | (295)              | -                 |
| <b>Total revenues</b>                             | <b>6,870</b>                                        | <b>797</b>   | <b>(295)</b>       | <b>7,372</b>      |
| Cost of revenues                                  | 7,189                                               | 617          | (300)              | 7,506             |
| Gross profit (loss)                               | (319)                                               | 180          | 5                  | (134)             |
| Gain on disposition of cryptocurrencies           | 23                                                  | -            | -                  | 23                |
| General and administrative expenses               | 1,283                                               | 88           | -                  | 1,371             |
| Loss on disposal of property, plant and equipment | (707)                                               | -            | -                  | (707)             |
| <b>Segment profit (loss)</b>                      | <b>\$ (2,286)</b>                                   | <b>\$ 92</b> | <b>\$ 5</b>        | <b>\$ (2,189)</b> |
| Unallocated corporate expenses                    |                                                     |              |                    | -                 |
| Financial expenses, net                           |                                                     |              |                    | 1,545             |
| Loss before taxes on income                       |                                                     |              |                    | <b>\$ (3,734)</b> |

|                                                   | <b>Three months ended June 30, 2019 (Unaudited)</b> |               |                    |                   |
|---------------------------------------------------|-----------------------------------------------------|---------------|--------------------|-------------------|
|                                                   | <b>Backbone</b>                                     | <b>Volta</b>  | <b>Adjustments</b> | <b>Total</b>      |
| Revenues:                                         |                                                     |               |                    |                   |
| External customers                                | \$ 7,687                                            | \$ 830        | \$ -               | \$ 8,517          |
| Inter segment revenues                            | -                                                   | 910           | (910)              | -                 |
| <b>Total revenues</b>                             | <b>7,687</b>                                        | <b>1,740</b>  | <b>(910)</b>       | <b>8,517</b>      |
| Cost of revenues                                  | 3,926                                               | 1,416         | (755)              | 4,587             |
| Gross profit                                      | 3,761                                               | 324           | (155)              | 3,930             |
| General and administrative expenses               | 3,114                                               | 157           | -                  | 3,271             |
| Loss on disposal of property, plant and equipment | (3)                                                 | -             | -                  | (3)               |
| <b>Segment loss</b>                               | <b>\$ 644</b>                                       | <b>\$ 167</b> | <b>\$ (155)</b>    | <b>\$ 656</b>     |
| Unallocated corporate expenses                    |                                                     |               |                    | 85                |
| Financial expenses, net                           |                                                     |               |                    | 1,891             |
| Loss before taxes on income                       |                                                     |               |                    | <b>\$ (1,320)</b> |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 4: OPERATING SEGMENTS (Cont.)**

|                                                   | <b>Six months ended June 30, 2020 (Unaudited)</b> |              |                    |              |
|---------------------------------------------------|---------------------------------------------------|--------------|--------------------|--------------|
|                                                   | <b>Backbone</b>                                   | <b>Volta</b> | <b>Adjustments</b> | <b>Total</b> |
| Revenues:                                         |                                                   |              |                    |              |
| External customers                                | \$ 15,594                                         | \$ 990       | \$ -               | \$ 16,584    |
| Inter segment revenues                            | -                                                 | 996          | (996)              | -            |
| Total revenues                                    | 15,594                                            | 1,986        | (996)              | 16,584       |
| Cost of revenues                                  | 14,674                                            | 1,689        | (940)              | 15,423       |
| Gross profit                                      | 920                                               | 297          | (56)               | 1,161        |
| Gain on disposition of cryptocurrencies           | 23                                                | -            | -                  | 23           |
| General and administrative expenses               | 3,865                                             | 228          | -                  | 4,093        |
| Loss on disposal of property, plant and equipment | (707)                                             | -            | -                  | (707)        |
| Segment profit (loss)                             | \$ (3,629)                                        | \$ 69        | \$ (56)            | \$ (3,616)   |
| Unallocated corporate expenses                    |                                                   |              |                    | 83           |
| Financial expenses, net                           |                                                   |              |                    | 2,567        |
| Loss before taxes on income                       |                                                   |              |                    | \$ (6,266)   |

|                                                   | <b>Six months ended June 30, 2019 (Unaudited)</b> |              |                    |              |
|---------------------------------------------------|---------------------------------------------------|--------------|--------------------|--------------|
|                                                   | <b>Backbone</b>                                   | <b>Volta</b> | <b>Adjustments</b> | <b>Total</b> |
| Revenues:                                         |                                                   |              |                    |              |
| External customers                                | \$ 10,687                                         | \$ 1,459     | \$ -               | \$ 12,146    |
| Inter segment revenues                            | -                                                 | 1,439        | (1,439)            | -            |
| Total revenues                                    | 10,687                                            | 2,898        | (1,439)            | 12,146       |
| Cost of revenues                                  | 6,959                                             | 2,429        | (1,385)            | 8,003        |
| Gross profit                                      | 3,728                                             | 469          | (54)               | 4,143        |
| General and administrative expenses               | 4,708                                             | 297          | -                  | 5,005        |
| Loss on disposal of property, plant and equipment | (7)                                               | -            | -                  | (7)          |
| Segment profit (loss)                             | \$ (987)                                          | \$ 172       | \$ (54)            | \$ (869)     |
| Unallocated corporate expenses                    |                                                   |              |                    | 270          |
| Financial expenses, net                           |                                                   |              |                    | 2,187        |
| Loss before taxes on income                       |                                                   |              |                    | \$ (3,326)   |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 5: OTHER ASSETS**

|                                                     | <u>June 30,</u><br><u>2020</u><br><u>Unaudited</u> | <u>December 31,</u><br><u>2019</u> |
|-----------------------------------------------------|----------------------------------------------------|------------------------------------|
| Sales taxes receivable                              | \$ 542                                             | \$ 398                             |
| Prepaid expenses                                    | 200                                                | 558                                |
| Electricity credit and government grants receivable | 113                                                | 442                                |
|                                                     | <u>\$ 855</u>                                      | <u>\$ 1,398</u>                    |

**NOTE 6: INVENTORIES**

|                       | <u>June 30,</u><br><u>2020</u><br><u>Unaudited</u> | <u>December 31,</u><br><u>2019</u> |
|-----------------------|----------------------------------------------------|------------------------------------|
| Electrical components | <u>\$ 143</u>                                      | <u>\$ 135</u>                      |

**NOTE 7: ASSETS HELD FOR SALE**

On May 24, 2019, the Company's management decided to sell 2,500 Antminer L3+ and committed to carry out a plan for the sale of the equipment. In 2019, the Company had located a purchaser and received non-refundable deposits totaling approximately \$332 and made the mining hardware available to the purchaser. The purchaser has not collected the mining hardware, which is no longer in use by the Company. The Company had deferred recognizing a gain on the disposition of the assets, as it was not reasonably certain that the transaction would be completed. The proceeds received from the purchaser were accounted for as a liability included in accounts payable. As of June 30, 2020, the Company's management has determined that the Company has completed the performance obligations necessary in order to recognize the gain on the sale. An amount of \$332 has been recorded as a gain on disposal of property, plant and equipment. Assets held for sale as at December 31, 2019, excluding the Antminer L3+ described above, were sold in January 2020, for approximately their carrying amount.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 8: PROPERTY, PLANT AND EQUIPMENT

a. As of June 30, 2020, and December 31, 2019, property, plant and equipment consisted of:

|                                                | BVVE and<br>electrical<br>components | Mineral<br>assets | Land and<br>buildings | Leasehold<br>improvements | Vehicles      | Total            |
|------------------------------------------------|--------------------------------------|-------------------|-----------------------|---------------------------|---------------|------------------|
| <b>Cost:</b>                                   |                                      |                   |                       |                           |               |                  |
| <b>Balance as of January 1, 2020</b>           | \$ 54,127                            | \$ 9,000          | \$ 2,721              | \$ 2,415                  | \$ 381        | \$ 68,644        |
| Additions during the period                    | 3,076                                | -                 | 182                   | 268                       | -             | 3,526            |
| Dispositions during the period                 | (2,891)                              | -                 | -                     | (14)                      | -             | (2,905)          |
| <b>Balance as of June 30, 2020 (Unaudited)</b> | <u>54,312</u>                        | <u>9,000</u>      | <u>2,903</u>          | <u>2,669</u>              | <u>381</u>    | <u>69,265</u>    |
| <b>Balance as of January 1, 2019</b>           | 35,439                               | 9,000             | 2,033                 | 2,140                     | 333           | 48,945           |
| Additions during the period                    | 21,967                               | -                 | 688                   | 275                       | 73            | 23,003           |
| Dispositions during the period                 | (3,193)                              | -                 | -                     | -                         | (25)          | (3,218)          |
| Transfer to assets held for sale               | (86)                                 | -                 | -                     | -                         | -             | (86)             |
| <b>Balance as of December 31, 2019</b>         | <u>54,127</u>                        | <u>9,000</u>      | <u>2,721</u>          | <u>2,415</u>              | <u>381</u>    | <u>68,644</u>    |
| <b>Accumulated Depreciation:</b>               |                                      |                   |                       |                           |               |                  |
| <b>Balance as of January 1, 2020</b>           | 28,976                               | -                 | 101                   | 1,641                     | 152           | 30,870           |
| Depreciation                                   | 4,879                                | -                 | 39                    | 108                       | 30            | 5,056            |
| Dispositions during the period                 | (1,582)                              | -                 | -                     | (14)                      | -             | (1,596)          |
| <b>Balance as of June 30, 2020 (Unaudited)</b> | <u>32,273</u>                        | <u>-</u>          | <u>140</u>            | <u>1,735</u>              | <u>182</u>    | <u>34,330</u>    |
| <b>Balance as of January 1, 2019</b>           | 26,424                               | -                 | 38                    | 1,530                     | 91            | 28,083           |
| Depreciation                                   | 5,318                                | -                 | 63                    | 111                       | 71            | 5,563            |
| Dispositions during the period                 | (2,753)                              | -                 | -                     | -                         | (10)          | (2,763)          |
| Transfer to assets held for sale               | (13)                                 | -                 | -                     | -                         | -             | (13)             |
| <b>Balance as of December 31, 2019</b>         | <u>28,976</u>                        | <u>-</u>          | <u>101</u>            | <u>1,641</u>              | <u>152</u>    | <u>30,870</u>    |
| Net book value as of                           |                                      |                   |                       |                           |               |                  |
| <b>June 30, 2020 (Unaudited)</b>               | <u>\$ 22,039</u>                     | <u>\$ 9,000</u>   | <u>\$ 2,763</u>       | <u>\$ 934</u>             | <u>\$ 199</u> | <u>\$ 34,935</u> |
| <b>December 31, 2019</b>                       | <u>\$ 25,151</u>                     | <u>\$ 9,000</u>   | <u>\$ 2,620</u>       | <u>\$ 774</u>             | <u>\$ 229</u> | <u>\$ 37,774</u> |

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

|                                                | Bitmain<br>Antminer<br>S9<br>(BTC/BCH) | Other<br>Bitmain<br>Antminers<br>(BTC/BCH) * | Bitmain<br>Antminer<br>L3+ (LTC) | Innosilicon<br>T3 & T2T<br>(BTC/BCH) ** | Canaan<br>Avalon A10<br>(BTC/BCH) | Whatsminer<br>M20S<br>(BTC/BCH) |
|------------------------------------------------|----------------------------------------|----------------------------------------------|----------------------------------|-----------------------------------------|-----------------------------------|---------------------------------|
| Balance as of January 1, 2020                  | 15,159                                 | 2,071                                        | 400                              | 6,543                                   | 2,490                             | 2,470                           |
| Additions during the period                    | 2,000                                  | 3                                            | -                                | -                                       | -                                 | 1,865                           |
| Dispositions during the period                 | (821)                                  | -                                            | -                                | -                                       | (1,323)                           | -                               |
| <b>Balance as of June 30, 2020 (Unaudited)</b> | <u>16,338</u>                          | <u>2,074</u>                                 | <u>400</u>                       | <u>6,543</u>                            | <u>1,167</u>                      | <u>4,335</u>                    |

\* Includes 1,554 Antminer T15, 119 Antminer S17, 399 Antminer S15 and 2 Antminer S11

\*\* Includes 5,095 T3 and 1,448 T2T.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 8: PROPERTY, PLANT AND EQUIPMENT (Cont.)**

The Group combined the hashboards of Antminer S9s which would not have been profitable to repair. The combination process of the Antminer S9 hashboards consisted of combining parts from machines that were not fully operational, in order to create fully functional machines, 821 machines were discarded as a result of this process.

In addition to the equipment details listed above, Backbone entered into profit sharing agreements with two parties to host 1,165 Antminer S9s. The profit-sharing agreements are structured such that Backbone does not share the profits with the other parties unless minimum profitability thresholds are met. Once the profitability threshold is met, the other parties are entitled to 39% of the revenues and Backbone must pay all related electricity costs. The contracts can be terminated by either party at any time. For the three and six month periods ended June 30, 2020, Backbone mined a total of approximately 12 and 30 Bitcoin (three and six month periods ended June 30, 2019, 62 and 118 bitcoin) using the hosted Antminer S9s. As at June 30, 2020, accounts payable and accrued liabilities included \$13 payable to the two parties.

**NOTE 9: LONG-TERM DEPOSITS AND ADVANCE PAYMENTS ON EQUIPMENT**

|                                                  | <u>June 30,</u><br><u>2020</u> | <u>December 31,</u><br><u>2019</u> |
|--------------------------------------------------|--------------------------------|------------------------------------|
|                                                  | Unaudited                      |                                    |
| Security deposits for rent, energy and insurance | \$ 1,027                       | \$ 1,021                           |
| Advance payments on equipment                    | -                              | 127                                |
|                                                  | <u>\$ 1,027</u>                | <u>\$ 1,148</u>                    |

**NOTE 10: LONG-TERM DEBT**

|                                           | <u>June 30,</u><br><u>2020</u> | <u>December 31,</u><br><u>2019</u> |
|-------------------------------------------|--------------------------------|------------------------------------|
|                                           | Unaudited                      |                                    |
| Dominion Capital loan                     | \$ 15,889                      | \$ 15,084                          |
| Backbone vendor financing                 | -                              | 394                                |
| Volta notes payable                       | 100                            | 122                                |
| Volta vendor financing                    | 98                             | 123                                |
| Total long-term debt                      | 16,087                         | 15,723                             |
| Less current maturities of long-term debt | (12,309)                       | (874)                              |
| Non-current maturities of long-term debt  | <u>\$ 3,778</u>                | <u>\$ 14,849</u>                   |

- a. On March 15, 2019, the Group entered into a secured debt financing facility for up to \$20,000 with Dominion Capital LLC (the "Lender"). The debt facility is structured into four separate loan tranches of \$5,000 per tranche. Each loan tranche was drawn down in 2019 and bears interest at 10% per annum. The term of each loan tranche is 24 months with a balloon payment for any remaining outstanding balance at the end of the term of the loan tranche.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 10: LONG-TERM DEBT (Cont.)**

As of June 30, 2020, the loan tranches expired in March, April, June and August of 2021, however, subsequent to June 30, 2020, the expiry date of Tranche #2 was modified from April 2021 to November 2021, and a conversion feature was added to Tranche #3, expiring June 2021, as described in Note 18.

A monthly payment equivalent to 10% of the value of cryptocurrencies mined by Backbone during the month is required in repayment of the total loan tranches drawn. The monthly payments shall be applied to interest and the balance to principal, and in the event that the amount of the cryptocurrency mined is less than the amount of interest owing, such additional amounts shall be remitted such that the interest is payable in full on a current basis. The loan contains a "make-whole" clause which stipulates that the 10% interest rate is calculated on the initial principal balance of the loan tranche and does not decrease as the principal balance is repaid. The 10% interest rate is calculated over the 24-month term of each loan tranche regardless of whether the loan tranche is repaid prior to its maturity. Any unpaid interest at the earlier of the loan tranche's early repayment, or the loan tranche's 24-month maturity is included in the balloon payment. The loan tranches are fully secured by the assets of the Group on a first-priority basis.

Pursuant to the terms with the Lender, the Company is required to comply with certain covenants as long as any amount is outstanding. The significant covenants are to maintain a bank balance of \$1,000 at all times, as well as restrictions on issuing additional debt or selling property, plant and equipment without re-investing the proceeds into new purchases of property, plant and equipment

The loan features result in a loan liability measured at amortized cost, warrants that are accounted for as an equity component and an embedded derivative measured at fair value through profit or loss.

*Loan liability*

The loan is measured at amortized cost using the effective interest method. Management used significant judgement and estimates when determining the effective interest rate. Payment amounts are determined as 10% of the cryptocurrency mined by Backbone. In order to calculate the effective interest rate, management had to estimate Backbone's future cryptocurrency mining revenues in order to estimate the timing and amount of future loan repayments. The effective interest rate was determined to be 26.93%, 30.16%, 37.10 % and 38.02% for the first, second, third and fourth tranches, respectively. The carrying amount of the loan liability, in conjunction with the embedded derivative described below, approximates its fair value. Included in financial expenses for the three and six month periods ended June 30, 2020 are \$1,258 and \$2,487 of interest expense related to the loan (\$23 and \$596 of interest expense for the three and six month periods ended June 30, 2019).

*Embedded derivative*

The value of the "make-whole" clause described above will vary based on management's projections of the timing of the loan repayment, which are based on Backbone's cryptocurrency mining revenues. This interest feature has been accounted for as an embedded derivative that is measured at fair value through profit or loss.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 10: LONG-TERM DEBT (Cont.)***Key assumptions*

Key assumptions used in recording the embedded derivative as of June 30, 2020, are described below. These assumptions are subject to change based on future developments and such changes could have a material effect on embedded derivative.

*Revenues* - Two optimistic, two pessimistic and one status quo scenario were used in estimating future bitcoin price and network difficulty, which are key factors in predicting revenues from cryptocurrency mining. Management assigned probabilities to each scenario, which were used to calculate weighted average expected outcomes. The weighted average bitcoin price and network difficulty used in the projections in order to determine the fair value of the embedded derivative were \$10.9 and  $1.2 \times 10^{13}$ , respectively.

*Internal hashrate* - Management was required to predict the growth of the Company's internal hashrate, one of the main revenue drivers in combination with bitcoin price and network difficulty, to predict revenues. Accordingly, management was required to make assumptions regarding the timing of all four loan tranche drawdowns as well as the pricing and availability of cryptocurrency mining hardware.

The fair value measurement is based upon level 3 inputs, as a result management has performed a sensitivity analysis using varying discount rates:

|                                 | <b>Scenario 1</b> | <b>Scenario 2</b> | <b>Scenario 3</b> |
|---------------------------------|-------------------|-------------------|-------------------|
| Discount rate                   | 30.05%            | 33.05%            | 36.05%            |
| Total value - asset (liability) | \$ (43)           | \$ 596            | \$ 1,250          |

As of June 30, 2020, management recognized an embedded derivative asset with a fair value of \$596 (June 30, 2019 – liability of \$409) resulting in an unrealized gain of \$57 and \$120 for the three and six months ended June 30, 2020 included in financial income (three and six month periods ended June 30, 2019 - \$nil and financial expense of \$409).

- b. Volta signed several agreements to purchase vehicles, with an outstanding balance of \$100 (CAD \$136,000) as of June 30, 2020 (December 31, 2019 - \$122). Ten notes payable, bearing interest between 3.99% and 8.2% repayable in monthly instalments totaling \$3 (CAD \$3,700) principal and interest, maturing between October 2020 and October 2025, secured by vehicles having a net carrying value of \$132.
- c. Volta received long-term vendor financing with an outstanding balance of \$98 (CAD \$133,000) as of June 30, 2020 (December 31, 2019 - \$123), bearing interest at 5%, payable by monthly instalments of \$4 (CAD \$5,198) principal and interest, maturing September 2022.



**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 11: LEASES**

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and their movements during the six month period ended June 30, 2020:

|                                              | <u>Leased<br/>premises</u> | <u>Vehicles</u> | <u>Other<br/>equipment</u> | <u>Total<br/>ROU</u> | <u>Lease<br/>liabilities</u> |
|----------------------------------------------|----------------------------|-----------------|----------------------------|----------------------|------------------------------|
| As of January 1, 2020                        | \$ 6,024                   | \$ 157          | \$ 52                      | \$ 6,233             | \$ 6,463                     |
| Additions and extensions                     | -                          | 36              | -                          | 36                   | 36                           |
| Depreciation                                 | (449)                      | (32)            | (6)                        | (487)                | -                            |
| Payments                                     | -                          | -               | -                          | -                    | (578)                        |
| Interest                                     | -                          | -               | -                          | -                    | 227                          |
| FX gain on lease liabilities                 | -                          | -               | -                          | -                    | (306)                        |
| As of June 30, 2020                          | <u>\$ 5,575</u>            | <u>\$ 161</u>   | <u>\$ 46</u>               | <u>\$ 5,782</u>      | <u>\$ 5,842</u>              |
| Less current maturities of lease liabilities |                            |                 |                            |                      | (741)                        |
| Non-current maturities of lease liabilities  |                            |                 |                            |                      | <u>\$ 5,101</u>              |

Leased premises include farming facilities as well as office locations.

**NOTE 12: ASSET RETIREMENT PROVISION**

As of June 30, 2020, the Group estimated the costs of restoring its leased premises to their original state at the end of their respective lease terms, ranging from 3 to 10 years, to be \$275, discounted to present value of \$187

**NOTE 13: EQUITY**

|                               | <u>Authorized<br/>June 30, 2020<br/>(Unaudited)</u> | <u>Issued and outstanding at</u>     |                          |
|-------------------------------|-----------------------------------------------------|--------------------------------------|--------------------------|
|                               |                                                     | <u>June 30, 2020<br/>(Unaudited)</u> | <u>December 31, 2019</u> |
|                               |                                                     | <u>Number of shares</u>              |                          |
| Common shares of no par value | Unlimited                                           | 84,720,630                           | 83,620,630               |

On both January 13, 2020 and February 12, 2020 Dominion Capital exercised a combined total of 500,000 warrants to acquire 500,000 common shares resulting in proceeds of \$200 being paid to the Company.

On March 11, 2020 the Company issued 500,000 common shares to the former CEO upon his resignation, see Note 17 for details.

On May 29, 2020, 100,000 common shares were issued to the COO/ CFO upon completion of the two year vesting period of 100,000 restricted stock units.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 14: ADDITIONAL DETAILS TO THE STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME***Revenues:*

Details of the cryptocurrency mined by the Backbone operating segment and their related fair values at the time of mining are as follows:

|              | <b>Three months ended June 30, 2020 (Unaudited)</b> |                 |                 |
|--------------|-----------------------------------------------------|-----------------|-----------------|
|              | <b>Bitcoin</b>                                      | <b>Litecoin</b> | <b>Total \$</b> |
| Quantity     | 815                                                 | -               | -               |
| Fair value * | 6,7E3                                               | -               | 6.763           |

|              | <b>Three months ended June 30, 2019 (Unaudited)</b> |                 |                |
|--------------|-----------------------------------------------------|-----------------|----------------|
|              | <b>Litecoin</b>                                     | <b>Total \$</b> | <b>Bitcoin</b> |
| Quantity     | 974                                                 | 4,857           | -              |
| Fair value * | 7,218                                               | 458             | 7,676          |

|              | <b>Six months ended June 30, 2020 (Unaudited)</b> |                 |                 |
|--------------|---------------------------------------------------|-----------------|-----------------|
|              | <b>Bitcoin</b>                                    | <b>Litecoin</b> | <b>Total \$</b> |
| Quantity     | 1,902                                             | 41              | -               |
| Fair value * | 15,740                                            | 3               | 15,743          |

|              | <b>Six months ended June 30, 2019 (Unaudited)</b> |                 |                 |
|--------------|---------------------------------------------------|-----------------|-----------------|
|              | <b>Bitcoin</b>                                    | <b>Litecoin</b> | <b>Total \$</b> |
| Quantity     | 1,811                                             | 6,352           | -               |
| Fair value * | 10,398                                            | 530             | 10,928          |

\* The Company based the fair value of the cryptocurrency mined at the time of mining on the prices quoted on [www.coinmarketcap.com](http://www.coinmarketcap.com), which calculates the price by taking the weighted average prices, based on volume, reported in each cryptocurrency market. The fair value measurement is categorized as level 2 in the fair value hierarchy.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 15: TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

## a. Balances with related parties:

|                                                               | <u>June 30,</u><br><u>2020</u><br><u>Unaudited</u> | <u>December 31,</u><br><u>2019</u> |
|---------------------------------------------------------------|----------------------------------------------------|------------------------------------|
| Accounts receivable:                                          |                                                    |                                    |
| Companies controlled by directors                             | \$ 15                                              | \$ 18                              |
| Accounts payable:                                             |                                                    |                                    |
| Directors' remuneration (included in accrued liabilities)     | \$ 31                                              | \$ -                               |
| Companies controlled by certain directors and consulting fees | 115                                                | 15                                 |
|                                                               | <u>\$ 146</u>                                      | <u>\$ 15</u>                       |
| Lease liabilities:                                            |                                                    |                                    |
| Companies controlled by directors                             | <u>\$ 1,734</u>                                    | <u>\$ 2,000</u>                    |

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

## b. Transactions with related parties during the three and six month periods ended June 30, 2020:

- One of the companies in the Group made rent payments totaling approximately \$109 and \$217 for the three and six month periods ended June 30, 2020 (three and six month periods ended June 30, 2019 - \$144 and \$294) to companies controlled by directors. The rent payments were classified as interest included in financial expenses and principal repayment of lease liabilities.
- One of the companies in the Group entered into consulting agreements with two of the directors. The consulting fees charged by directors totaled approximately \$103 and \$200 for the three and six month periods ended June 30, 2020 (\$100 and \$200 for the three and six month periods ended June 30, 2019).

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

|                                     | <b>Three months ended June 30, Six months ended June 30,</b> |               |                  |               |
|-------------------------------------|--------------------------------------------------------------|---------------|------------------|---------------|
|                                     | <u>2020</u>                                                  | <u>2019</u>   | <u>2020</u>      | <u>2019</u>   |
|                                     | <u>Unaudited</u>                                             |               | <u>Unaudited</u> |               |
| General and administrative expenses | 103                                                          | 100           | 200              | 200           |
| Financial expenses                  | 39                                                           | 53            | 73               | 89            |
|                                     | <u>\$ 142</u>                                                | <u>\$ 324</u> | <u>\$ 273</u>    | <u>\$ 289</u> |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 15: TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont.)**

## c. Compensation of key management and directors:

Key management for the three and six months ended June 30, 2020 includes the Chief Executive Officer, Chief Operating Officer/Chief Financial Officer, and Executive Vice President. Key management for the three and six months ended June 30, 2019 includes the Group's President, Chief Executive Officer, Chief Financial Officer, Executive Vice President, Vice President of Operations and Vice President of Infrastructure. The remuneration paid to directors and members of key management personnel are as follows:

|                      | Three months ended June 30, |                 | Six months ended June 30, |                 |
|----------------------|-----------------------------|-----------------|---------------------------|-----------------|
|                      | 2020                        | 2019            | 2020                      | 2019            |
|                      | Unaudited                   |                 | Unaudited                 |                 |
| Short-term benefits  | \$ 181                      | \$ 271          | \$ 577                    | \$ 502          |
| Share based payments | 154                         | 1,439           | 1,102                     | 1,549           |
|                      | <u>\$ 335</u>               | <u>\$ 1,710</u> | <u>\$ 1,679</u>           | <u>\$ 2,051</u> |

Details of the number of shares and loss used in the computation of net loss per share:

|                                                                  | Three months ended June 30 (Unaudited)   |                                                                         |                                              |                                                                         |
|------------------------------------------------------------------|------------------------------------------|-------------------------------------------------------------------------|----------------------------------------------|-------------------------------------------------------------------------|
|                                                                  | 2020                                     |                                                                         | 2019                                         |                                                                         |
|                                                                  | Weighted<br>average share<br>outstanding | Net loss<br>attributable<br>to the<br>shareholders<br>of the<br>Company | Weighted<br>average<br>shares<br>outstanding | Net loss<br>attributable<br>to the<br>shareholders<br>of the<br>Company |
|                                                                  | Number of<br>shares (in<br>thousands)    |                                                                         | Number of<br>shares (in<br>thousands)        |                                                                         |
| Total shares for the calculation of basic net loss per share     | 84,656                                   | -                                                                       | 43,207                                       | -                                                                       |
| Total exchangeable shares                                        | -                                        | -                                                                       | 13,868                                       | -                                                                       |
| Total shares for the calculation of basic net loss per share     | 84,656                                   | -                                                                       | 57,075                                       | -                                                                       |
| Net loss for the calculation of basic and diluted loss per share | -                                        | \$ (3,730)                                                              | -                                            | \$ (834)                                                                |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 16: NET LOSS PER SHARE (Cont.)**

|                                                                  | Six months ended June 30, (Unaudited)    |                                                                         |                                              |                                                                         |
|------------------------------------------------------------------|------------------------------------------|-------------------------------------------------------------------------|----------------------------------------------|-------------------------------------------------------------------------|
|                                                                  | 2020                                     |                                                                         | 2019                                         |                                                                         |
|                                                                  | Weighted<br>average share<br>outstanding | Net loss<br>attributable<br>to the<br>shareholders<br>of the<br>Company | Weighted<br>average<br>shares<br>outstanding | Net loss<br>attributable<br>to the<br>shareholders<br>of the<br>Company |
|                                                                  |                                          |                                                                         |                                              |                                                                         |
|                                                                  | Number of<br>shares (in<br>thousands)    |                                                                         | Number of<br>shares (in<br>thousands)        |                                                                         |
| Total shares for the calculation of basic net loss per share     | 84,354                                   | -                                                                       | 41,473                                       | -                                                                       |
| Total exchangeable shares                                        | -                                        | -                                                                       | 15,602                                       | -                                                                       |
| Total shares for the calculation of basic net loss per share     | 84,354                                   | -                                                                       | 57,075                                       | -                                                                       |
| Net loss for the calculation of basic and diluted loss per share | -                                        | \$ (6,154)                                                              | -                                            | \$ (2,124)                                                              |

Loss per share for the three and six month periods ended June 30, 2020 and 2019 are as follows:

|                                  | Three months ended |        | Six months ended |        |
|----------------------------------|--------------------|--------|------------------|--------|
|                                  | June 30,           |        | June 30,         |        |
|                                  | 2020               | 2019   | 2020             | 2019   |
|                                  | Unaudited          |        |                  |        |
| Basic and diluted loss per share | (0.04)             | (0.01) | (0.07)           | (0.04) |

**NOTE 17: SHARE BASED PAYMENT**

The expense recognized in the financial statements for employee services received is shown in the following table:

|                                                             | Three months ended |       | Six months ended |       |
|-------------------------------------------------------------|--------------------|-------|------------------|-------|
|                                                             | June 30,           |       | June 30,         |       |
|                                                             | 2020               | 2019  | 2020             | 2019  |
|                                                             | Unaudited          |       |                  |       |
| Equity-settled share-based payment plans                    | 254                | 1,460 | 1,264            | 1,571 |
| Total expense arising from share-based payment transactions | 254                | 1,460 | 1,264            | 1,571 |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 17: SHARE BASED PAYMENT (Cont.)**

The share-based payment transactions entered into between the Group and its employees during the six month period ended June 30, 2020 are described below.

On June 28, 2020 the Board of Directors approved a stock option grant of 2,600,000 options to purchase 2,600,000 common shares in accordance with the stock option plan adopted on June 20, 2019. All options become exercisable when they vest and can be exercised for a period of 5 years from the date of the grant.

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

| <b>Grant date</b>                      | <b>June 28,<br/>2019</b> |
|----------------------------------------|--------------------------|
| Dividend yield (%)                     | -                        |
| Expected share price volatility (%)    | 125%                     |
| Risk-free interest rate (%)            | 0.95%                    |
| Expected life of stock options (years) | 3                        |
| Share price (Canadian Dollar) *        | 0.36                     |
| Exercise price (Canadian Dollar)       | 0.36                     |
| Fair value of options (USD)            | 0.19                     |
| Vesting period (years)                 | 2                        |
| Quantity of options granted *          | 2,600,000                |

Details of the outstanding stock options as of June 30, 2020 are as follows:

|                            | <b>June 30,<br/>2020<br/>(Unaudited)</b> |                                                            |
|----------------------------|------------------------------------------|------------------------------------------------------------|
|                            | <b>Number of<br/>Options</b>             | <b>Weighted<br/>Average<br/>Exercise Price<br/>(\$CAD)</b> |
| Outstanding, January 1     | 8,345,000                                | 1.06                                                       |
| Granted                    | 2,600,000                                | 0.36                                                       |
| Exercised                  | -                                        | -                                                          |
| Forefeited                 | (860,000)                                | 0.99                                                       |
| Expired                    | (802,500)                                | 0.99                                                       |
| Outstanding, June 30, 2020 | 9,282,500                                | 0.81                                                       |
| Exercisable, June 30, 2020 | 6,133,435                                | 1.00                                                       |

The weighted average contractual life of the stock options as of June 30, 2020 was 3.25 years.

On March 11, 2020, Wes Fulford resigned as Chief Executive Officer (CEO) and Director of Bitfarms and its subsidiaries. In consideration for past services rendered, the former CEO's stock compensation agreement was modified to immediately vest all unvested stock options, extend the expiration date of 3,000,000 options from 90 days subsequent to his resignation to July 31, 2022. Furthermore, the company granted the former CEO 500,000 common shares and modified 500,000 options to expire as of June 2020. The stock option modifications and grant of 500,000 common shares resulted in the Company recording stock compensation expense of \$624.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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U.S. dollars in thousands, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

**NOTE 18: SUBSEQUENT EVENTS***Dominion Loan extension and modification*

In August 2020, the Company entered into a letter agreement with Dominion Capital where the Company will issue 1,000,000 shares to Dominion Capital in exchange for amending the maturity date of Tranche #2 from April 2021 to November 2021. The 10% make-whole clause described in Note 10 will remain in effect for the 6 month extension of the loan. In addition, a conversion feature was added to Tranche #3, maturing in June 2021, providing Dominion Capital with the option to convert all or a portion of the loan tranche into shares at a price of \$0.59 USD per share. The conversion feature may be exercised by Dominion Capital at any time until the loan matures in June 2021. The letter agreement entered into by the Company and Dominion Capital is contingent upon regulatory approval as well as the completion of final loan documents.

*Mining hardware lease agreement*

In August 2020, the Company entered into a two year lease agreement for approximately \$1,769 of mining hardware with expected delivery in late August 2020. The lease contains a bargain purchase option where the Company may purchase the leased equipment for \$1.00 USD upon expiration of the lease agreement. Payments are approximately \$21 per week for 104 weeks.





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## Introduction

The following Management's Discussion and Analysis ("MD&A") for Bitfarms Ltd. (together with its subsidiaries, the "Company" or "Bitfarms") should be read in conjunction with the Company's second quarter 2020 unaudited interim period condensed consolidated financial statements and the accompanying notes for the three and six months ended June 30, 2020 and the audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2019. In addition, the following MD&A should be read in conjunction with the Company's "Caution Regarding Forward-Looking Statements" beginning on page 22 of this MD&A.

The Company's second quarter 2020 unaudited interim period condensed consolidated financial statements and the accompanying notes have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company's second quarter 2020 unaudited interim period condensed consolidated financial statements include the accounts of the Company and other entities that the Company controls and are reported in US dollars, except where otherwise noted.

Under IFRS, certain expenses and income must be recognized that management believes are not necessarily reflective of the Company's underlying 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 on page 23 of this MD&A for more information. This MD&A contains various terms related to the Company's business and industry. Please refer to the Glossary of Terms on page 25 of this MD&A.

## Company Overview

The Company operates through two operating corporate subsidiaries and reportable operating segments: Backbone Hosting Solutions Inc. ("Backbone") and 9159-9290 Quebec Inc. (operating as Volta Electrique, "Volta"). Backbone owns and operates server farms, comprised of computers (referred to as a "Miners") designed for the purpose of validating transactions, primarily on the Bitcoin Blockchain. The Miners operate 24 hours a day and revenues are earned from Block Rewards and transaction fees issued in the form of cryptocurrencies by the Bitcoin network to a Mining Pool from which the Company receives cryptocurrencies in return for contributing its hashrate which the Mining Pool uses to validate transactions (referred to as "Mining"). Backbone regularly exchanges cryptocurrencies mined into U.S. dollars through reputable and established cryptocurrency trading platforms.

As of the date of this MD&A, Bitfarms currently operates five server farm facilities in Québec, Canada, with electrical infrastructure capacity of 69 MW for Mining Bitcoin. The Company has contracts securing an aggregate of 160 MW of hydro-electric green energy in Quebec. In addition, Bitfarms owns proprietary software that is used to control, manage, report and secure mining operations. The software scans and reports the location, computing power and temperature of all Miners at regular intervals to allow the Company to monitor performance and ensure Miners are operating at maximum capacity and up-time. Volta provides electrician services to both commercial and residential customers in Quebec, while assisting Bitfarms in building and maintaining its server farms.

## Consolidated Results of Operations

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

| For the periods ended as indicated      | Three months ended |                 | \$ Change | % Change | Six months ended |                 | \$ Change | % Change |
|-----------------------------------------|--------------------|-----------------|-----------|----------|------------------|-----------------|-----------|----------|
|                                         | Jun. 30<br>2020    | Jun. 30<br>2019 |           |          | Jun. 30<br>2020  | Jun. 30<br>2019 |           |          |
| Revenues                                | 7,372              | 8,517           | (1,145)   | (13)%    | 16,584           | 12,146          | 4,438     | 37%      |
| Cost of sales                           | 7,506              | 4,586           | 2,920     | 64%      | 15,423           | 8,003           | 7,420     | 93%      |
| Gross profit (loss)                     | (134)              | 3,930           | (4,064)   | (103)%   | 1,161            | 4,143           | (2,982)   | (72)%    |
| Gross margin (loss)                     | (2)%               | 46%             | -         | -        | 7%               | 34%             | -         | -        |
| Gain on disposition of cryptocurrencies | 23                 | -               | 23        | 100%     | 23               | -               | 23        | 100%     |
| Loss on disposition of assets           | (707)              | (4)             | (703)     | (17575)% | (707)            | (7)             | (700)     | (10000)% |
| Operating income (loss)                 | (1,482)            | 575             | (2,057)   | (358)%   | (2,992)          | (1,132)         | (1,860)   | (164)%   |
| Operating margin (loss)                 | (20)%              | 7%              | -         | -        | (18)%            | (9)%            | -         | -        |
| G&A and other expenses                  | 1,371              | 3,355           | (1,984)   | (59)%    | 4,176            | 5,275           | (1,099)   | (21)%    |
| Financial income                        | 57                 | -               | 57        | 100%     | 265              | -               | 265       | 100%     |
| Interest expense                        | 1,400              | 689             | 711       | 103%     | 2,785            | 821             | 1,964     | 239%     |
| Other financial expenses                | 202                | 1,202           | (1,000)   | (83)%    | 47               | 1,366           | (1,319)   | (97)%    |
| Total financial expenses                | 1,602              | 1,891           | (289)     | (15)%    | 2,832            | 2,187           | 645       | 29%      |
| Pre-tax loss                            | (3,734)            | (1,320)         | (2,414)   | (183)%   | (6,266)          | (3,326)         | (2,940)   | (88)%    |
| Income tax recovery                     | (4)                | -               | (4)       | 100%     | (112)            | -               | (112)     | 100%     |
| Net loss                                | (3,730)            | (1,320)         | (2,410)   | (183)%   | (6,154)          | (3,326)         | (2,828)   | (85)%    |
| Net loss per share - basic              | (0.04)             | (0.01)          | -         | -        | (0.07)           | (0.04)          | -         | -        |
| Gross mining profit <sup>(1)</sup>      | 2,506              | 5,122           | (2,616)   | (51)%    | 6,602            | 6,205           | 397       | 6%       |
| Gross mining margin <sup>(1)</sup>      | 36%                | 67%             | -         | -        | 42%              | 58%             | -         | -        |
| EBITDA <sup>(1)</sup>                   | 416                | 668             | (252)     | (38)%    | 2,249            | 142             | 2,107     | 1484%    |
| EBITDA margin <sup>(1)</sup>            | 6%                 | 8%              | -         | -        | 14%              | 1%              | -         | -        |
| Adjusted EBITDA <sup>(1)</sup>          | 1,435              | 3,329           | (1,894)   | (57)%    | 4,340            | 2,908           | 1,432     | 49%      |
| Adjusted EBITDA margin <sup>(1)</sup>   | 19%                | 39%             | -         | -        | 26%              | 24%             | -         | -        |

### Second Quarter 2020 Highlights:

- Consolidated revenue of \$7.4 million; gross loss of \$0.1 million (-2% gross loss margin), operating loss of \$1.5 million (20% operating loss margin), and net loss of \$3.7 million;
- Mining operations segment gross mining profit<sup>1</sup> of \$2.5 million (36% gross mining margin);
- \$0.4 million EBITDA (6% EBITDA margin) and \$1.4 million Adj. EBITDA (19% Adj. EBITDA margin);
- Mined 815 Bitcoins with an average break-even<sup>2</sup> Bitcoin price of \$5,075;
- Completed the 5MW expansion of the Company's St-Hyacinthe facility to increase maximum capacity to 15 MW;
- Acquired 1,865 WhatsMiner M20S producing approximately 135 PH/s and consuming approximately 6.4 MW; and
- Appointed PricewaterhouseCoopers LLP as the Company's auditor.

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

<sup>2</sup> Represents the break-even cost of Bitcoin based on variable cost of electricity and is calculated by taking the total electricity costs related to the Mining of Bitcoin divided by the total number of Bitcoin mined, respectively, in the relevant period.

## Revenue

### Q2 2020 compared to Q2 2019

Revenue was \$7.4 million for the three month period ended June 30, 2020 ("Q2 2020") compared to \$8.5 million for the comparable three month period in 2019 ("Q2 2019").

| (U.S. \$ in thousands except where indicated)                                                                                                                               | Note | Bitcoin | (USD)   | % Change |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|---------|---------|----------|
| Revenue based on actual coins sold during the three-month period ended June 30, 2019 and Volta external revenue                                                             |      | 1,001   | 8,517   | -        |
| Impact of increase in average Bitfarms' Bitcoin hashrate in excess of increase in network difficulty during Q2 2020 compared to Q2 2019, adjusted for Bitcoin Halving Event | 1    | 109     | 835     | 10%      |
| Impact of Bitcoin Halving Event on May 11, 2020 on Bitfarms' quantity of coins mined during Q2 2020                                                                         | 2    | (267)   | (2,250) | (26)%    |
| Impact of difference in average Bitcoin price in Q2 2020 compared to Q2 2019                                                                                                | 3    |         | 823     | 10%      |
| Impact of Litecoins mined and sold in Q2 2019                                                                                                                               | 4    |         | (458)   | (5)%     |
| Difference in Bitcoin inventory as at June 30, 2020 compared to June 30, 2019                                                                                               | 5    | 31      | 238     | 3%       |
| Difference in Bitcoin inventory as at April 1, 2020 compared to April 1, 2019                                                                                               | 6    | (44)    | (338)   | (4)%     |
| Increase in Volta third party revenue and other mining variances                                                                                                            |      |         | 6       | 0%       |
| Revenue for the three months ended June 30, 2020                                                                                                                            |      | 830     | 7,372   | (13)%    |

### Notes

- 1 Calculated as the difference in Bitcoin mined in Q2 2020 compared to Q2 2019 assuming the Bitcoin Halving Event did not occur (i.e. 1083 - 974) multiplied by Q2 2019 average Bitcoin realized price (i.e. \$7,679)
- 2 Calculated as the theoretical Bitcoin mined based on Bitfarms' actual hashrate from May 11, 2020 to June 30, 2020 assuming the Bitcoin Halving Event did not occur (i.e. 1,048), compared to actual coins mined during the same period (i.e. 781) multiplied by average Bitcoin price during Q2 2020 (i.e. \$8,429)
- 3 Calculated as the difference in average Bitcoin price in Q2 2020 compared to the average realized Bitcoin price Q2 2019 (i.e. \$8,429 - \$7,679) multiplied by Bitcoins mined and sold in Q2 2020 plus the reduction in Bitcoin mined as a result of the Bitcoin Halving event (i.e. 830 + 267)
- 4 Calculated as the difference in Litecoin sold during Q2 2020 compared to Q2 2019 multiplied by the average Litecoin price for Q2 2019. (i.e. 0 - \$458)
- 5 Calculated as the difference in Bitcoin inventory as at June 30, 2020 compared to June 30, 2019 (i.e. 31 - 0) multiplied by the average realized Bitcoin price in Q2 2019 (i.e. \$7,679)
- 6 Calculated as the difference in Bitcoin inventory as at April 1, 2020 compared to April 1, 2019 (i.e. 15 - 59) multiplied by the average realized Bitcoin price in Q2 2019 (i.e. \$7,679)

The most significant factors influencing the \$1.1 million net decrease to Bitfarms' revenue in Q2 2020 compared to Q2 2019 are presented in the table above. Revenue decreased by \$2.3 million or 26% as a result of the Bitcoin Halving Event and decreased by an additional \$0.5 million or 5% resulting from the difference in Litecoin mined by the Company in Q2 2020 versus Q2 2019. These decreases were primarily offset by a \$0.8 million or 10% increase in revenue resulting from higher average Bitfarms hashrate in excess of average network difficulty, adjusted for the Bitcoin Halving Event, as well as a \$0.8 million or 10% increase in revenue due to a higher average Bitcoin price of \$8,429 versus \$7,679 in Q2 2020 compared to Q2 2019.

*Six months ended June 30, 2020 compared to six months ended June 30, 2019*

Revenue was \$16.6 million for the six month period ended June 30, 2020 compared to \$12.1 million for the comparable six month period in 2019.

| (U.S. \$ in thousands except where indicated)                                                                                                                                       | Note | Bitcoin | (USD)   | % Change |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|---------|---------|----------|
| Revenue based on actual coins sold during the six-month period ended June 30, 2019 and Volta external revenue                                                                       |      | 1,791   | 12,146  | -        |
| Impact of increase in average Bitfarms' Bitcoin hashrate in excess of increase in network difficulty during YTD Q2 2020 compared to YTD Q2 2019, adjusted for Bitcoin Halving Event | 1    | 358     | 2,134   | 18%      |
| Impact of Bitcoin Halving Event on May 11, 2020 on Bitfarms' quantity of coins mined during Q2 2020                                                                                 | 2    | (267)   | (2,250) | (19)%    |
| Impact of difference in average Bitcoin price in YTD Q2 2020 compared to YTD Q2 2019                                                                                                | 3    |         | 5,130   | 42%      |
| Impact of Litecoins mined and sold in YTD Q2 2019                                                                                                                                   | 4    |         | (530)   | (4)%     |
| Difference in Bitcoin inventory as at June 30, 2020 compared to June 30, 2019                                                                                                       | 5    | 31      | 238     | 2%       |
| Difference in opening Bitcoin inventory as at Jan. 1, 2020 compared to Jan. 1, 2019                                                                                                 | 6    | (11)    | (66)    | (1)%     |
| Decrease in Volta third party revenue and other mining variance                                                                                                                     |      |         | (218)   | (2)%     |
| Revenue for the six months ended June 30, 2020                                                                                                                                      |      | 1,902   | 16,584  | 37%      |

#### Notes

- 1 Calculated as the difference in theoretical Bitcoin mined in YTD Q2 2020 assuming the Bitcoin Halving Event did not occur, compared to YTD Q2 2019 (i.e. 2,168 - 1,811) multiplied by YTD Q2 2019 average Bitcoin price (i.e. \$5,967)
- 2 Calculated as the theoretical Bitcoin mined based on Bitfarms' actual hashrate from May 11, 2020 to June 30, 2020 assuming the Bitcoin Halving Event did not occur (i.e. 2,120), compared to actual coins mined during the same period (i.e. 1,853) multiplied by average Q2 2020 Bitcoin price (8,429)
- 3 Calculated as the difference in average Bitcoin price in YTD Q2 2020 compared to the average realized Bitcoin price Q2 2019 (i.e. \$8,332 - \$5,967) multiplied by Bitcoins mined and sold in Q2 2020 plus the reduction in Bitcoin mined as a result of the Bitcoin Halving event (i.e. 830 + 267)
- 4 Calculated as the difference in Litecoin sold as at YTD Q2 2020 compared to YTD Q2 2019 multiplied by the average Litecoin price for Q2 2019 (i.e. 0 - 530)
- 5 Calculated as the difference in Bitcoin inventory as at June 30, 2020 compared to June 30, 2019 (i.e. 31 - 0) multiplied by the average realized Bitcoin price in Q2 2019 (i.e. \$7,679)
- 6 Calculated as the difference in Bitcoin inventory as at January 1, 2020 compared to January 1 2019 (i.e. 0 - 11) multiplied by the average realized Bitcoin price for YTD Q2 2019 (i.e. \$5,967)

The most significant factors influencing the \$4.4 million net increase to Bitfarms' revenue for the six months ended June 30, 2020 compared to the six months ended June 30, 2019 are presented in the table above. Revenue increased by \$5.1 million or 42% as a result of a higher average Bitcoin price of \$8,332 compared to \$5,967 as well as a \$2.1 million or 18% increase due to higher average Bitfarms hashrate in excess of average network difficulty, adjusted for the Bitcoin Halving Event for the six months ended June 30, 2020 compared to the six months ended June 30, 2019. These increases were primarily offset by a \$2.3 million or 19% decrease in the quantity of Bitcoin mined as a result of the Bitcoin Halving Event, as well as a \$0.5 million or 4% decrease resulting from the difference in Litecoin mined by the Company.

The Company recognizes revenue when the Bitcoin are mined, as described in the Accounting Policy Change on page 20, and it is the practice of the Company to sell its cryptocurrencies for fiat (i.e. U.S. dollar), within one to four days after the cryptocurrencies are mined. The Company sells its cryptocurrency through cryptocurrency trading platforms operated by Tagomi Holdings, Inc. and Gemini Trust Company, LLC, two licensed digital asset exchanges regulated by the New York State Department of Financial Services and operated out of New York, New York, USA. In certain specific and limited cases, Bitfarms does not convert Bitcoin directly into fiat and uses Bitcoin to directly settle payment obligations, including the loan from DC BFL SPV, LLC ("Dominion Capital") described below.

#### *Cost of Sales*

#### *Q2 2020 compared to Q2 2019*

Bitfarms' cost of sales for Q2 2020 was \$7.5 million compared to \$4.6 million in Q2 2019. Costs of sales include energy and infrastructure expenses, depreciation and amortization, electrician salaries, and purchases and net change in inventory which are summarized in the table below:

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

|                                       | Three months ended |                 |           |          | Six months ended |                 |           |          |
|---------------------------------------|--------------------|-----------------|-----------|----------|------------------|-----------------|-----------|----------|
|                                       | Jun. 30<br>2020    | Jun. 30<br>2019 | \$ Change | % Change | Jun. 30<br>2020  | Jun. 30<br>2019 | \$ Change | % Change |
| For the periods ended as indicated    |                    |                 |           |          |                  |                 |           |          |
| Energy and infrastructure             | 4,316              | 2,565           | 1,751     | 68%      | 8,901            | 4,482           | 4,419     | 99%      |
| Depreciation and amortization         | 2,750              | 1,299           | 1,451     | 112%     | 5,730            | 2,647           | 3,083     | 116%     |
| Electrician salaries                  | 164                | 270             | (106)     | (39)%    | 441              | 430             | 11        | 3%       |
| Purchases and net change in inventory | 276                | 453             | (177)     | (39)%    | 351              | 444             | (93)      | (21)%    |
| Cost of sales                         | 7,506              | 4,587           | 2,919     | 64%      | 15,423           | 8,003           | 7,420     | 93%      |

Energy and infrastructure expenses increased by \$1.8 million or 68% in Q2 2020 compared to Q2 2019, primarily due to an increase in electricity expense, which was approximately \$1.7 million higher in Q2 2020 compared to Q2 2019, as the Company added new Miners and continued construction in its Magog and Sherbrooke facilities, which increased electrical consumption from an average of 28 MW during Q2 2019 compared to 48 MW during Q2 2020.

Depreciation and amortization expense increased by \$1.5 million or 112% in Q2 2020 compared to Q2 2019 primarily resulting from depreciation expense recorded on net additions to property, plant and equipment of approximately \$20.3 million from Q2 2019 through Q2 2020.

#### *Six months ended June 30, 2020 compared to six months ended June 30, 2019*

Bitfarms' cost of sales for the six months ended June 30, 2020 was \$15.4 million compared to \$8.0 million for the six months ended June 30, 2019.

Energy and infrastructure expenses increased by \$4.4 million or 99% for the six months ended June 30, 2020 compared to the six months ended June 30, 2019, primarily due to an increase in electricity expense of \$4.2 million during the six months ended June 30, 2020 compared to the six months ended June 30, 2019 as the Company increased its average electricity consumption from 25 MW to 49 MW.

Depreciation and amortization expense increased by \$3.1 million or 116% for the six months ended June 30, 2020 compared to the six months ended June 30, 2019, primarily resulting from depreciation expense recorded on net additions to property, plant and equipment of approximately \$20.3 million.

*Gross Profit/Loss*

*Q2 2020 compared to Q2 2019*

Bitfarms' gross loss for Q2 2020 was \$0.1 million compared to gross profit of \$3.9 million for Q2 2019. The gross profit margin decreased from 46% to a gross loss margin of 2% in Q2 2020 compared to Q2 2019 primarily due to the decrease in Bitcoin mined in connection with the Bitcoin Halving Event, partially offset by the increase in Bitcoin price and Bitfarms' internal hashrate in excess of the increase in network difficulty, as described in detail in the analysis of revenue above. The 13% decrease in revenues as well as the 64% increase in cost of sales, primarily driven by increases in energy and infrastructure and depreciation and amortization expenses as described above, were the primary factors influencing the decrease in gross profit.

*Six months ended June 30, 2020 compared to six months ended June 30, 2019*

Bitfarms' gross profit for the six months ended June 30, 2020 was \$1.2 million compared to \$4.1 million for the six months ended June 30, 2019. The gross profit margin decreased from 34% to 7% in the six months ended June 30, 2020 compared to the six months ended June 30, 2019 primarily due to the 93% increase in cost of sales, primarily driven by increases in energy and infrastructure and depreciation and amortization expenses as described above. The increased cost of sales was partially offset by a 37% increase in revenues, primarily driven from an increase in bitcoin price as well as an increase in Bitfarms' hashrate in excess of network difficulty, offset primarily by the Bitcoin Halving Event, resulting in the decrease in gross profit.

*General & Administrative & Other Expenses Q2 2020 compared to Q2 2019*

Bitfarms' general and administrative and other expenses decreased by \$2.0 million or 59% in Q2 2020 compared to Q2 2019. The primary reason for the decrease was lower non-cash expenses of approximately \$1.2 million related to employee stock options as well as \$0.5 million of lower salaries and wages expense resulting from fewer executive level employees and government wage subsidies received in connection with COVID-19 in Q2 2020 compared to Q2 2019. There was an additional decrease in general and administrative expenses of \$0.3 million in Q2 2020 compared to Q2 2019 resulting from reduced professional fees in connection with the Company's TSX-V listing process in Q2 2019.

*Six months ended June 30, 2020 compared to six months ended June 30, 2019*

Bitfarms' general and administrative and other expenses decreased by \$1.1 million or 21% for the six months ended June 30, 2020 compared to the six months ended June 30, 2019. The primary reason for the decrease was lower professional fees in the amount of \$0.6 million during the six months ended June 30, 2020 compared to the six months ended June 30, 2019 in connection with the Company's TSX-V listing process. In addition, non-cash expenses of approximately \$0.3 million related to employee stock options as well as \$0.2 million of lower salaries and wages expense resulting from wage subsidies received in connection with COVID-19 during the six months ended June 30, 2020 compared to the six months ended June 30, 2019.

*Financial Income and Expenses Q2 2020 Compared to Q2 2019*

Bitfarms' financial income for Q2 2020 was \$0.1 million compared to \$nil for Q2 2019. The increase in financial income was related to a \$0.1 million gain recorded on the embedded derivative. Financial expense for Q2 2020 was \$1.5 million compared to \$1.9 million in Q2 2019. The \$0.4 million decrease is primarily related to a \$0.8 million loss on warrant revaluation as well as a \$0.4 million loss on embedded derivative in Q2 2019 that did not occur in Q2 2020, offset by interest expense of \$1.3 million incurred on the Dominion Capital loan in Q2 2020 compared to \$0.5 million in Q2 2019. The financial income and expenses related to the Dominion Capital loan are described under Financial Instruments and Risks. Financial income and expenses are comprised of interest on the Dominion Capital loan, gain on embedded derivative and classification of a portion of rent as interest expense on lease liabilities, and unrealized foreign exchange gains and losses on monetary items denominated in Canadian dollars to the functional currency in US dollars, and interest on Volta's long-term debt repayments and bank charges.

*Six months ended June 30, 2020 compared to six months ended June 30, 2019*

Bitfarms' financial income for the six months ended June 30, 2020 was \$0.3 million compared to \$nil for the six months ended June 30, 2019. The \$0.3 million increase in financial income was mainly related to \$0.2 million of net unrealized foreign exchange gains recorded on revaluation of assets and liabilities denominated in Canadian dollars to US dollars, the Company's functional currency as well as \$0.1 million of gain on embedded derivative. Financial expense for the six months ended June 30, 2020 was \$2.8 million compared to \$2.2 million for the six months ended June 30, 2019. The increase is primarily related to interest expense of \$2.5 million incurred on the Dominion Capital loan for the six months ended June 30, 2020 compared to \$0.6 million for the six months ended June 30, 2019, as described under Financial Instruments and Risks. The \$1.9 million of increased interest on the Dominion Capital loan was primarily offset by a \$0.8 million loss on warrant revaluation as well as a \$0.4 million loss on embedded derivative during the six months ended June 30, 2019 that did not occur during the six months ended June 30, 2020.

Reconciliation of Non-IFRS measures

Reconciliation of Net Loss to EBITDA and Adjusted EBITDA

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

| For the periods ended as indicated | Three months ended |                 | \$ Change | % Change | Six months ended |                 | \$ Change | % Change |
|------------------------------------|--------------------|-----------------|-----------|----------|------------------|-----------------|-----------|----------|
|                                    | Jun. 30<br>2020    | Jun. 30<br>2019 |           |          | Jun. 30<br>2020  | Jun. 30<br>2019 |           |          |
| Net loss before tax                | (3,734)            | (1,320)         | (2,414)   | (183)%   | (6,266)          | (3,326)         | (2,940)   | (88)%    |
| Interest expense                   | 1,400              | 689             | 711       | 103%     | 2,785            | 821             | 1,964     | 239%     |
| Depreciation expense               | 2,750              | 1,299           | 1,451     | 112%     | 5,730            | 2,647           | 3,083     | 116%     |
| EBITDA <sup>(1)</sup>              | 416                | 668             | (252)     | (38)%    | 2,249            | 142             | 2,107     | 1484%    |
| Stock compensation expense         | 254                | 1,462           | (1,208)   | (83)%    | 1,264            | 1,572           | (308)     | (20)%    |
| Financial income and other         | 765                | 1,199           | (434)     | (36)%    | 827              | 1,194           | (367)     | (31)%    |
| Adjusted EBITDA <sup>(1)</sup>     | 1,435              | 3,329           | (1,894)   | (57)%    | 4,340            | 2,908           | 1,432     | 49%      |



*Q2 2020 compared to Q2 2019*

Bitfarms' net loss before tax for Q2 2020 was \$3.7 million compared to \$1.3 million for Q2 2019. EBITDA and Adjusted EBITDA for Q2 2020 were \$0.4 million and \$1.4 million compared to \$0.7 million and \$3.3 million, respectively, in Q2 2019.

*Six months ended June 30, 2020 compared to six months ended June 30, 2019*

Bitfarms' net loss before tax for the six months ended June 30, 2020 was \$6.3 million compared to \$3.3 million for the six months ended June 30, 2019. Bitfarms' income tax expense for the six months ended June 30, 2020 was a recovery of \$0.1 million compared to \$nil for the six months ended June 30, 2019. EBITDA and Adjusted EBITDA for the six months ended June 30, 2020 were \$2.2 million and \$4.3 million compared to \$0.1 million and \$2.9 million, respectively, for the six months ended June 30, 2019.

**Calculation of Gross Mining Profit & Gross Mining Margin**

**Gross mining margin (Backbone segment)**

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

| For the periods ended as indicated | Three months ended |                 | \$ Change | % Change | Six months ended |                 | \$ Change | % Change |
|------------------------------------|--------------------|-----------------|-----------|----------|------------------|-----------------|-----------|----------|
|                                    | Jun. 30<br>2020    | Jun. 30<br>2019 |           |          | Jun. 30<br>2020  | Jun. 30<br>2019 |           |          |
| Revenue                            | 6,870              | 7,687           | (817)     | (11)%    | 15,594           | 10,687          | 4,907     | 46%      |
| Cost of sales                      | 7,189              | 3,926           | 3,263     | 83%      | 14,674           | 6,959           | 7,715     | 111%     |
| Gross profit (loss)                | (319)              | 3,761           | (4,080)   | (108)%   | 920              | 3,728           | (2,808)   | (75)%    |
| Depreciation and amortization      | 2,729              | 1,280           | 1,449     | 113%     | 5,682            | 2,603           | 3,079     | 118%     |
| Net change in inventory and other  | 96                 | 81              | 15        | 19%      | -                | (126)           | 126       | 100%     |
| Gross mining profit                | 2,506              | 5,122           | (2,616)   | (51)%    | 6,602            | 6,205           | 397       | 6%       |
| Gross mining margin                | 36%                | 67%             | -         | -        | 42%              | 58%             | -         | -        |

"Gross mining profit" is defined as Revenue minus energy and infrastructure expenses for the Backbone segment of the Company, which can be reconciled by adding non-energy and infrastructure items included in cost of sales to gross profit. "Gross mining margin" is defined as the percentage obtained when dividing Gross mining profit by Revenue for the Backbone segment of the Company.

Reportable Operating Segments  
Backbone

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

|                                         | Three months ended |                 | \$ Change | % Change | Six months ended |                 | \$ Change | % Change |
|-----------------------------------------|--------------------|-----------------|-----------|----------|------------------|-----------------|-----------|----------|
|                                         | Jun. 30<br>2020    | Jun. 30<br>2019 |           |          | Jun. 30<br>2020  | Jun. 30<br>2019 |           |          |
| For the periods ended as indicated      |                    |                 |           |          |                  |                 |           |          |
| Revenue                                 | 6,870              | 7,687           | (817)     | (11)%    | 15,594           | 10,687          | 4,907     | 46%      |
| Cost of sales                           | 7,189              | 3,926           | 3,263     | 83%      | 14,674           | 6,959           | 7,715     | 111%     |
| Gross profit (loss)                     | (319)              | 3,761           | (4,080)   | (108)%   | 920              | 3,728           | (2,808)   | (75)%    |
| Gross margin                            | (5)%               | 49%             | -         | -        | 6%               | 35%             | -         | -        |
| Gain on disposition of cryptocurrencies | 23                 | -               | 23        | 100%     | 23               | -               | 23        | 100%     |
| G&A and other expenses                  | 1,283              | 3,110           | (1,827)   | (59)%    | 3,865            | 4,708           | (843)     | (18)%    |
| Operating income (loss)                 | (1,579)            | 651             | (2,230)   | (343)%   | (2,922)          | (980)           | (1,942)   | (198)%   |
| Operating margin (loss)                 | (23)%              | 8%              | -         | -        | (19)%            | (9)%            | -         | -        |
| Loss on disposition of assets           | (707)              | (4)             | (703)     | (17575)% | (707)            | (7)             | (700)     | (10000)% |
| Financial income                        | 57                 | -               | 57        | 100%     | 265              | -               | 265       | 100%     |
| Interest expense                        | 1,406              | 685             | 721       | 105%     | 2,778            | 814             | 1,964     | 241%     |
| Other finance expenses                  | 202                | 1,202           | (1,000)   | (83)%    | 47               | 1,360           | (1,313)   | (97)%    |
| Net loss before tax                     | (3,837)            | (1,240)         | (2,597)   | (209)%   | (6,189)          | (3,161)         | (3,028)   | (96)%    |
| EBITDA <sup>(1)</sup>                   | 298                | 725             | (427)     | (59)%    | 2,271            | 256             | 2,015     | 787%     |
| EBITDA margin <sup>(1)</sup>            | 4%                 | 9%              | -         | -        | 15%              | 2%              | -         | -        |
| Adjusted EBITDA <sup>(1)</sup>          | 1,317              | 3,298           | (1,981)   | (60)%    | 4,362            | 3,022           | 1,340     | 44%      |
| Adjusted EBITDA margin <sup>(1)</sup>   | 19%                | 43%             | -         | -        | 28%              | 28%             | -         | -        |

*Reconciliation of Non-IFRS Performance Measures*

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

|                                    | Three months ended |                 | \$ Change | % Change | Six months ended |                 | \$ Change | % Change |
|------------------------------------|--------------------|-----------------|-----------|----------|------------------|-----------------|-----------|----------|
|                                    | Jun. 30<br>2020    | Jun. 30<br>2019 |           |          | Jun. 30<br>2020  | Jun. 30<br>2019 |           |          |
| For the periods ended as indicated |                    |                 |           |          |                  |                 |           |          |
| Net loss before tax                | (3,837)            | (1,328)         | (2,509)   | (189)%   | (6,189)          | (3,161)         | (3,028)   | (96)%    |
| Interest expense                   | 1,406              | 685             | 721       | 105%     | 2,778            | 814             | 1,964     | 241%     |
| Depreciation expense               | 2,729              | 1,280           | 1,449     | 113%     | 5,682            | 2,603           | 3,079     | 118%     |
| EBITDA <sup>(1)</sup>              | 298                | 637             | (339)     | (53)%    | 2,271            | 256             | 2,015     | 787%     |
| Stock compensation expense         | 254                | 1,462           | (1,208)   | (83)%    | 1,264            | 1,572           | (308)     | (20)%    |
| Financial income and other         | 765                | 1,199           | (434)     | (36)%    | 827              | 1,194           | (367)     | (31)%    |
| Adjusted EBITDA <sup>(1)</sup>     | 1,317              | 3,298           | (1,981)   | (60)%    | 4,362            | 3,022           | 1,340     | 44%      |

(1) EBITDA, EBITDA margin, Adjusted EBITDA, and Adjusted EBITDA margin are non-IFRS performance measures; please refer to the heading "Caution Regarding Non-IFRS Financial Performance Measures" at the end of this MD&A regarding the use of non-IFRS Measures.

Volta

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

| For the periods ended as indicated    | Three months ended |              | \$ Change | % Change | Six months ended |              | \$ Change | % Change |
|---------------------------------------|--------------------|--------------|-----------|----------|------------------|--------------|-----------|----------|
|                                       | Jun. 30 2020       | Jun. 30 2019 |           |          | Jun. 30 2020     | Jun. 30 2019 |           |          |
| Revenue                               | 502                | 830          | (328)     | (40)%    | 990              | 1,459        | (469)     | (32)%    |
| Cost of sales                         | 317                | 661          | (344)     | (52)%    | 749              | 1,044        | (295)     | (28)%    |
| Gross profit                          | 185                | 169          | 16        | 9%       | 241              | 415          | (174)     | (42)%    |
| Gross margin                          | 37%                | 20%          | -         | -        | 24%              | 28%          | -         | -        |
| G&A and other expenses                | 88                 | 157          | (69)      | (44)%    | 228              | 297          | (69)      | (23)%    |
| Operating income (loss)               | 97                 | 12           | 85        | 708%     | 13               | 118          | (105)     | (89)%    |
| Operating margin                      | 19%                | 1%           | -         | -        | 1%               | 8%           | -         | -        |
| Interest expense                      | (6)                | 4            | (10)      | (250)%   | 7                | 7            | -         | -        |
| Other finance expenses                | -                  | -            | -         | -        | -                | 6            | (6)       | (100)%   |
| Net income (loss) before tax          | 103                | 8            | 95        | 1188%    | 6                | 105          | (99)      | (94)%    |
| EBITDA <sup>(1)</sup>                 | 118                | 31           | 87        | 281%     | 61               | 156          | (95)      | (61)%    |
| EBITDA margin <sup>(1)</sup>          | 24%                | 4%           | -         | -        | 6%               | 11%          | -         | -        |
| Adjusted EBITDA <sup>(1)</sup>        | 118                | 31           | 87        | 281%     | 61               | 156          | (95)      | (61)%    |
| Adjusted EBITDA margin <sup>(1)</sup> | 24%                | 4%           | -         | -        | 6%               | 11%          | -         | -        |

#### Reconciliation of Non-IFRS Performance Measures

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

| For the periods ended as indicated | Three months ended |              | \$ Change | % Change | Six months ended |              | \$ Change | % Change |
|------------------------------------|--------------------|--------------|-----------|----------|------------------|--------------|-----------|----------|
|                                    | Jun. 30 2020       | Jun. 30 2019 |           |          | Jun. 30 2020     | Jun. 30 2019 |           |          |
| Net income (loss) before tax       | 103                | 8            | 95        | 1188%    | 6                | 105          | (99)      | (94)%    |
| Interest expense                   | (6)                | 4            | (10)      | (250)%   | 7                | 7            | -         | -        |
| Depreciation expense               | 21                 | 19           | 2         | 11%      | 48               | 44           | 4         | 9%       |
| EBITDA <sup>(1)</sup>              | 118                | 31           | 87        | 281%     | 61               | 156          | (95)      | (61)%    |
| Adjusted EBITDA <sup>(1)</sup>     | 118                | 31           | 87        | 281%     | 61               | 156          | (95)      | (61)%    |

(1) EBITDA, EBITDA margin, Adjusted EBITDA, and Adjusted EBITDA margin are non-IFRS performance measures; please refer to the heading "Caution Regarding Non-IFRS Financial Performance Measures" at the end of this MD&A regarding the use of non-IFRS Measures.

#### Selected Quarterly Information

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

|                                           | Q2 2020 | Q1 2020 | Q4 2019 | Q3 2019 | Q2 2019 | Q1 2019 | Q4 2018  | Q3 2018 |
|-------------------------------------------|---------|---------|---------|---------|---------|---------|----------|---------|
| Revenue                                   | 7,372   | 9,212   | 10,536  | 9,739   | 8,517   | 3,629   | 5,292    | 6,243   |
| Net income (loss)                         | (3,730) | (2,424) | 1,125   | 4,605   | (1,320) | (2,006) | (21,313) | (1,661) |
| Basic and diluted income (loss) per share | (0.04)  | (0.03)  | 0.02    | 0.06    | (0.01)  | (0.02)  | (0.23)   | (0.02)  |

The Company's industry does not have any seasonality. Factors that may impact revenue and profitability quarter over quarter include cryptocurrency pricing, network difficulty and the Company's hashrate.

## Liquidity and Capital Resources

### Cash Flows

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

| For the periods ended as indicated                | Six months ended |                 | \$ Change | % Change |
|---------------------------------------------------|------------------|-----------------|-----------|----------|
|                                                   | Jun. 30<br>2020  | Jun. 30<br>2019 |           |          |
| Cash & cash equivalents, beginning of the period  | 2,159            | 552             | 1,607     | 291%     |
| Cash flows from (used in):                        |                  |                 |           |          |
| Operating activities                              | 2,448            | 1,489           | 959       | 64%      |
| Investing activities                              | (2,614)          | (10,585)        | 7,971     | 75%      |
| Financing activities                              | (604)            | 13,898          | (14,502)  | (104)%   |
| Exchange rate differences on currency translation | (28)             | -               | (28)      | (100)%   |
| Cash & cash equivalents, end of the period        | 1,361            | 5,354           | (3,993)   | (75)%    |

#### *Cash Flows from Operating Activities*

Cash flows from operating activities increased by \$1.0 million or 64% during the six months ended June 30, 2020 compared to six months ended June 30, 2019. This was primarily due to an increase in adjusted EBITDA of \$1.4 million and increase in cash from changes in working capital of \$1.2 million, primarily offset by a \$1.2 million increase in financial expenses paid and \$0.3 million fair market value of Bitcoin mined, but not recognized as revenue increase on June 30, 2019.

#### *Cash Flows used in Investing Activities*

Cash flows used in investing activities decreased by \$8.0 million or 75% during the six months ended June 30, 2020 compared to the six months ended June 30, 2019. This was primarily due to the draw down and deployment of the first three \$5.0 million tranches of the Dominion Capital loan during the six months ended June 30, 2019 into new ASICs, electrical components and Sherbrooke infrastructure buildout.

#### *Cash Flows from Financing Activities*

Cash flows from financing activities decreased \$14.5 million or 104% during the six months ended June 30, 2020 compared to the six months ended June 30, 2019. This was primarily due to the Company drawing down on the three of the four \$5.0 million loan tranches on the \$20.0 million debt facility from Dominion Capital from March to June 2019. During the six months ended June 30, 2020 the Company made repayments of long-term debt and lease liabilities in the amounts of approximately \$0.5 million and \$0.4 million, respectively, which were offset by the proceeds from the exercise of warrants in the amount of \$0.2 million.

## Working Capital

As at June 30, 2020, Bitfarms had a working capital deficit of \$10.4 million compared to positive working capital of \$2.5 million on December 31, 2019, primarily due to the first three \$5.0 million loan tranches, with an outstanding balance of \$12.2 million, being reclassified from long-term to current. The Company's strategy to remedy the working capital deficit and ensure sufficient liquidity to repay the Dominion Capital loan maturing in 2021, include amendments to the second and third loan tranches of the Dominion Capital loan as well as growing operations through available equipment leasing to increase cash flows from operations. As described in the Subsequent Events section of this MD&A, in August 2020, the Company reached an agreement with Dominion Capital to amend the maturity date of Tranche #2 from April 2021 to November 2021 in exchange for the issuance of 1,000,000 restricted shares to Dominion Capital. In addition, a conversion feature was added to Tranche #3, maturing in June 2021, providing Dominion Capital with the option to convert the loan into shares at a price of \$0.59 USD per share. The conversion feature may be exercised by Dominion Capital, in whole or in part, at any time until the loan matures in June 2021. The Company also entered into a two year lease agreement for approximately \$1.8 million of mining hardware with expected delivery in late August 2020. Management believes the extension of Tranche #2's maturity date, combined with the conversion feature and the new lease agreement will allow the Company to meet its obligations in 2021. The Company plans to continue to grow operational capacity by securing additional leased Mining equipment in order to further increase cash flows from operations, however there is no assurance that the Company will be successful in its efforts. As at June 30, 2020, Bitfarms had cash and cash equivalents of \$1.4 million compared to \$2.2 million as at December 31, 2019. Cash and cash equivalents are mainly U.S. and Canadian dollar deposits at regulated financial institutions.

## Components of Total Debt

The Company expects that cash and cash equivalents and future operating cash flows will enable it to fund its working capital requirements and financial obligations, over the next twelve months.

Since inception, the Company has primarily financed its growth through retained earnings, vendor financing, and, since March 2019, a long-term debt facility. The current portion of long-term debt of Bitfarms was \$12.3 million as of June 30, 2020 compared to \$0.9 million on December 31, 2019, primarily resulting from classification of the outstanding balance of the first three \$5.0 million loan tranches, drawn down in March, April and June 2019, being classified as current. The current maturities of long-term debt may fluctuate due to the variable repayment terms of the loan with Dominion Capital (see below). Bitfarms' long-term debt consists of the following:

- (a) Volta signed several agreements to purchase vehicles with an outstanding balance of \$0.1 million as at June 30, 2020. Ten notes payable, bearing interest between 3.99% and 8.2% repayable in monthly instalments totaling approximately \$3,000 principal and interest, maturing between October 2020 and October 2025, secured by vehicles having a net carrying value of \$0.1 million;
- (b) Volta received long-term vendor financing with an outstanding balance of \$0.1 million bearing interest at 5.00% payable by monthly instalments of \$4,000 principal and interest maturing in June 2022; and
- (c) Bitfarms entered into a secured debt financing facility for up to \$20.0 million with Dominion Capital. The debt facility is structured into four separate loan tranches of \$5.0 million each bearing interest at 10% per annum on the full principal balance of each loan tranche regardless of principal repayments made during the term of each loan tranche. The term of each loan tranche is 24 months with a balloon payment for any remaining outstanding balance at the end the term. As described in the Working Capital section above, the Company reached an agreement to extend the maturity date of Tranche #2 from April 2021 to November 2021. A monthly payment equivalent to 10% of the value of cryptocurrencies mined by Bitfarms during the month is required in repayment of the total loan tranches drawn. This amount shall first be applied to accrued interest and the balance to principal. In the event that the amount of interest owing is greater than the amount of cryptocurrency mined, an additional amount shall be remitted such that the interest is paid in full. The debt facility is fully secured by the assets of Bitfarms on a first priority basis.

## Capital Resources

Bitfarms' capital management objective is to ensure its ability to maximize the return to its shareholders. 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 maintaining a strong capital base so as to maintain investor confidence to sustain future development of the business, maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations, and ensuring sufficient liquidity to pursue organic growth.

Bitfarms may manage its capital structure by issuing equity, obtaining loan financing, adjusting capital spending, or disposing of assets. The Company is not subject to any externally imposed capital requirements, with the exception of the Company's agreement not to issue common shares below \$0.40 USD during the term of the loan with Dominion Capital.

### *Sherbrooke Expansion*

To complete each remaining phase of the Sherbrooke Expansion, Bitfarms will need to incur infrastructure buildout costs including exhaust structure, mining structure and building modifications, as well as sourcing of mining hardware and electrical components.

The capital cost for the construction of the remaining Phases 3 through 6 is currently estimated to range between \$20.0 million to \$25.0 million, inclusive of Miner purchases based on recent hardware pricing. These costs will be divided between both properties, with the majority being allocated to the Leger Property.

The ability to undertake the construction of Phases 3 through 6 of the Sherbrooke Expansion depends, among other things, on the Company's ability to raise the required financing. As a result, there is no definitive or planned timetable for Phases 3 through 6 of the Sherbrooke Expansion. The Company intends to finance the remainder of the construction of Phases 3 through 6 of the Sherbrooke Expansion by raising additional debt or equity capital or a combination of these means, as well as through the cash flow generated from its operations. There can be no assurance that the remaining Sherbrooke Expansion will be fully funded and undertaken at this time on any particular schedule or at all.

In response to both a complaint concerning noise at the Sherwood Property and indications from officials at the municipality of Sherbrooke that they were reviewing applicable regulations, the Company has met with community residents and city officials on several occasions. While the Company believes it is compliant with all applicable regulations, the Company has implemented further sound mitigating measures, including the construction of a sound barrier wall at a cost of approximately \$0.2 million.

### Off-Balance Sheet Arrangements

There are currently no off-balance sheet arrangements which could have an effect on current or future results or operations, or the financial condition of Bitfarms.

## Share Capital

On February 4, 2020, shareholders approved an amendment to the articles of incorporation of the Company to authorize the issuance of class A preferred shares. As of the date of this MD&A, the Company has 84,720,630 common shares, 6,133,435 vested employee stock options, 3,149,065 unvested employee stock options, and 5,916,668 warrants to Dominion Capital issued and outstanding, as well as 300,000 other warrants. As of the date of this MD&A there were no preferred shares outstanding.

## Financial Instruments & Risks

It is anticipated that in the normal course of operations, Bitfarms will be exposed to exchange risk, foreign currency risk and credit risk.

### *Dominion Capital Loan*

As of June 30, 2020, the Dominion Capital loan consisted of four \$5.0 million tranches that were drawn down from the financing facility, which included a total of four available \$5.0 million loan tranches (please refer to the Components of Total Debt section above). The features of the loan, which include the issuance of 1,666,667 warrants per tranche with an exercise price of \$0.40, as well as a make-whole interest clause resulted in a financial liability accounted for at amortized cost, warrant liabilities previously recorded at fair value through profit or loss which were reclassified to equity during the period, and an embedded derivative recorded at fair value through profit or loss. The purpose of the loan was to provide the Company with additional funds to achieve its growth objectives, notably, the buildout of the first two phases of the Sherbrooke Expansion.

### *Financial Instrument at Amortized Cost*

Management used significant judgement and estimates when determining the effective interest rate of the financial liability accounted for at amortized cost. Payment amounts are determined as 10% of the cryptocurrency mined by Bitfarms. In order to calculate the effective interest rate, management had to estimate Bitfarms' future cryptocurrency mining revenues in order to estimate the timing and amount of future loan repayments. The effective interest rate was determined to be 26.93%, 30.16%, 37.10% and 38.02% for the first, second and third and fourth tranches, respectively. The component of the financial instrument carried at amortized cost resulted in interest expense of \$1.3 million and \$2.5 million included in financial expenses for the three and six month periods ended June 30, 2020.

### *Warrants*

Upon inception of the Dominion Capital loan, the warrants contained an anti-dilutive feature that would have resulted in a reduction in the exercise price in the event that Bitfarms Ltd. were to issue shares at a price lower than the exercise price. On September 27, 2019, the Company received all necessary approvals in order to remove the anti-dilutive feature. In exchange for removal of the anti-dilutive feature, the Company agreed not to issue common shares below the exercise price of \$0.40 USD during the term of the loan with the lender.

#### Embedded Derivative

The value of the "make-whole" clause described above will vary based on management's projections of the timing of the loan repayment, which are based on Bitfarms' cryptocurrency mining revenues. This interest feature has been accounted for as an embedded derivative that is measured at fair value through profit or loss. Since this is a non-option derivative, the fair value upon initial recognition of the loan liability is nil. As of June 30, 2020, management revised its projections of the timing of the loan repayment and discounted future payments to their present value using the effective interest rates determined upon inception of each loan tranche. As of June 30, 2020, management recognized an embedded derivative asset with a value of \$0.6 million resulting in a gain of \$0.1 million in financial income for the six month ended June 30, 2020. Any change in management's assumptions of Bitcoin price, Bitcoin Network Difficulty and the Company's internal hashrate may have a material impact on profit or loss upon remeasurement in subsequent periods.

#### Credit Risk

Credit risk is the risk of an unexpected loss if a third party fails to meet its contractual obligations, including cash and cash equivalents, accounts receivable and long-term deposits. The risk regarding cash and cash equivalents is mitigated by holding the cash and cash equivalents through Canadian chartered banks. 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. The Company places deposits with suppliers of cryptocurrency mining hardware in the normal course of operations in order to secure orders and delivery dates. The Company deals with major suppliers of cryptocurrency equipment and routinely maintains strong relationships with suppliers and evaluates the mining hardware market. Other long-term deposits include deposits with local government run energy producers. The Company is also exposed to credit risk through conversion of cryptocurrency to fiat currency through the use of cryptocurrency exchanges. The Company maintains relationships with multiple exchanges and mitigates credit risk by routinely converting cryptocurrency to fiat currency to limit exposure. Furthermore, the Company performs periodic evaluations of cryptocurrency exchanges.

#### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to pay its financial obligations when they are due. The Company's policy is to monitor its cash balances and planned cash flows generated from operations to ensure, as far as possible, that it maintains sufficient liquidity in order to pay its projected financial liabilities. The contractual maturities of trade and other payables are less than six months. Long-term debt, as of June 30, 2020, adjusted for the loan amendments as described in the Working Capital section, includes financial obligations with contractual maturities, including principal and interest, as follows:

|                      |                      |
|----------------------|----------------------|
| Q3 2020              | \$ 650,000           |
| Q4 2020              | \$ 825,000           |
| Q1 2021              | \$ 3,320,000         |
| Q2 2021              | \$ 5,400,000         |
| Q3 2021              | \$ 5,800,000         |
| Q4 2021              | \$ 4,345,000         |
| 2022 and thereafter: | \$ 93,000            |
| <b>Total</b>         | <b>\$ 20,433,000</b> |



Lease liabilities includes financial obligations with contractual maturities as follows, inclusive of interest, as of the June 30, 2020 and adjusted for the new equipment lease agreement described in the Subsequent Events section, are as follows:

|                      |                     |
|----------------------|---------------------|
| 2020                 | \$ 1,065,000        |
| 2021                 | \$ 2,165,000        |
| 2022                 | \$ 1,540,000        |
| 2023                 | \$ 820,000          |
| 2024 and thereafter: | \$ 3,520,000        |
| <b>Total</b>         | <b>\$ 9,110,000</b> |

#### *Foreign Currency Risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the US Dollar as all its revenue, excluding Volta, and most of its capital expenditures and financing are transacted in US dollars. The Company is exposed to variability in the Canadian dollar to US dollar exchange rate when paying operating expenses incurred and payable in Canadian dollars. The Company funds foreign currency transactions by buying the foreign currency at the spot rate when required. Management does not currently hedge its foreign currency risk.

#### *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 Company is primarily engaged in the cryptocurrency mining industry that is a highly volatile market with significant inherent risk. 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. The Company does not currently hedge the conversion of cryptocurrencies to fiat currency.

#### *Custody of Crypto Asset Risk*

Cryptocurrencies are controllable by the possessors of the unique public key and private key relating to the digital wallet used to store the cryptocurrencies. If keys are lost, stolen or destroyed this could result in a loss for the Company. In order to mitigate the risk of loss of cryptocurrencies the Company sells cryptocurrency routinely and uses multi-signature digital wallets to store cryptocurrency until its eventual sale. The digital wallets used for Bitcoin require 2 out of 3 individuals to approve a spending transaction. Each of the users has a separate password that is not known by the other users. The transactions can only be initiated from the physical computer where the multi-signature wallet is installed for each user. In order to install the multi-signature wallet on a computer, twelve "seed" words that are distinct to each user are required, which are physically stored offline in confidential locations offsite.

Security breaches and hacking have been prevalent in cryptocurrency exchanges. The Company mitigates this risk by performing ongoing evaluations of exchanges, and routinely converting cryptocurrencies to fiat currency so that no material amount of crypto assets is held at any given time.

## Other Risks

The following discussion summarizes the principal risk factors that apply to the Company's business and that may have a material adverse effect on the Company's business and financial condition and results of operations, or the trading price of the Company's shares. Due to the nature of the Company's business, the legal and economic climate in which it operates and its present stage of development and proposed operations, the Company is subject to significant risks. In evaluating the Company and its business, investors should carefully consider, in addition to other information contained in this MD&A, the risk factors below as well as those included in the Company's 2019 Annual MD&A dated April 29, 2020. These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with its operations. Additional risk and uncertainties not presently known to the Company, or that are, currently deemed immaterial, may also impair operations. If any such risks actually occur, the business, financial condition, liquidity and results of operations could be materially adversely affected.

### *Bitcoin Halving Event*

In May 2020, the Bitcoin Block Reward decreased from 12.5 to 6.25 Bitcoins per block (the "Bitcoin Halving"), and consequently the number of new Bitcoin issued to miners has been reduced to approximately 900 per day, excluding transaction fees.

The Bitcoin Halving had a significant impact on the Company's profitability. Given that profitability is required for self-acting agents to perform Mining to continue to support the validation of transactions, the expected impact of the Bitcoin Halving is that market variables of Bitcoin price and Difficulty will adjust over time to ensure that Mining remains profitable. The period of market normalization after the Bitcoin Halving to incentivizing profitability levels is unknown. In the 30 days prior to the Bitcoin Halving Event the average daily revenue per Terahash of computing power was approximately \$0.13. Immediately after the Bitcoin Halving, daily revenue per Terahash was \$0.07. In the 30 days subsequent to the Bitcoin Halving, average daily revenue per Terahash was \$0.09, an increase of \$0.02 or approximately 29% compared to the daily revenue per Terahash immediately after the Bitcoin Halving, demonstrating the normalization of daily revenue per Terahash expected for viable long-term Mining profitability. In the 20 days leading up to the date of this MD&A, average daily revenue per Terahash was \$0.10. Management has observed a recovery of \$0.03 daily revenue per Terahash, a recovery of 43% when compared to immediately after the Bitcoin Halving, which represents a further normalization of daily revenue per Terahash to pre-Bitcoin Halving levels. As of the date of this MD&A daily revenue per Terahash is still \$0.03 or 23% lower than the average daily revenue per Terahash in the 30 days prior to the halving.

Management believes that revenue per Terahash will continue to normalize to levels that would allow Miners with competitive electricity pricing, sufficient scale of efficient Mining operations, recent generation Mining hardware and access to capital to remain profitable. Management has actively responded by reaching an agreement with Dominion Capital to amend loan terms to provide additional time to generate incremental cash flow from operations and provide the opportunity to convert from debt to equity. In addition, Management has secured lease financing of new, more efficient mining hardware to grow operations and is continuing to seek further financing to fill available capacity. If Bitcoin price and Difficulty do not maintain or continue their trend of adjusting to pre-Bitcoin Halving profitability levels over time, or the period of market normalization after the Bitcoin Halving to pre-Bitcoin Halving profitability levels is too long, there is a risk that the Bitcoin Halving will render the Company unprofitable for a sustained time period such that it could be unable to continue as a going concern.

#### *COVID-19 Pandemic Risk*

In March 2020, the World Health Organization declared COVID-19 a pandemic. The global response to the pandemic is constantly evolving, including various measures implemented at the global, national, provincial and local levels. The major impacts that COVID-19 are expected to have on the Backbone operating segment include potential increases in cryptocurrency price volatility, difficulty obtaining new financing due to a global economic slowdown, and delays in receiving future orders of mining hardware and parts sourced from overseas. The Backbone operating segment has been, and is expected to, continue operating throughout the pandemic.

Volta's services are considered to be essential by government authorities and have been, and are expected to continue, operating throughout the pandemic. The impacts of COVID-19 on the Volta operating segment have reduced revenues by \$0.5 million or 32% from the sale of electrician services and parts for the six months ended June 30, 2020 compared to the six months ended June 30, 2019, as well as having resulted in longer collection periods for outstanding trade receivables. There is a potential for increased bad debts resulting from the economic impact of COVID-19 on existing customers. The Group has benefited from the Canada Emergency Wage Subsidy ("CEWS") in the amount of approximately \$280 and will continue to monitor its eligibility to claim the CEWS. There can be no assurance that the Group will continue to be eligible for the CEWS as future changes to revenues as well as modification to the eligibility criteria may render the Group ineligible.

The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government interventions. It is not possible to reliably estimate the length and severity of these developments as well as the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

#### **Related Party Transactions**

During the three and six month periods ended June 30, 2020, the Company had the following transactions with related parties:

1. Bitfarms made rent payments totaling approximately \$109,000 and \$217,000 for the three and six month periods ended June 30, 2020 (three and six months ended June 30, 2019 - \$144,000 and \$294,000 ) to companies controlled by a director and officer, Emiliano Grodzki and Mathieu Vachon and a former director, Pierre-Luc Quimper.
2. Bitfarms entered into consulting agreements with two of the directors, Nicolas Bonta and Emiliano Grodzki. The consulting fees charged by directors totaled approximately \$103,000 and \$203,000 for the three and six month periods ended June 30, 2020 (three and six month periods ended June 30, 2019 - \$100,000 and \$200,000).

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

## Accounting Policy Change

### *Revenue recognition*

The Group, through Backbone, operates server farms supporting the verification and validation of blockchain transactions in exchange for cryptocurrency, referred to as “cryptocurrency mining”. During the period, the Group changed its accounting policy with respect to revenue recognition from cryptocurrency mining and subsequent measurement of cryptocurrency on hand. Prior to this change, the Group accounted for cryptocurrency as inventory until it was sold in exchange for fiat currency. Inventories of cryptocurrency were measured at the lower of cost to produce and net realizable value. The cost of cryptocurrency inventory was comprised of the costs incurred with respect to the validation and verification of blockchain transactions, consisting mainly of electricity and depreciation. Net realizable value was measured as the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. Revenue was recognized when the cryptocurrency was converted into fiat currency or when the cryptocurrency was transferred to another party in settlement of a debt to this party. The Group now recognizes revenue upon receipt of cryptocurrency in exchange for its mining activities at the fair market value of the cryptocurrency received, as described below.

IFRS 15 provides a five step model for identifying revenue from contracts with customers, as follows:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when the Company satisfies a performance obligation

The Group has entered into contracts with Mining Pools and has undertaken the performance obligation of providing computing power to the Mining Pool in exchange for non-cash consideration in the form cryptocurrency. The Group measures the non-cash consideration received at the fair market value of the cryptocurrency received. Management estimates fair value 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 previously considered Coinmarketcap to be a Level 1 input under IFRS 13 Fair Value Measurement. However, management has revised this opinion and now considers Coinmarketcap to be a level 2 input as the price represents an average of quoted prices on various markets and not necessarily the Group’s principal market. Any difference between the fair value of cryptocurrency recorded upon receipt from mining activities and the actual realized price upon disposal are recorded as a gain or loss on disposition of cryptocurrency.

Cryptocurrency on hand at the end of a reporting period is accounted for under IAS 38 Intangible Assets, as an intangible asset with an indefinite useful life initially measured at cost, deemed to be the fair value upon receipt as described above, and subsequently measured under the revaluation model. Under the revaluation model, increases in the cryptocurrency’s carrying amount is recognized in other comprehensive income and accumulated in equity under revaluation surplus. However, increases are recognized in profit or loss to the extent that it reverses a revaluation decrease of cryptocurrency previously recognized in profit or loss. The fair value of cryptocurrency on hand at the end of the reporting period is calculated as the quantity of cryptocurrency on hand multiplied by price quoted on Coinmarketcap as of the reporting date.

The Company has continued to classify cryptocurrency on hand at the end of a period as a current asset as management has determined that cryptocurrency markets have sufficient liquidity to allow conversion within the Company's normal operating cycle.

The Group believes that the revised policy and presentation provide more relevant financial information to the users of the financial statements. The accounting policy change has been applied retrospectively, but the Group's management has determined that the impact of the accounting policy change in previous periods is not material. The cumulative effect of retrospective application of the accounting policy change on retained earnings as of January 1, 2020 was nil as the Company did not have any cryptocurrency on hand as of December 31, 2019. Furthermore, the Group's management believes that the disclosures made in previous periods relating to the quantity and fair value of cryptocurrencies mined during the periods, the cost and fair market value of cryptocurrencies on hand at the end of the periods and the proceeds received from disposal of cryptocurrencies during the periods is sufficient to allow users of the financial statements to understand the Company's financial results. The accounting standards in the cryptocurrency mining industry are still evolving and the Group's management believes that this accounting policy change is better aligned with current industry practices. Additionally, the Group may be required to re-evaluate their accounting policy with respect to revenue recognition and subsequent remeasurement of cryptocurrency on hand in the event of the issuance of new accounting guidance or a change in the Group's business practice of regularly disposing of cryptocurrencies.

#### Recent and Subsequent Events

##### *Bitcoin Halving Event*

As described in the section titled Other Risks on page 18 of this MD&A the Bitcoin Block Reward decreased from 12.5 to 6.25 Bitcoin per Block. As of the date of this MD&A the Company's management has observed some market normalization, however the normalization has not yet reached pre-halving profitability levels and the future financial impact cannot be estimated.

##### *Dominion Loan Extension and Modification*

In August 2020, the Company entered into a letter agreement with Dominion Capital where the Company will issue 1,000,000 shares to Dominion Capital in exchange for amending the maturity date of Tranche #2 from April 2021 to November 2021. The 10% make-whole clause described in Note 10 will remain in effect for the 6 month extension of the loan. In addition, a conversion feature was added to Tranche #3, maturing in June 2021, providing Dominion Capital with the option to convert all or a portion of the loan tranche into shares at a price of \$0.59 USD per share. The conversion feature may be exercised by Dominion Capital at any time until the loan matures in June 2021. The letter agreement entered into by the Company and Dominion Capital is contingent upon regulatory approval as well as the completion of final loan documents.

### *Mining Hardware Lease Agreement*

In August 2020, the Company entered into a two year lease agreement for approximately \$1.8 of mining hardware with expected delivery in late August 2020. The lease contains a bargain purchase option where the Company may purchase the leased equipment for \$1.00 USD upon expiration of the lease agreement. Payments are approximately \$21,000/week for 104 weeks.

### 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 in 2020 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:

- Bitcoin halving event;
- COVID 19 pandemic;
- the availability of financing opportunities and risks associated with economic conditions, including Bitcoin price and Bitcoin network difficulty;
- the ability to service debt obligations and maintain flexibility in respect of debt covenants;
- 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;
- 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; and
- other factors beyond the Company's control.

The above is not an exhaustive list of the factors that may affect the Company's forward-looking statements. 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. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian Securities Authorities, including the Company's annual MD&A dated April 29, 2020. 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 Revenue. "Adjusted EBITDA" is defined as EBITDA adjusted to exclude: (i) share-based compensation; (ii) non-cash finance expenses; (iii) asset impairment charges; and (iv) other non-cash expenses. "Adjusted EBITDA margin" is defined as the percentage obtained when dividing Adjusted EBITDA by Revenue. "Gross mining profit" is defined as Revenue minus energy and infrastructure expenses for the Backbone segment of the Company. "Gross mining margin" is defined as the percentage obtained when dividing Gross mining profit by Revenue for the Backbone segment of the Company.

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 in pages 8, 9, 10 and 11.

#### Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company and its subsidiaries is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. In designing such controls, it should be recognized that due to inherent limitations, any control, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is required to use judgment in evaluating controls and procedures.



## 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:** Bitcoin 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 Bitcoin 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. Bitcoin is created when the Bitcoin network issues Block Rewards through the Mining process.

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

**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 Bitcoin 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 Bitcoin Blockchain. As a reward for their services, Bitcoin Miners collect transaction fees for the transactions they confirm, along with newly created Bitcoins 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 Bitcoin 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 Bitcoin 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 Bitcoin 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 Bitcoin network to validate transactions on the Bitcoin Blockchain.

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

**FORM 52-109FV2**  
**CERTIFICATION OF INTERIM FILINGS**  
**VENTURE ISSUER BASIC 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 June 30, 2020.
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.

Date: August 28, 2020

“Emiliano Grodzki”

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Emiliano Grodzki  
 Chief Executive Officer

**NOTE TO READER**

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

- I. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- II. a process 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.

The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

**FORM 52-109FV2**  
**CERTIFICATION OF INTERIM FILINGS**  
**VENTURE ISSUER BASIC CERTIFICATE**

I, John Rim, 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 June 30, 2020.
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.

Date: August 28, 2020

“John Rim”

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John Rim  
Chief Financial Officer

**NOTE TO READER**

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**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
1376 Bayview Ave, Unit 1  
Toronto, Ontario M4G 3A1

**Item 2 Date of Material Change**

August 31, 2020.

**Item 3 News Release**

The press release attached as Schedule “A” was disseminated on August 31, 2020.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Nicolas Bonta  
Chairman & Director  
Bitfarms Ltd.  
nbonta@bitfarms.com

**Item 9 Date of Report**

August 31, 2020.

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**Bitfarms Announces Changes in Management and Board of Directors**

**Toronto, Ontario and Brossard, Québec (August 31, 2020)** - Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) (TSXV:BITF) is pleased to announce changes in strategic leadership and Board members intended to further enhance the implementation of the Company’s strategies for growth and the resignation of John Rim, COO & CFO.

Mr. Geoffrey Morphy has been appointed Executive Vice-President – Finance, Administration & Corporate Development, effective immediately. Geoffrey joined the board of Bitfarms on May 19, 2020 and has quickly established himself as a trusted advisor. As his contributions became apparent, an executive leadership role for Geoffrey was determined to be most beneficial to the Company. In his role, Geoffrey will lead corporate development strategy, internal budgeting and capital allocation analysis, and oversee corporate and investor relations initiatives.

Mr. Nicolas Bonta, Chairman of Bitfarms, commented, “Geoffrey has established himself as a true partner in our business. He has shared many insights and has immersed himself in our ongoing work. His experience and network will provide strategic support and enhance the value of the Company. We look forward to his contributions as a full-time executive in a senior leadership role”.

Mr. Morphy has more than 30 years in cross-border and international commercial and corporate structuring and finance experience. He has held senior positions of banks and corporate advisory firms, such as the Farber Financial Group, ABN Amro Bank N.V. and its subsidiary LaSalle Bank, as well as Comerica Bank. During the past three years Mr. Morphy was the Co-CEO of a Toronto/Montreal based turn-around fund and, until recently, was the Vice-President, Corporate Development of a TSX listed company. In this capacity, he was part of its senior management team and was responsible for strategy, new investments and active portfolio management. He serves or has served on the boards of several private and publicly traded companies located in Canada, the United States, and Europe. Mr. Morphy holds a B.Comm. from Dalhousie University and earned the ICD.D designation in 2019.

Mr. Morphy has resigned his position as Director of the Company to facilitate his role as a senior officer.

With great respect and appreciation, Bitfarms announces the resignation of John Rim as Chief Operating Officer and Chief Financial Officer of the Company, to pursue another position in an unrelated industry. Mr. Rim will continue in his role until September 30, 2020, to ensure an orderly transition.

The Company thanks Mr. Rim for his invaluable service and wishes him well in his future endeavors. John has been instrumental in the establishment of the business of Bitfarms and the listing and successful completion of financings and other corporate initiatives. Mr. Nicolas Bonta, Chairman of Bitfarms, commented, “For the last two years John has worked very hard and assisted the founders of Bitfarms to establish the Company and complete milestones. In addition to his professional skill, we want to highlight his collegial nature and sincerely wish him the greatest of success in his new position. John Rim will always be part of the history of Bitfarms”.

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Mr. Rim commented: “It is with a heavy heart that I leave the amazing team at Bitfarms to pursue another opportunity. I have thoroughly enjoyed working with the current team to build a culture of teamwork, performance and success. I believe the Company is in great hands and it is well positioned financially and operationally at an extremely exciting time in its development. I am very confident that Bitfarms will continue to deliver value for shareholders”.

A search is actively underway for a full-time Chief Financial Officer. Further announcements will be made.

The Company is also pleased to announce the appointment of Andres Finkielstain as a Director of the Company, effective immediately. Mr. Nicolas Bonta, Chairman of Bitfarms, commented, “We are very excited to expand our board with Mr. Finkielstain. The stewardship of our business will be enhanced and our ability to make the necessary decisions to implement our strategies will have additional experience and resources”.

Mr. Finkielstain is the Founding Managing Partner of FinkWald LLC, a private investment office specializing in private equity, real estate, media, and technology. He is also the co-head of the Special Situations division at Banco Industrial in Argentina, where he analyzes and provides financing solutions to Argentinean-based companies and institutions. Mr. Finkielstain previously served as a financial advisor for Soros Brothers Investments (SBI), a private investment office founded in 2011 by Alexander and Gregory Soros, and as an analyst for Emerging Markets at Soros Fund Management LLC. Mr. Finkielstain also worked at J.P. Morgan for over 10 years in various capacities within Asset Management, including the role of Global Investment Opportunity and Emerging Markets Specialist. Mr. Finkielstain graduated with a BA in Economics from Bard College where he served as the President of a Latin American organization.

In addition, pursuant to the Company’s shareholder approved Stock Option Plan, stock options have been granted to certain officers and directors of the Company to purchase 1,200,000 Common shares of the Company at an exercise price of \$0.43 per share for a term of five years with service based vesting provisions to support retention. Following the grant of stock options, the Company has a total of 10,752,500 options outstanding representing approximately 12.7% of the outstanding common shares of the Company.

#### **About Bitfarms Ltd.**

The Company owns and operates computing centres that power the global decentralized financial economy. Bitfarms provides computing power to cryptocurrency networks such as Bitcoin, earning fees from each network for securing and processing transactions. Powered by clean and competitively priced hydroelectricity, Bitfarms operates five computing centres in Québec, Canada. Bitfarms’ experienced management team includes industrial- scale data centre operators and capital markets professionals, focused on building infrastructure by developing and hosting one of the industry’s most efficient ecosystem growing around blockchain-based technologies.

#### **For investor and media inquiries, please contact:**

Marc Duchesne  
+1.514.277.3508  
marc@ryanap.com

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

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<https://www.instagram.com/bitfarms/>  
<https://www.linkedin.com/company/bitfarms/>  
Website: [www.bitfarms.com](http://www.bitfarms.com)

## **Cautionary Statement**

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## **Forward-Looking Statements**

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*This forward-looking information is based on reasonable assumptions and estimates of management of the Company at the time it was 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; 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; 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; and volatile securities markets impacting security pricing unrelated to operating performance. In addition, particular factors which could impact future results of the business of Bitfarms include but are not limited to: the construction and operation of blockchain infrastructure 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 Province of Québec, 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 there will be no regulation or law that will prevent Bitfarms from operating its business. The Company has also assumed that no significant events occur outside of the Bitfarms’ normal course of business. Although the Company has attempted to identify important factors that could cause actual results to differ materially, 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 forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.*





## Bitfarms Announces Changes in Management and Board of Directors

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**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
1376 Bayview Ave, Unit 1  
Toronto, Ontario M4G 3A1

**Item 2 Date of Material Change**

September 14, 2020.

**Item 3 News Release**

The press release attached as Schedule “A” was disseminated on September 14, 2020.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Nicolas Bonta  
Chairman & Director Bitfarms Ltd.  
nbonta@bitfarms.com

**Item 9 Date of Report**

September 14, 2020.

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### **Bitfarms Announces Amendment to Notes Restructuring and Provides Operational Update**

**Toronto, Ontario and Brossard, Québec (September 14, 2020)** - Bitfarms Ltd. ("**Bitfarms**", or the "**Company**") (TSXV:BITF) is providing an update with respect to its previously issued press release dated August 20, 2020, in which it disclosed that it had reached an agreement with Dominion Capital LLC ("**Dominion**") to amend certain terms and conditions of two of its US\$5,000,000 loan tranches. Further, Bitfarms announces that the additional leased 1,000 new generation miners disclosed in the press release dated August 20, 2020 have been installed and are now fully operational.

#### **Restructuring of Existing Notes**

The Company has entered into an agreement with Dominion to amend its second loan tranche of US\$5,000,000, to extend the maturity date from the original due date of April 17, 2021 to November 1, 2021 (the "**Tranche #2 Restructuring**"). As consideration for the Tranche #2 Restructuring, the Company will issue 1 million shares to Dominion which shares are subject to the statutory resale restrictions including the Canadian hold period of four months and one day, and reduce the term of the 1,666,667 warrants, exercisable at USD\$0.40 from the original expiry date of April 16, 2024 to November 1, 2021.

The Company has also entered into agreement with Dominion to restructure its third loan tranche of US\$5,000,000 due June 20, 2021 (the "**Tranche #3 Restructuring**"). Pursuant to the Tranche #3 Restructuring, the third loan tranche of US\$5,000,000 will be made convertible, at the option of Dominion, into common shares of Bitfarms at a fixed conversion of US\$0.59 per share, a premium of approximately 100% to the current market price of the Company's shares. Further pursuant to the Tranche #3 Restructuring, the previously issued 1,666,667 warrants exercisable at USD\$0.40 per share, expiring on June 20, 2024 will be cancelled. The Company will issue to Dominion 1,666,667 warrants at an exercise price of USD\$0.304 (CAD\$0.40) per share, expiring on June 20, 2021.

The remainder of the transactional details remain unchanged. All amendments including the Tranche #2 Restructuring and the Tranche #3 Restructuring remain subject to TSXV approval and closing.

#### **Operational Update**

Further to the Company's announcement made on August 20<sup>th</sup>, the Company reports that it has installed all 1,000 of its leased WhatsMiner 31S mining rigs which are generating approximately 82 petahash per second of computing power.

The installation of the 1,000 newly leased WhatsMiner M31S miners follows the Company's overall retooling strategy planned for 2020 to optimize its existing mining infrastructure by upgrading older generation miners to new generation miners. With the latest batch of new miners installed, the Company's overall mining efficiency is now approximately 17.7 petahash per MW. The Company plans to continue to upgrade as it secures additional equipment lease financing and will provide further operational updates as they occur.

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## Bitfarms Announces Amendment to Notes Restructuring and Provides Operational Update

**Toronto, Ontario and Brossard, Québec (September 14, 2020)** - Bitfarms Ltd. ("**Bitfarms**", or the "**Company**") (TSXV:BITF) is providing an update with respect to its previously issued press release dated August 20, 2020, in which it disclosed that it had reached an agreement with Dominion Capital LLC ("**Dominion**") to amend certain terms and conditions of two of its US\$5,000,000 loan tranches. Further, Bitfarms announces that the additional leased 1,000 new generation miners disclosed in the press release dated August 20, 2020 have been installed and are now fully operational.

### Restructuring of Existing Notes

The Company has entered into an agreement with Dominion to amend its second loan tranche of US\$5,000,000, to extend the maturity date from the original due date of April 17, 2021 to November 1, 2021 (the "**Tranche #2 Restructuring**"). As consideration for the Tranche #2 Restructuring, the Company will issue 1 million shares to Dominion which shares are subject to the statutory resale restrictions including the Canadian hold period of four months and one day, and reduce the term of the 1,666,667 warrants, exercisable at USD\$0.40 from the original expiry date of April 16, 2024 to November 1, 2021.

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### Operational Update

Further to the Company's announcement made on August 20th, the Company reports that it has installed all 1,000 of its leased WhatsMiner 31S mining rigs which are generating approximately 82 petahash per second of computing power.

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**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
1376 Bayview Ave, Unit 1  
Toronto, Ontario M4G 3A1

**Item 2 Date of Material Change**

September 21, 2020.

**Item 3 News Release**

The press release attached as Schedule “A” was disseminated on September 21, 2020.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Nicolas Bonta  
Chairman & Director Bitfarms Ltd.  
nbonta@bitfarms.com

**Item 9 Date of Report**

September 21, 2020.

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**Bitfarms Announces - Lease Financing for 2,000 WhatsMiner M31S Miners Adding 144 Petahash of Computing Power - Letter of Intent with BlockFills for Lease Financing of 7,000 Additional New Generation Miners – Completion of Note Restructuring**

**Toronto, Ontario and Brossard, Québec (September 21, 2020)** - Bitfarms Ltd. ("**Bitfarms**", or the "**Company**") (TSXV:BITF) is pleased to announce that it has entered into an equipment lease with BlockFills for 2,000 WhatsMiner M31S miners to be delivered and installed by the end of October 2020. The Company is also pleased to announce that it has signed a non-binding Letter of Intent ("**LOI**") with BlockFills, the first electronic, off exchange, digital liquidity provider, to provide additional lease financing for approximately 7,000 more new generation miners by the end of 2020.

**New Equipment Lease**

The Company has entered into an equipment lease with BlockFills for 2,000 WhatsMiner M31S miners for a term of 24 months that carries an implicit annual interest rate of 9.5%. The lease also includes a bargain purchase option which, when exercised, will transfer ownership of the equipment to Bitfarms at end of the lease term for a nominal amount. Bitfarms will make weekly lease payments that will fully retire the capitalized cost of the miners over the term of the lease. The new mining hardware is expected to be fully operational by the end of October and will add approximately 144 petahash per second to the Company's installed computing power as well as consuming approximately 6.6 megawatts ("MW") of electricity.

**Lease Financing Partnership with BlockFills**

The Company has signed a non-binding LOI with BlockFills to secure additional future lease financing that, with the previously announced leases for 3,000 miners, would total in the range of USD\$12 to \$15 million and add approximately 800 to 840 PH to the Company's operations by the end of 2020, subject to mining equipment inventory availability. All future leasing would be for 24 month terms at a 9.5% annual interest rate. In addition, subject to regulatory approval, BlockFills would be provided with up to 1,000,000 warrants (the "Warrants") in Bitfarms Ltd. at a strike price of USD\$0.40 per warrant for a term of two years. Each Warrant would provide the right to acquire one common share of the Company. The number of Warrants will be issued on a pro-rata basis based on a minimum USD\$12,000,000 purchase price of equipment leased to Bitfarms. For example, if only \$9,000,000 in lease financing is provided, BlockFills would receive 75% of total Warrants, or 750,000 Warrants.

"With the 1,850 miners purchased in June, the 1,000 miners leased in August and the latest lease of 2,000 miners, Bitfarms will have added approximately 360 PH by the end of October and we expect more capacity to be added before the end of 2020. We are thrilled to have partnered with BlockFills to seek further leased equipment in the coming months. With our existing competitively priced electricity infrastructure, we believe we are at a competitive advantage to operations that rely on hosting, and given this strategic partnership with BlockFills, we are firmly positioned to be one of the leading public crypto mining operations in North America, both in terms of computing power and profitability" said Emi Grodzki, Interim CEO of Bitfarms.

Neil van Huis, Director of Sales and OTC Trading at BlockFills added: "BlockFills is pleased to partner with Bitfarms as it continues to execute its growth plans. We were impressed with the quality of operations and the professionalism of their team and we look forward to growing our partnership with the Bitfarms team in the future".

## **Completion of Note Restructuring**

The restructuring agreement with Dominion Capital LLC (“Dominion”) to amend certain terms and conditions of two of the Company’s USD\$5,000,000 loan tranches has been completed as announced on August 20, 2020 and September 14, 2020.

The Company and Dominion agreed to amend the second loan tranche of USD\$5,000,000, to extend the maturity date from the original due date of April 17, 2021 to November 1, 2021 (the “Tranche #2 Restructuring”). As consideration for the Tranche #2 Restructuring, the Company issued 1 million shares to Dominion, and reduced the term of the 1,666,667 warrants, exercisable at USD\$0.40 from the original expiry date of April 16, 2024 to November 1, 2021.

The Company and Dominion also agreed to restructure the third loan tranche of USD\$5,000,000 due June 20, 2021 (the “Tranche #3 Restructuring”). Pursuant to the Tranche #3 Restructuring, the third loan tranche of USD\$5,000,000 was made convertible, at the option of Dominion, into common shares of Bitfarms at a fixed conversion of USD\$0.59 per share, a premium of approximately 100% to the current market price of the Company’s shares. Further pursuant to the Tranche #3 Restructuring, the previously issued 1,666,667 warrants exercisable at USD\$0.40 per share, expiring on June 20, 2024 were cancelled. The Company issued to Dominion 1,666,667 warrants at an exercise price of USD\$0.304 (CAD\$0.40) per share, expiring on June 20, 2021.

The securities issued pursuant to the restructurings are subject to the statutory resale restrictions including the Canadian hold period of four months and one day expiring on January 18, 2021.

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**Bitfarms Announces - Lease Financing for 2,000 WhatsMiner M31S Miners Adding 144 Petahash of Computing Power - Letter of Intent with BlockFills for Lease Financing of 7,000 Additional New Generation Miners – Completion of Note Restructuring**

**Toronto, Ontario and Brossard, Québec (September 21, 2020)** - Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) (TSXV:BITF) is pleased to announce that it has entered into an equipment lease with BlockFills for 2,000 WhatsMiner M31S miners to be delivered and installed by the end of October 2020. The Company is also pleased to announce that it has signed a non-binding Letter of Intent (“**LOI**”) with BlockFills, the first electronic, off exchange, digital liquidity provider, to provide additional lease financing for approximately 7,000 more new generation miners by the end of 2020.

**New Equipment Lease**

The Company has entered into an equipment lease with BlockFills for 2,000 WhatsMiner M31S miners for a term of 24 months that carries an implicit annual interest rate of 9.5%. The lease also includes a bargain purchase option which, when exercised, will transfer ownership of the equipment to Bitfarms at end of the lease term for a nominal amount. Bitfarms will make weekly lease payments that will fully retire the capitalized cost of the miners over the term of the lease. The new mining hardware is expected to be fully operational by the end of October and will add approximately 144 petahash per second to the Company’s installed computing power as well as consuming approximately 6.6 megawatts (“MW”) of electricity.

**Lease Financing Partnership with BlockFills**

The Company has signed a non-binding LOI with BlockFills to secure additional future lease financing that, with the previously announced leases for 3,000 miners, would total in the range of USD\$12 to \$15 million and add approximately 800 to 840 PH to the Company’s operations by the end of 2020, subject to mining equipment inventory availability. All future leasing would be for 24 month terms at a 9.5% annual interest rate. In addition, subject to regulatory approval, BlockFills would be provided with up to 1,000,000 warrants (the “Warrants”) in Bitfarms Ltd. at a strike price of USD\$0.40 per warrant for a term of two years. Each Warrant would provide the right to acquire one common share of the Company. The number of Warrants will be issued on a pro-rata basis based on a minimum USD\$12,000,000 purchase price of equipment leased to Bitfarms. For example, if only \$9,000,000 in lease financing is provided, BlockFills would receive 75% of total Warrants, or 750,000 Warrants.

“With the 1,850 miners purchased in June, the 1,000 miners leased in August and the latest lease of 2,000 miners, Bitfarms will have added approximately 360 PH by the end of October and we expect more capacity to be added before the end of 2020. We are thrilled to have partnered with BlockFills to seek further leased equipment in the coming months. With our existing competitively priced electricity infrastructure, we believe we are at a competitive advantage to operations that rely on hosting, and given this strategic partnership with BlockFills, we are firmly positioned to be one of the leading public crypto mining operations in North America, both in terms of computing power and profitability” said Emi Grodzki, Interim CEO of Bitfarms.

Neil van Huis, Director of Sales and OTC Trading at BlockFills added: “BlockFills is pleased to partner with Bitfarms as it continues to execute its growth plans. We were impressed with the quality of operations and the professionalism of their team and we look forward to growing our partnership with the Bitfarms team in the future”.

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## **Completion of Note Restructuring**

The restructuring agreement with Dominion Capital LLC (“Dominion”) to amend certain terms and conditions of two of the Company’s USD\$5,000,000 loan tranches has been completed as announced on August 20, 2020 and September 14, 2020.

The Company and Dominion agreed to amend the second loan tranche of USD\$5,000,000, to extend the maturity date from the original due date of April 17, 2021 to November 1, 2021 (the “Tranche #2 Restructuring”). As consideration for the Tranche #2 Restructuring, the Company issued 1 million shares to Dominion, and reduced the term of the 1,666,667 warrants, exercisable at USD\$0.40 from the original expiry date of April 16, 2024 to November 1, 2021.

The Company and Dominion also agreed to restructure the third loan tranche of USD\$5,000,000 due June 20, 2021 (the “Tranche #3 Restructuring”). Pursuant to the Tranche #3 Restructuring, the third loan tranche of USD\$5,000,000 was made convertible, at the option of Dominion, into common shares of Bitfarms at a fixed conversion of USD\$0.59 per share, a premium of approximately 100% to the current market price of the Company’s shares. Further pursuant to the Tranche #3 Restructuring, the previously issued 1,666,667 warrants exercisable at USD\$0.40 per share, expiring on June 20, 2024 were cancelled. The Company issued to Dominion 1,666,667 warrants at an exercise price of USD\$0.304 (CAD\$0.40) per share, expiring on June 20, 2021.

The securities issued pursuant to the restructurings are subject to the statutory resale restrictions including the Canadian hold period of four months and one day expiring on January 18, 2021.

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### **For investor and media inquiries, please contact:**

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marc@ryanap.com

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### **Forward-Looking Statements**

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**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
1376 Bayview Ave, Unit 1  
Toronto, Ontario M4G 3A1

**Item 2 Date of Material Change**

October 13, 2020.

**Item 3 News Release**

The press release attached as Schedule “A” was disseminated on October 13, 2020.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Nicolas Bonta  
Chairman & Director Bitfarms Ltd.  
nbonta@bitfarms.com

**Item 9 Date of Report**

October 13, 2020.

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**Bitfarms Announces New Lease Financing and setting a Corporate Goal to Exceed 3.0 Exahash by the end of 2021**

**Bitfarms Announces New Lease Financing for an Additional 1,000 New Generation Miners Adding 72 Petahash of Computing Power by the End of November and setting a Corporate Goal to Exceed 3.0 Exahash by the end of 2021**

**Toronto, Ontario and Brossard, Québec (October 13, 2020)** - Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) (TSXV:BTF) is pleased to announce that it has entered into an equipment lease with BlockFills for 1,000 WhatsMiner M31S miners to be delivered and installed by the end of November 2020. The 1,000 new Miners are in addition to the non-binding Letter of Intent (“**LOI**”) with Blockfills, announced on September 21, 2020, to lease approximately 7,000 new generation miners with a cost of US\$12 to \$15 million. As previously reported, the equipment covered by the LOI represents approximately 800 to 840 petahash per second (“**PH**”) of new computing capacity to be added to the Company’s operations by the end of 2020.

**New Equipment Lease**

On October 8, 2020, the Company entered an equipment lease with BlockFills, for an additional 1,000 WhatsMiner M31S miners for a term of 24 months carrying an implicit annual interest rate of 9.5%. The lease also includes a bargain purchase option which, when exercised, will transfer ownership of the equipment to Bitfarms at end of the lease term for a nominal amount. Bitfarms will make weekly lease payments that will fully retire the capitalized cost of the miners over the term of the lease. The new mining hardware is expected to be fully operational by the end of November and will add approximately 72 PH to the Company’s installed computing power as well as consuming approximately 3.5 megawatts (“**MW**”) of electricity.

**Summary of Aggregate Computing Power Expansion in 2020**

Announced:

- June 2020: Purchased 1,847 WhatsMiner M20S adding 133 PH of computing power
- August 2020: Leased 1,000 WhatsMiner M31S+ adding 82 PH of computing power
- October 2020: Leased 2,000 WhatsMiner M31S adding 144 PH of computing power
- November 2020: Leased 1,000 WhatsMiner M31S adding 72 PH of computing power

This represents 431 PH of total growth on a year-to-date basis which represents a 55% increase over the Company’s starting capacity of 780 PH as of January 1, 2020. The new miners improve Bitfarms’ computing power-to-electricity efficiency ratio from 14.4 PH/MW to 18.5 PH/MW and bring our average cost per Bitcoin to approximately US\$7,200 (based on market conditions on the 12<sup>th</sup> of October 2020 with a Bitcoin price of US\$11,400).

### **Additional Computing Power Expansion Expected in 2020 per LOI with BlockFills**

- November 2020: Lease of 4,000 WhatsMiner M31S+ adding 328 PH of computing power
- December 2020: Lease of approx. 2,000 WhatsMiner M30S adding 176 PH of computing power

After completion of all leases with BlockFills as per the terms of the LOI, Bitfarms' estimated expansion in 2020 will total 935 PH. After retirement and sale of previous generation mining equipment, Bitfarms' entire mining equipment fleet will consist of over 17,000 new generation miners representing 1.31 EH of computational power and an overall efficiency of 21.86 PH/MW, placing it amongst the top of all publicly traded mining operations.

With the successful installation of this new computational capacity, Bitfarms expects that it will bring its average cost per Bitcoin down to approximately US\$6,000 by the end of the year (based on market conditions on the 12<sup>th</sup> of October 2020 with a Bitcoin price of US\$11,400).

Emiliano Grodzki, Interim Chief Executive Officer of Bitfarms added, "Bitfarms continues to solidify its position as the industry leader in terms of operational hash rate, efficiency, and financial performance. The new equipment will fully utilize the installed infrastructure at our five high-powered data centers and will immediately be accretive to our financial performance. Unlike many of our competitors, Bitfarms operates all its computing power through its own facilities with wholesale energy prices avoiding costly hosting arrangements that may be terminated by the host with short customary notice periods. This positions Bitfarms uniquely as a sustainable and long-term mining operation."

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gmorphy@bitfarms.com

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### Bitfarms Announces New Lease Financing for an Additional 1,000 New Generation Miners Adding 72 Petahash of Computing Power by the End of November and setting a Corporate Goal to Exceed 3.0 Exahash by the end of 2021

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**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
1376 Bayview Ave, Unit 1  
Toronto, Ontario M4G 3A1

**Item 2 Date of Material Change**

October 26, 2020.

**Item 3 News Release**

The press release attached as Schedule “A” was disseminated on October 26, 2020.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Nicolas Bonta  
Chairman & Director Bitfarms Ltd.  
nbonta@bitfarms.com

**Item 9 Date of Report**

October 26, 2020.

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**Bitfarms Announces Memorandum of Understanding for 200 Megawatts ("MW") of Electricity in South America at Average Price of US\$0.02 per kWh**

**Toronto, Ontario and Brossard, Québec (October 26, 2020)** - Bitfarms Ltd. ("**Bitfarms**", or the "**Company**") (TSXV: BITF) is pleased to announce that it has signed a non-binding memorandum of understanding ("**MOU**") with a private energy producer to secure exclusive use of up to 200 MW of electricity in South America at an average price of US 2 cents per kilowatt hour ("kWh").

**200 MW of Low-Cost Electricity in South America**

Under the terms of the non-binding MOU, Bitfarms will be provided with up to 200 MW of electricity capacity with no deposits nor any purchase commitments. The direct price of the electricity will average US 2 cents per kWh. The first 60 MW of power is to be provided from an existing power plant which allows for a low incremental cost of electrical infrastructure required to be made by the Company. Bitfarms is in discussions with local engineering and project management firms to develop initial capital investment cost estimates to operationalize the first 60 MW of mining infrastructure.

Emiliano Grodzki, Interim CEO of Bitfarms, commented, "At 2 cents per kWh, even the previous generation Bitmain S9 mining rig produces approximately the same gross mining margin before amortization costs as the newer Bitmain S17+ at 4 cents per kWh under current Bitcoin mining market conditions. This simple comparison demonstrates the significant competitive advantage that results from having access to a large amount of low-cost power."

"As previously announced, during the second fiscal quarter of 2020, Bitfarm's average cost of electricity to mine a Bitcoin (in USD) was US\$5,075", noted Mr. Grodzki. "Under the terms of the MOU and under the same prevailing conditions, our cost would have been about half which would be about US\$2,538 per Bitcoin before amortization of infrastructure costs. This simple example demonstrates the significant competitive advantage that results from having access to a large amount of low-cost power. At this level, this would make Bitfarms one of the most low- cost Bitcoin miners in the world."

Mr. Grodzki added, "Securing the lowest electricity cost possible, without the need for capital intensive deposits and long-term purchase commitments, in a jurisdiction without heavy tariffs on mining equipment, is vital to Bitfarms' strategic goals of long-term sustainability and global market leadership. We are extremely pleased to have taken this important step to potentially secure 200 MW of electricity at globally competitive rates and look forward to operationalizing it in the near to medium term."

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**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
1376 Bayview Ave, Unit 1  
Toronto, Ontario M4G 3A1

**Item 2 Date of Material Change**

October 28, 2020.

**Item 3 News Release**

The press release attached as Schedule “A” was disseminated on October 28, 2020.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Nicolas Bonta  
Chairman & Director  
Bitfarms Ltd.  
nbonta@bitfarms.com

**Item 9 Date of Report**

October 28, 2020.

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**Bitfarms Announces Appointment of Mauro Ferrara as Interim Chief Financial Officer and Corporate Secretary**

**Toronto, Ontario and Brossard, Québec (October 28, 2020)** - Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) (TSXV:BITF) the largest publicly traded Bitcoin mining company in North America in the second quarter of 2020 in terms of operational petahash, is pleased to announce that it has appointed Mauro Ferrara as its Interim Chief Financial Officer and Corporate Secretary. With broad experience in corporate and operational finance, Mr. Ferrara brings more than twenty-five years of public and private sector experience including start-ups, manufacturing, and global multi-billion-dollar services organizations. Mauro will oversee financial reporting, acquisitions, tax, accounting, and corporate secretary responsibilities. Mauro Ferrara succeeds John Rim, Bitfarms former CFO & COO who left the Company on September 30, 2020.

Prior to joining Bitfarms, Mr. Ferrara served as the Chief Financial Officer of Savaria Inc. (TSX:SIS), a company traded on the TSX serving the accessibility industry. In this position, he was responsible for management accounting, financial budgeting, and preparation and presentation of all consolidated external public company financial disclosure documents to the Corporation’s Audit Committee and Board of Directors.

Prior to his responsibilities at Savaria, Mr. Ferrara served for six-years as the Senior Director, Financial Reporting at WSP Global Inc. (TSX:WSP). In this role, he focused on external financial reporting and cost management to improve EBITDA. Headquartered in Montreal, WSP is a Canadian multi-billion-dollar global engineering services company with over 50,000 employees. Mr. Ferrara is a CPA-CA and McGill University alumni.

“Bitfarms is in the midst of a major expansion and upgrading program. With five high-power data-centres operating in Quebec and the recently announced signing of a MOU in South America, the Company is well positioned to continue its ascension as a major cryptocurrency mining player”, said Mauro Ferrara. “It is an exciting time to be joining the Company. I look forward to working closely with management and team members on the myriad of corporate initiatives and new miner arrivals planned for the remainder of 2020 and into 2021.”

Nicolas Bonta, Chairman and Chief Development Officer of Bitfarms, commented, “we are very excited to have Mauro join the Bitfarms team. He has a profound understanding of global productions structures with a focus on optimizing cost structures and building quality organizations. With deep functional expertise and technical knowledge in financial planning and accounting, I believe Mauro has the required leadership abilities to manage our debt and lease facilities, improve our cost structure, mentor our accounting team and work closely with senior management as we continue to strategically expand the size the Company.”

## **About Bitfarms Ltd.**

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

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**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
1376 Bayview Ave, Unit 1  
Toronto, Ontario M4G 3A1

**Item 2 Date of Material Change**

November 9, 2020.

**Item 3 News Release**

The press release attached as Schedule “A” was disseminated on November 9, 2020.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Nicolas Bonta  
Chairman & Director Bitfarms Ltd.  
nbonta@bitfarms.com

**Item 9 Date of Report**

November 9, 2020.

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## Bitfarms Announces Installation of 2,000 New Generation Miners Adding 144 Petahash of Computing Power

**Toronto, Ontario and Brossard, Québec (November 9, 2020)** - Bitfarms Ltd. ("Bitfarms", or the "Company") (TSXV: BITF) is pleased to announce the arrival and installation 2,000 new generation miners over the weekend. The new miners were installed at Bitfarms' renovated and upgraded datacentre located in Farnham, Quebec. The order and lease financing announcement regarding the WhatsMiner M31S mining rigs was previously announced on September 21, 2020. The newly installed miners have added approximately 144 petahash per second ("PH") to the Company's operations.

### Summary of Computing Power Expansion Plan in 2020

| <b>Announced:</b>           | <b>Installed:</b>           | <b>Equipment:</b>                                                                           |
|-----------------------------|-----------------------------|---------------------------------------------------------------------------------------------|
| June, 2020                  | June 2020                   | Purchased: 1,847 MicroBT's WhatsMiner M20S adding 133 PH of computing power                 |
| August, 2020                | September 2020              | Leased: 1,000 MicroBT's WhatsMiner M31S <sup>+</sup> adding 82 PH of computing power        |
| October, 2020               | November 2020               | Leased: 2,000 MicroBT's WhatsMiner M31S adding 144 PH of computing power                    |
| September, 2020             | Estimated for late November | To be Leased: 4,000 MicroBT's WhatsMiner M31S <sup>+</sup> adding 328 PH of computing power |
| September and October, 2020 | Estimated for December 2020 | To be Leased: 1,000 – 3,500 MicroBT's WhatsMiner units.                                     |

As first communicated in the Press Release dated September 21, 2020, Bitfarms is well on its way to exceeding 759 PH of new capacity during 2020. The 2,000 new miners installed this past weekend improve Bitfarms' computing power-to-electricity efficiency ratio from 16.7 PH/MW to 17.8 PH/MW and bring our average cost per Bitcoin to approximately US\$6,400 based on market conditions on the 8th of November 2020 with a Bitcoin price of approximately US\$15,500.

Emiliano Grodzki, Interim Chief Executive Officer of Bitfarms added, "November has been an amazing month for Bitfarms. Bitcoin prices have been increasing quickly, the difficulty factor recently decreased, and the Company is busy installing thousands of new miners. Bitfarms is proud to be a fundamental contributor to the global Bitcoin infrastructure and to be part of the ongoing paradigm shift. We are very excited about the future."

### About Bitfarms Ltd.

The Company owns and operates computing centres that power the global decentralized financial economy. Bitfarms provides computing power to cryptocurrency networks for Bitcoin, earning fees from each network for securing and processing transactions. Powered by clean and competitively priced hydroelectricity, Bitfarms operates five computing centres in Québec, Canada. Bitfarms' experienced management team includes industrial- scale data centre operators and capital markets professionals, focused on building infrastructure by developing and hosting one of the industry's most efficient ecosystem growing around blockchain-based technologies.

### For investor and media inquiries, please contact:

Geoff Morphy  
+1.647.500.7440  
gmorphy@bitfarms.com

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**Bitfarms Announces 2020 Third Quarter Results Release Date**

TORONTO & BROSSARD, Québec--(BUSINESS WIRE)--November 13, 2020--Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) (TSXV:BITF) will release its 2020 third quarter results on Thursday November 26, 2020 prior to market open. The Company’s senior management will be hosting a webcast presentation at 10:00 AM Eastern Time on November 26, 2020 to discuss Bitfarms’ financial and operating results. To view the webcast presentation, please register using the following link:

<https://onlinexperiences.com/Launch/QReg/ShowUUID=24FF76E5-C7B6-45CC-B66D-D650BAAE8D3E>

The financial results and presentation will also be available on the Company’s website at [www.bitfarms.com](http://www.bitfarms.com)

**About Bitfarms Ltd.**

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**Contacts**

Mauro Ferrara

Interim Chief Financial Officer and Corporate Secretary Bitfarms Ltd.

+1.514.691-6228

[MFerrara@bitfarms.com](mailto:MFerrara@bitfarms.com)



## INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT SEPTEMBER 30, 2020 (UNAUDITED)

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| <a href="#"><u>Interim Condensed Consolidated Statements of Profit or Loss and Comprehensive Profit or Loss</u></a> | 3           |
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## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands of U.S. dollars)

|                                                              | Note | September 30,<br>2020<br>Unaudited | December 31,<br>2019    |
|--------------------------------------------------------------|------|------------------------------------|-------------------------|
| <b>ASSETS</b>                                                |      |                                    |                         |
| <b>CURRENT ASSETS:</b>                                       |      |                                    |                         |
| Cash and cash equivalents                                    |      | \$ 1,324                           | \$ 2,159                |
| Trade receivables                                            |      | 899                                | 1,108                   |
| Other assets                                                 |      | 892                                | 1,398                   |
| Inventories                                                  |      | 210                                | 135                     |
| Income taxes receivable                                      |      | 534                                | 1,743                   |
| Current portion of embedded derivative                       | 6    | 608                                | -                       |
|                                                              |      | <u>4,467</u>                       | <u>6,543</u>            |
| Assets held for sale                                         | 4    | -                                  | 7                       |
| <b>TOTAL CURRENT ASSETS</b>                                  |      | <u><b>4,467</b></u>                | <u><b>6,550</b></u>     |
| <b>NON-CURRENT ASSETS:</b>                                   |      |                                    |                         |
| Property, plant and equipment                                | 5    | 33,910                             | 37,774                  |
| Right-of-use assets                                          | 7    | 5,535                              | 6,233                   |
| Long-term deposits and equipment prepayments                 |      | 1,063                              | 1,148                   |
| Intangible assets                                            |      | 457                                | 675                     |
| Embedded derivative                                          | 6    | 494                                | 476                     |
| <b>TOTAL NON-CURRENT ASSETS</b>                              |      | <u><b>41,459</b></u>               | <u><b>46,306</b></u>    |
| <b>TOTAL ASSETS</b>                                          |      | <u><b>\$ 45,926</b></u>            | <u><b>\$ 52,856</b></u> |
| <b>LIABILITIES AND EQUITY</b>                                |      |                                    |                         |
| <b>CURRENT LIABILITIES:</b>                                  |      |                                    |                         |
| Trade payables and accrued liabilities                       | 9    | \$ 2,004                           | \$ 2,389                |
| Current portion of long-term debt                            | 6    | 11,814                             | 874                     |
| Current portion of lease liabilities                         | 7, 9 | 1,580                              | 746                     |
| <b>TOTAL CURRENT LIABILITIES</b>                             |      | <u><b>15,398</b></u>               | <u><b>4,009</b></u>     |
| <b>NON-CURRENT LIABILITIES:</b>                              |      |                                    |                         |
| Long-term debt                                               | 6    | 5,100                              | 14,849                  |
| Lease liabilities                                            | 7, 9 | 5,891                              | 5,717                   |
| Asset retirement provision                                   |      | 202                                | 193                     |
| <b>TOTAL NON-CURRENT LIABILITIES</b>                         |      | <u><b>11,193</b></u>               | <u><b>20,759</b></u>    |
| <b>TOTAL LIABILITIES</b>                                     |      | <u><b>26,591</b></u>               | <u><b>24,768</b></u>    |
| <b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:</b> |      |                                    |                         |
| Share capital                                                |      | 30,921                             | 30,475                  |
| Contributed surplus                                          |      | 5,185                              | 3,469                   |
| Accumulated deficit                                          |      | (16,771)                           | (5,856)                 |
| <b>TOTAL EQUITY</b>                                          |      | <u><b>19,335</b></u>               | <u><b>28,088</b></u>    |
| <b>TOTAL LIABILITIES &amp; EQUITY</b>                        |      | <u><b>\$ 45,926</b></u>            | <u><b>\$ 52,856</b></u> |

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

# **INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT (LOSS) AND COMPREHENSIVE PROFIT (LOSS)**

(In thousands of U.S. dollars, except earnings per share)

|                                                        | Note   | Three months ended<br>September 30, |                 | Nine months ended<br>September 30, |               |
|--------------------------------------------------------|--------|-------------------------------------|-----------------|------------------------------------|---------------|
|                                                        |        | 2020                                | 2019            | 2020                               | 2019          |
|                                                        |        | Unaudited                           |                 |                                    |               |
| Revenues                                               | 11, 12 | \$ 6,795                            | \$ 9,739        | \$ 23,379                          | \$ 21,886     |
| Cost of sales                                          |        | 7,827                               | 5,276           | 23,250                             | 13,280        |
| Gross profit (loss)                                    |        | (1,032)                             | 4,463           | 129                                | 8,606         |
| General and administrative expenses                    |        | 1,809                               | 2,296           | 5,985                              | 7,575         |
| Impairment of property, plant and equipment            |        | -                                   | 56              | -                                  | 56            |
| Operating income (loss)                                |        | (2,841)                             | 2,111           | (5,856)                            | 975           |
| (Gain) on disposition of cryptocurrencies              |        | -                                   | -               | (23)                               | -             |
| Loss on disposition of property, plant and equipment   |        | 557                                 | 4               | 1,264                              | 7             |
| Net financial expenses (income)                        |        | 1,363                               | (2,185)         | 3,930                              | 2             |
| Net income (loss) before income taxes                  |        | (4,761)                             | 4,292           | (11,027)                           | 966           |
| Income tax expense (recovery)                          |        | -                                   | (17)            | (112)                              | (17)          |
| Net income(loss) and total comprehensive income (loss) |        | <u>\$ (4,761)</u>                   | <u>\$ 4,309</u> | <u>\$ (10,915)</u>                 | <u>\$ 983</u> |
| Attributable to:                                       |        |                                     |                 |                                    |               |
| Equity holders of the Company                          |        | \$ (4,761)                          | \$ 3,900        | \$ (10,915)                        | \$ 1,775      |
| Non-controlling interests                              |        | -                                   | 409             | -                                  | (792)         |
|                                                        |        | <u>\$ (4,761)</u>                   | <u>\$ 4,309</u> | <u>\$ (10,915)</u>                 | <u>\$ 983</u> |
| Net earnings (loss) per share (in U.S. dollars):       |        |                                     |                 |                                    |               |
| Basic net earnings (loss) per share                    |        | \$ (0.06)                           | \$ 0.06         | \$ (0.13)                          | \$ 0.03       |
| Diluted net earnings (loss) per share                  |        | \$ (0.06)                           | \$ 0.05         | \$ (0.13)                          | \$ 0.03       |
| Basic weighted average number of shares                | 11     | 84,521                              | 70,367          | 84,851                             | 61,522        |
| Diluted weighted average number of shares              | 11     | 84,521                              | 79,623          | 84,851                             | 66,367        |

The accompanying notes are an integral part of the interim condensed consolidated financial statements.



## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of U.S. dollars)

|                                                                      | Equity attributable to equity holders of the Company |                     |                            |                     |                  | Non-controlling interest | Total equity     |
|----------------------------------------------------------------------|------------------------------------------------------|---------------------|----------------------------|---------------------|------------------|--------------------------|------------------|
|                                                                      | Share capital                                        | Contributed surplus | Obligation to issue shares | Accumulated deficit | Total            |                          |                  |
| <b>Balance as of January 1, 2020</b>                                 | \$ 30,475                                            | \$ 3,469            | \$ -                       | \$ (5,856)          | \$ 28,088        | \$ -                     | \$ 28,088        |
| Net loss and total comprehensive loss                                | -                                                    | -                   | -                          | (10,915)            | (10,915)         | -                        | (10,915)         |
| Share-based payment (Notes 8, 10)                                    | 192                                                  | 1,606               | -                          | -                   | 1,798            | -                        | 1,798            |
| Issuance of common shares and modification of warrants (Notes 6, 8)  | 54                                                   | -                   | -                          | -                   | 54               | -                        | 54               |
| Long-term debt conversion feature (Note 6)                           | -                                                    | 110                 | -                          | -                   | 110              | -                        | 110              |
| Exercise of warrants (Note 8)                                        | 200                                                  | -                   | -                          | -                   | 200              | -                        | 200              |
| <b>Balance as of September 30, 2020 (unaudited)</b>                  | <u>\$ 30,921</u>                                     | <u>\$ 5,185</u>     | <u>\$ -</u>                | <u>\$ (16,771)</u>  | <u>\$ 19,335</u> | <u>\$ -</u>              | <u>\$ 19,335</u> |
| <b>Balance as of January 1, 2019</b>                                 | \$ 19,812                                            | -                   | \$ 4,386                   | \$ (8,755)          | \$ 15,443        | \$ 5,209                 | \$ 20,652        |
| Net loss and total comprehensive loss                                | -                                                    | -                   | -                          | 1,775               | 1,775            | (792)                    | 983              |
| Share-based payment                                                  | -                                                    | 2,282               | -                          | -                   | 2,282            | 161                      | 2,443            |
| Exchange of share based payment from legal subsidiary to the Company | 141                                                  | 766                 | -                          | -                   | 907              | (907)                    | -                |
| Exchange of exchangeable shares issued in the reverse acquisition    | 4,386                                                | -                   | (4,386)                    | -                   | -                | -                        | -                |
| Reclassification of warrant liability to equity                      | 3,160                                                | -                   | -                          | -                   | 3,160            | -                        | 3,160            |
| Acquisition of NCI by issuance of shares                             | 3,671                                                | -                   | -                          | -                   | 3,671            | (3,671)                  | -                |
| <b>Balance as of September 30, 2019 (unaudited)</b>                  | <u>\$ 31,170</u>                                     | <u>\$ 3,048</u>     | <u>\$ -</u>                | <u>\$ (6,980)</u>   | <u>\$ 27,238</u> | <u>\$ -</u>              | <u>\$ 27,238</u> |

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands of U.S. dollars)

| Nine months ended September 30,                                 |      |             |          |
|-----------------------------------------------------------------|------|-------------|----------|
|                                                                 |      | 2020        | 2019     |
|                                                                 | Note | Unaudited   |          |
| <b>Cash flows from operating activities:</b>                    |      |             |          |
| Net income (loss)                                               |      | \$ (10,915) | \$ 983   |
| Adjustments for:                                                |      |             |          |
| Depreciation and amortization                                   |      | 8,652       | 4,217    |
| Net financial expenses (income)                                 |      | 3,930       | 2        |
| Share-based payment                                             | 10   | 1,798       | 2,443    |
| Interest and financial expenses paid                            |      | (3,004)     | (1,948)  |
| Impairment loss on property and plant and equipment             |      | -           | 56       |
| Loss on disposal of property, plant and equipment               |      | 1,264       | 7        |
| Provision for asset retirement and other                        |      | 12          | (32)     |
|                                                                 |      | 12,652      | 4,745    |
| Changes in non-cash working capital components                  | 13   | 2,402       | (2,399)  |
| Net cash related to operating activities                        |      | 4,139       | 3,329    |
| <b>Cash flows from investing activities:</b>                    |      |             |          |
| Purchase of property, plant and equipment and intangible assets |      | (4,902)     | (18,262) |
| Proceeds from sale of property, plant and equipment             |      | 718         | 1,429    |
| Advance payments for equipment                                  |      | -           | (2,864)  |
| Net cash related to investing activities                        |      | (4,184)     | (19,697) |
| <b>Cash flows from financing activities:</b>                    |      |             |          |
| Issuance of warrants                                            |      | -           | 4,936    |
| Exercise of warrants                                            |      | 200         | -        |
| Proceeds from long-term debt, net                               |      | 80          | 14,664   |
| Repayment of lease liabilities                                  |      | (621)       | (484)    |
| Repayment of long-term debt                                     |      | (469)       | (837)    |
| Net cash related to financing activities                        |      | (810)       | 18,279   |
| Exchange rate differences on currency translation               |      | 20          | -        |
| Net change in cash and cash equivalents                         |      | (835)       | 1,911    |
| Cash and cash equivalents at beginning of period                |      | 2,159       | 552      |
| Cash and cash equivalents at end of period                      |      | \$ 1,324    | \$ 2,463 |

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE 1: REPORTING ENTITY, BASIS OF PRESENTATION AND LIQUIDITY**

- a. Bitfarms was incorporated under the Canada Business Corporation Act on October 11, 2018. The interim condensed financial statements of the corporation as at and for the periods ended September 30, 2020 and 2019 comprise the accounts of Bitfarms Ltd. and its wholly owned subsidiaries (together referred to as the “Company” or “Bitfarms”). The activities of the Company are divided into two reportable segments: the cryptocurrency mining segment (referred to as “Backbone”) and the electrical services segment (referred to as “Volta”), as described in Note 12 “Reportable segments”.

The common shares of the Company are listed under the trading symbol BITF.V of the TSX Venture Exchange.

- b. 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 IAS 34.

These interim condensed consolidated financial statements do not include all of 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 on December 31, 2019. These interim condensed consolidated financial statements were approved by the Board of Directors on November 25, 2020.

- c. For the nine months ended September 30, 2020, the Company had a net loss of \$10,915. As at September 30, 2020, the Company had negative working capital of \$10,931 and an accumulated deficit of \$16,771. Based on internally prepared forecasted cash flows, taking into consideration current cryptocurrency mining economics, as well as the refinancing of long-term debt and equipment lease described in Notes 6 and 7, management believes that the Company will be able to achieve positive cash flows from operations that will enable it to meet its obligations for at least one year from the date of the interim condensed consolidated financial statements.

Bitfarms is primarily engaged in the cryptocurrency mining industry; a highly volatile market with significant inherent risk. 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 and negatively impact the Company’s operations. Due to the volatility of cryptocurrency prices and the effects of possible changes in the other aforementioned factors, there can be no assurance that future mining operations will be profitable and generate sufficient cash flows to repay the financing facility with Dominion Capital, maturing in 2021, as described in Note 6. In addition, adverse changes to the factors mentioned above may impact the carrying value of the Company’s property, plant and equipment resulting in impairment charges being recorded.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE 1: REPORTING ENTITY, BASIS OF PRESENTATION AND LIQUIDITY (Cont.)**

In March 2020, the World Health Organization declared COVID-19 a pandemic. The global response to the pandemic is constantly evolving, including various measures implemented at the global, national, provincial and local levels. The major impacts that COVID-19 are expected to have on the Backbone operating segment include potential increases in cryptocurrency price volatility, difficulty obtaining new financing due to a global economic slowdown, and delays in receiving future orders of mining hardware and parts sourced from overseas. The Backbone operating segment has been, and is expected to, continue operating throughout the pandemic.

Volta's services are considered to be essential by government authorities and have been, and are expected to continue, operating throughout the pandemic. There is a potential for increased bad debts resulting from the economic impact of COVID-19 on existing customers.

The Company has benefited from the Canada Emergency Wage Subsidy ("CEWS") in the amount of approximately \$625 and will continue to monitor its eligibility to claim the CEWS. There can be no assurance that the Company will continue to be eligible for the CEWS as future changes to revenues as well as modification to the eligibility criteria may render the Company ineligible.

The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government interventions. It is not possible to reliably estimate the length and severity of these developments as well as the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

d. 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. | BTC      | Bitcoin                                          |
| 4. | BCH      | Bitcoin Cash                                     |
| 5. | LTC      | Litecoin                                         |
| 6. | BVVE     | Blockchain Verification and Validation Equipment |

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

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, 2019, except for the adoption of and change in accounting policies described in Note 3.

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

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE 3: ADOPTION OF AND CHANGE IN ACCOUNTING POLICIES***Government assistance*

Government assistance is recognized where there is reasonable assurance that the assistance will be received, and all attached conditions will be complied with. Government assistance is intended to compensate an expense item which is recognized in net income (loss) on a systematic basis over the periods that the related costs are expensed. During the quarter and nine-month period ended September 30, 2020, the Company recorded \$345 and \$625 of government subsidies (CEWS), recognized in cost of sales and general and administrative expenses (nil during the comparable periods in 2019). There are no unfulfilled conditions or contingencies attached this assistance. The Company adopted this accounting policy during the year.

*Revenue recognition*

The Company, through Backbone, operates server farms supporting the verification and validation of blockchain transactions in exchange for cryptocurrency, referred to as “cryptocurrency mining”. The Company changed its accounting policy with respect to revenue recognition from cryptocurrency mining and subsequent measurement of cryptocurrency on hand. Prior to this change, the Company accounted for cryptocurrency as inventory until it was sold in exchange for fiat currency. Inventories of cryptocurrency were measured at the lower of cost to produce and net realizable value. The cost of cryptocurrency inventory was comprised of the costs incurred with respect to the validation and verification of blockchain transactions, consisting mainly of electricity and depreciation. Net realizable value was measured as the estimated selling price in the ordinary course of business less estimated selling costs. Revenue was recognized when the cryptocurrency was converted into fiat currency or when the cryptocurrency was transferred to another party in settlement of a debt to this party. The Company now recognizes revenue upon receipt of cryptocurrency in exchange for its mining activities at the fair market value of the cryptocurrency received, as described below.

IFRS 15 provides a five step model for identifying revenue from contracts with customers, as follows:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when the Company satisfies a performance obligation

The Company has entered into contracts with mining pools and has undertaken the performance obligation of providing computing power to the mining pool in exchange for non-cash consideration in the form cryptocurrency. The Company measures the non-cash consideration received at the fair market value of the cryptocurrency received. Management estimates fair value 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 previously considered Coinmarketcap to be a Level 1 input under IFRS 13 Fair Value Measurement. However, management has revised this opinion and now considers Coinmarketcap to be a level 2 input as the price represents an average of quoted prices on various markets and not necessarily the principal

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE 3: ADOPTION OF AND CHANGE IN ACCOUNTING POLICIES (Cont.)**

market. Any difference between the fair value of cryptocurrency recorded upon receipt from mining activities and the actual realized price upon disposal are recorded as a gain or loss on disposition of cryptocurrency. The Company has also entered into hosting contracts where it operates mining equipment on behalf of third parties within its facilities. Revenue from hosting contracts is measured as the Company meets its obligation of operating the hosted equipment over time.

Cryptocurrency on hand at the end of a reporting period is accounted for under IAS 38 Intangible Assets, as an intangible asset with an indefinite useful life initially measured at cost, deemed to be the fair value upon receipt as described above, and subsequently measured under the revaluation model. Under the revaluation model, increases in the cryptocurrency's carrying amount is recognized in other comprehensive income and accumulated in equity under revaluation surplus. However, increases are recognized in profit or loss to the extent that it reverses a revaluation decrease of cryptocurrency previously recognized in profit or loss. The fair value of cryptocurrency on hand at the end of the reporting period is calculated as the quantity of cryptocurrency on hand multiplied by price quoted on Coinmarketcap as at the reporting date.

The Company has continued to classify cryptocurrency on hand at the end of a period as a current asset as management has determined that cryptocurrency markets have sufficient liquidity to allow conversion within the Company's normal operating cycle.

The Company believes that the revised policy and presentation provide more relevant financial information to the users of the financial statements. The accounting policy change has been applied retrospectively, but the Company's management has determined that the impact of the accounting policy change in previous periods is not material. The cumulative effect of retrospective application of the accounting policy change on retained earnings as at January 1, 2020 was nil as the Company did not have any cryptocurrency on hand as at December 31, 2019. Furthermore, the Company's management believes that the disclosures made in previous periods relating to the quantity and fair value of cryptocurrencies mined during the periods, the cost and fair market value of cryptocurrencies on hand at the end of the periods and the proceeds received from disposal of cryptocurrencies during the periods is sufficient to allow users of the financial statements to understand the Company's financial results. The accounting standards in the cryptocurrency mining industry are still evolving and the Company's management believes that this accounting policy change is better aligned with current industry practices. Additionally, the Company may be required to re-evaluate their accounting policy with respect to revenue recognition and subsequent remeasurement of cryptocurrency on hand in the event of the issuance of new accounting guidance or a change in the Company's business practice of regularly disposing of cryptocurrencies.

The Company did not have any cryptocurrency on hand as at September 30, 2020 or December 31, 2019.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE 4: ASSETS HELD FOR SALE**

On May 24, 2019, the Company's management decided to sell 2,500 Antminer L3+ and committed to carry out a plan for the sale of the equipment. In 2019, the Company had located a purchaser and received non-refundable deposits totaling approximately \$332 and made the mining hardware available to the purchaser. The purchaser has not collected the mining hardware, which is no longer in use by the Company. The Company had deferred recognizing a gain on the disposition of the assets, as it was not reasonably certain that the transaction would be completed. The proceeds received from the purchaser were accounted for as a liability included in accounts payable. During the previous quarter, the three months ended June 30, 2020, the Company's management determined that the Company has completed the performance obligations necessary in order to recognize the gain on the sale. Accordingly, an amount of \$332 was recorded as a gain on disposal of property, plant and equipment during that period. Assets held for sale of \$7 as at December 31, 2019, excluding the Antminer L3+ described above, were sold in January 2020, for approximately their carrying amount.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

## NOTE 5: PROPERTY, PLANT AND EQUIPMENT

a. As at September 30, 2020, and December 31, 2019, property, plant and equipment consisted of:

|                                                                | BVVE and<br>electrical<br>components | Mineral<br>assets | Land and<br>buildings | Leasehold<br>improvements | Vehicles      | Total            |
|----------------------------------------------------------------|--------------------------------------|-------------------|-----------------------|---------------------------|---------------|------------------|
| <b>Cost:</b>                                                   |                                      |                   |                       |                           |               |                  |
| <b>Balance as of January 1, 2020</b>                           | \$ 54,127                            | \$ 9,000          | \$ 2,721              | \$ 2,415                  | \$ 381        | \$ 68,644        |
| Additions during the period                                    | 5,105                                | -                 | 314                   | 270                       | 68            | 5,757            |
| Dispositions during the period                                 | (7,374)                              | -                 | -                     | (14)                      | (12)          | (7,400)          |
| <b>Balance as of September 30, 2020 (Unaudited)</b>            | <u>51,858</u>                        | <u>9,000</u>      | <u>3,035</u>          | <u>2,671</u>              | <u>437</u>    | <u>67,001</u>    |
| <b>Balance as of January 1, 2019</b>                           | 35,439                               | 9,000             | 2,033                 | 2,140                     | 333           | 48,945           |
| Additions during the period                                    | 21,967                               | -                 | 688                   | 275                       | 73            | 23,003           |
| Dispositions during the period                                 | (3,193)                              | -                 | -                     | -                         | (25)          | (3,218)          |
| Transfer to assets held for sale                               | (86)                                 | -                 | -                     | -                         | -             | (86)             |
| <b>Balance as of December 31, 2019</b>                         | <u>54,127</u>                        | <u>9,000</u>      | <u>2,721</u>          | <u>2,415</u>              | <u>381</u>    | <u>68,644</u>    |
| <b>Accumulated Depreciation: Balance as of January 1, 2020</b> | 28,976                               | -                 | 101                   | 1,641                     | 152           | 30,870           |
| Depreciation                                                   | 7,368                                | -                 | 61                    | 171                       | 47            | 7,647            |
| Dispositions during the period                                 | (5,404)                              | -                 | -                     | (15)                      | (7)           | (5,426)          |
| <b>Balance as of September 30, 2020 (Unaudited)</b>            | <u>30,940</u>                        | <u>-</u>          | <u>162</u>            | <u>1,797</u>              | <u>192</u>    | <u>33,091</u>    |
| <b>Balance as of January 1, 2019</b>                           | 26,424                               | -                 | 38                    | 1,530                     | 91            | 28,083           |
| Depreciation                                                   | 5,318                                | -                 | 63                    | 111                       | 71            | 5,563            |
| Dispositions during the period                                 | (2,753)                              | -                 | -                     | -                         | (10)          | (2,763)          |
| Transfer to assets held for sale                               | (13)                                 | -                 | -                     | -                         | -             | (13)             |
| <b>Balance as of December 31, 2019</b>                         | <u>28,976</u>                        | <u>-</u>          | <u>101</u>            | <u>1,641</u>              | <u>152</u>    | <u>30,870</u>    |
| Net book value as of                                           |                                      |                   |                       |                           |               |                  |
| <b>September 30, 2020</b>                                      | <u>\$ 20,918</u>                     | <u>\$ 9,000</u>   | <u>\$ 2,873</u>       | <u>\$ 874</u>             | <u>\$ 245</u> | <u>\$ 33,910</u> |
| <b>December 31, 2019</b>                                       | <u>\$ 25,151</u>                     | <u>\$ 9,000</u>   | <u>\$ 2,620</u>       | <u>\$ 774</u>             | <u>\$ 229</u> | <u>\$ 37,774</u> |

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

|                                                      | Bitmain<br>Antminer S9<br>(BTC) | Other<br>Bitmain<br>Antminers<br>(BTC) * | Bitmain<br>Antminer<br>L3+ (LTC) | Innosilicon<br>T3 & T2T<br>(BTC/BCH)<br>** | Canaan<br>Avalon A10<br>(BTC) | MicroBT<br>Whatsminer<br>(BTC)<br>*** |
|------------------------------------------------------|---------------------------------|------------------------------------------|----------------------------------|--------------------------------------------|-------------------------------|---------------------------------------|
| <b>Quantity as of January 1, 2020</b>                | 15,159                          | 2,071                                    | 400                              | 6,543                                      | 2,490                         | 2,470                                 |
| Additions during the period                          | 2,000                           | 3                                        | -                                | -                                          | -                             | 2,875                                 |
| Dispositions during the period                       | (5,329)                         | (253)                                    | (400)                            | (77)                                       | (1,375)                       | -                                     |
| <b>Quantity as of September 30, 2020 (Unaudited)</b> | <u>11,830</u>                   | <u>1,821</u>                             | <u>-</u>                         | <u>6,466</u>                               | <u>1,115</u>                  | <u>5,345</u>                          |

\* Includes 1,331 Antminer T15, 89 Antminer S17, 399 Antminer S15 and 2 Antminer S11

\*\* Includes 5,095 T3 and 1,371 T2T

\*\*\*Includes 4,345 M20S and 1,000 M31S+



**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE 5: PROPERTY, PLANT AND EQUIPMENT (Cont.)**

Included in the BVVE and electrical equipment listed above are right-of-use assets consisting of 1,000 Whatsminer M31S+ with a net book value of approximately \$1,720 as described in Note 7.

The Company combined the hashboards of Antminer S9s which would not have been profitable to repair. The combination process of the Antminer S9 hashboards consisted of combining parts from machines that were not fully operational, in order to create fully functional machines, 2,064 machines were discarded as a result of this process.

In addition to the equipment details listed above, the Company entered into profit sharing agreements with two parties to host 1,165 Antminer S9s. The profit-sharing agreements are structured such that the Company does not share the profits with the other parties unless minimum profitability thresholds are met. Once the profitability threshold is met, the other parties are entitled to 39% of the revenues and Backbone must pay all related electricity costs. The contracts can be terminated by either party at any time. For the three and nine month periods ended September 30, 2020, Backbone mined a total of approximately 5 and 35 Bitcoin (three and nine month periods ended September 30, 2019, 35 and 153 Bitcoin) using the hosted Antminer S9s. As at September 30, 2020, accounts payable and accrued liabilities included \$13 payable to the two parties.

**NOTE 6: LONG-TERM DEBT**

|                                           | <u>September 30,</u> | <u>December 31,</u> |
|-------------------------------------------|----------------------|---------------------|
|                                           | <u>2020</u>          | <u>2019</u>         |
|                                           | <u>Unaudited</u>     |                     |
| Dominion Capital loan                     | \$ 16,650            | \$ 15,084           |
| Backbone vendor financing                 | -                    | 394                 |
| Volta note payable and vendor financing   | 264                  | 245                 |
| Total long-term debt                      | 16,914               | 15,723              |
| Less current maturities of long-term debt | (11,814)             | (874)               |
| Non-current maturities of long-term debt  | <u>\$ 5,100</u>      | <u>\$ 14,849</u>    |

On March 15, 2019, the Company entered into a secured debt financing facility for up to \$20,000 with Dominion Capital LLC (the "Lender"). The debt facility is structured into four separate loan tranches of \$5,000 per tranche. Each loan tranche was drawn down in 2019 and bears interest at 10% per annum. The term of each loan tranche is 24 months with a balloon payment for any remaining outstanding balance at the end of the term of the loan tranche.

In September 2020, the Company entered into an agreement with Dominion Capital to amend the maturity date of tranche #2 from April 2021 to November 2021. The 10% make-whole clause described below will remain in effect for the 6 month extension of the second loan tranche.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE 6: LONG-TERM DEBT (Cont.)**

In addition, a conversion feature was added to tranche #3, maturing in June 2021, providing Dominion Capital with the option to convert all or a portion of the loan tranche into shares at a price of \$0.59 USD per share. The conversion feature may be exercised by Dominion Capital at any time until the loan matures in June 2021. The conversion feature was valued at \$110 and was recorded as a reduction in long-term debt and an increase in equity. In exchange for the amendments described above, the Company agreed to issue 1,000,000 common shares to Dominion Capital. In addition, the expiry date of the 1,666,667 warrants issued in connection with the drawdown of Tranche #2 was modified from April 2024 to November 2021. The exercise price of the 1,666,667 warrants issued in connection with tranche #3 was modified from \$0.40 USD per warrant to \$0.30 USD per warrant. The modifications described above did not sufficiently alter the future cash flows related to the loan to meet the criteria for an extinguishment. The Black Scholes model was used in determining the values of the warrants. The net charge to finance expense as a result of the issuance of common shares and warrant modifications was \$54. The overall modifications to the contractual cash flows resulted in a modification loss of \$12.

A monthly payment equivalent to 10% of the value of cryptocurrencies mined by Backbone during the month is required in repayment of the total loan tranches drawn. The monthly payments shall be applied to interest and the balance to principal, and in the event that the amount of the cryptocurrency mined is less than the amount of interest owing, such additional amounts shall be remitted such that the interest is payable in full on a current basis. The loan contains a "make-whole" clause which stipulates that the 10% interest rate is calculated on the initial principal balance of the loan tranche and does not decrease as the principal balance is repaid. The 10% interest rate is calculated over the 24-month term of each loan tranche regardless of whether the loan tranche is repaid prior to its maturity. Any unpaid interest at the earlier of the loan tranche's early repayment, or the loan tranche's 24-month maturity is included in the balloon payment. The loan tranches are fully secured by the assets of the Company on a first-priority basis. Pursuant to the terms with the Lender, the Company is required to comply with certain covenants as long as any amount is outstanding. The significant covenants are to maintain a bank balance of \$1,000 at all times, as well as restrictions on issuing additional debt or selling property, plant and equipment without re-investing the proceeds into new purchases of property, plant and equipment

The loan features result in a loan liability measured at amortized cost, warrants that are accounted for as an equity component and an embedded derivative measured at fair value through profit or loss.

*Loan liability*

The loan is measured at amortized cost using the effective interest method. Management used significant judgement and estimates when determining the effective interest rate. Payment amounts are determined as 10% of the cryptocurrency mined by Backbone. In order to calculate the effective interest rate, management had to estimate Backbone's future cryptocurrency mining revenues in order to estimate the timing and amount of future loan repayments. The effective interest rate was determined to be 26.93%, 30.16%, 37.10 % and 38.02% for the first, second, third and fourth tranches, respectively. The carrying amount of the loan liability, in conjunction with the embedded derivative described below, approximates its fair value. Included in net financial expenses for the three and nine month periods ended September 30, 2020 are \$1,459 and \$3,946 of interest expense related to the loan (\$1,019 and \$1,615 of interest expense for the three and nine month periods ended September 30, 2019).

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE 6: LONG-TERM DEBT (Cont.)***Embedded derivative*

The value of the "make-whole" clause described above will vary based on management's projections of the timing of the loan repayment, which are based on Backbone's cryptocurrency mining revenues. This interest feature has been accounted for as an embedded derivative that is measured at fair value through profit or loss.

*Key assumptions*

Key assumptions used in recording the embedded derivative as at September 30, 2020, are described below. These assumptions are subject to change based on future developments and such changes could have a material effect on embedded derivative.

*Revenues* - Two optimistic, two pessimistic and one status quo scenario were used in estimating future bitcoin price and network difficulty, which are key factors in predicting revenues from cryptocurrency mining. Management assigned probabilities to each scenario, which were used to calculate weighted average expected outcomes. The weighted average bitcoin price and network difficulty used in the projections in order to determine the fair value of the embedded derivative were \$12.8 and  $1.8 \times 10^{13}$ , respectively.

*Internal hashrate* - Management was required to predict the growth of the Company's internal hashrate, one of the main revenue drivers in combination with bitcoin price and network difficulty, to predict revenues. Accordingly, management was required to make assumptions regarding the timing of all four loan tranche drawdowns as well as the pricing and availability of cryptocurrency mining hardware.

The fair value measurement is based upon level 3 inputs, as a result management has performed a sensitivity analysis using varying discount rates:

|                                 | Scenario 1 | Scenario 2 | Scenario 3 |
|---------------------------------|------------|------------|------------|
| Discount rate                   | 30.05%     | 33.05%     | 36.05%     |
| Total value - asset (liability) | \$ 1,165   | \$ 1,134   | \$ 1,102   |

As at September 30, 2020, management recognized an embedded derivative asset with a fair value of \$1,102 (December 31, 2019 –\$476) resulting in an unrealized gain of \$506 and \$626 for the three and nine months ended September 30, 2020 included in net financial expense (three and nine month periods ended September 30, 2019 - \$831 and \$422).

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE 7: LEASES**

Set out below are the carrying amounts of the Company's right-of-use assets and lease liabilities and their movements during the nine month period ended September 30, 2020:

|                                              | <b>Leased<br/>premises</b> | <b>Vehicles</b> | <b>Other<br/>equipment</b> | <b>Total ROU<br/>assets</b> | <b>Lease<br/>liabilities</b> |
|----------------------------------------------|----------------------------|-----------------|----------------------------|-----------------------------|------------------------------|
| As of January 1, 2020                        | \$ 6,024                   | \$ 157          | \$ 52                      | \$ 6,233                    | \$ 6,463                     |
| Additions and extensions to ROU assets       | -                          | 36              | -                          | 36                          | 36                           |
| Additions to property, plant and equipment   | -                          | -               | -                          | -                           | 1,769                        |
| Depreciation                                 | (672)                      | (53)            | (9)                        | (734)                       | -                            |
| Payments                                     | -                          | -               | -                          | -                           | (958)                        |
| Interest                                     | -                          | -               | -                          | -                           | 337                          |
| Foreign exchange gain on lease liabilities   | -                          | -               | -                          | -                           | (176)                        |
| As of September 30, 2020                     | <u>\$ 5,352</u>            | <u>\$ 140</u>   | <u>\$ 43</u>               | <u>\$ 5,535</u>             | <u>\$ 7,471</u>              |
| Less current maturities of lease liabilities |                            |                 |                            |                             | (1,580)                      |
| Non-current maturities of lease liabilities  |                            |                 |                            |                             | <u>\$ 5,891</u>              |

In August 2020, the Company entered into a two year lease agreement for approximately \$1,769 of mining hardware which were delivered and installed in August 2020. The lease contains a bargain purchase option where the Company may purchase the leased equipment for \$1.00 USD upon expiration of the lease agreement. The corresponding right-of-use assets are classified as property, plant and equipment under BVVE and electrical equipment as described in Note 5.

**NOTE 8: EQUITY**

|                               | <b>Authorized<br/>September 30,<br/>2020<br/>(Unaudited)</b> | <b>Issued and outstanding at<br/>September 30,<br/>2020<br/>(Unaudited)</b> | <b>December 31,<br/>2019</b> |
|-------------------------------|--------------------------------------------------------------|-----------------------------------------------------------------------------|------------------------------|
|                               | <b>Number of shares</b>                                      |                                                                             |                              |
| Common shares of no par value | Unlimited                                                    | 85,720,630                                                                  | 83,620,630                   |

On both January 13, 2020 and February 12, 2020 Dominion Capital exercised a combined total of 500,000 warrants to acquire 500,000 common shares resulting in proceeds of \$200 being paid to the Company.

On March 11, 2020 the Company issued 500,000 common shares to the former CEO upon his resignation, see Note 10 for details.

On May 29, 2020, 100,000 common shares were issued to the COO/ CFO upon completion of the two year vesting period of 100,000 restricted stock units.

On September 18, 2020 the Company issued 1,000,000 common shares to Dominion Capital in connection with the loan modifications described in Note 6.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE 9: TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

## a. Balances with related parties:

|                                                               | <u>September 30,</u><br><u>2020</u><br><u>Unaudited</u> | <u>December 31,</u><br><u>2019</u> |
|---------------------------------------------------------------|---------------------------------------------------------|------------------------------------|
| Trade payables:                                               |                                                         |                                    |
| Directors' remuneration (included in accrued liabilities)     | \$ 31                                                   | \$ -                               |
| Companies controlled by certain directors and consulting fees | 20                                                      | 15                                 |
|                                                               | <u>\$ 51</u>                                            | <u>\$ 15</u>                       |
| Lease liabilities:                                            |                                                         |                                    |
| Companies controlled by directors                             | <u>\$ 1,695</u>                                         | <u>\$ 2,000</u>                    |

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

## b. Transactions with related parties during the three and nine month periods ended September 30, 2020:

1. The Company made rent payments totaling approximately \$111 and \$328 for the three and nine month periods ended September 30, 2020 (three and nine month periods ended September 30, 2019 - \$125 and \$447) to companies controlled by 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 of the directors. The consulting fees charged by directors totaled approximately \$88 and \$288 for the three and nine month periods ended September 30, 2020 (\$100 and \$300 for the three and nine month periods ended September 30, 2019).

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

|                                     | <u>Three months ended</u><br><u>September 30,</u> |               | <u>Nine months ended</u><br><u>September 30,</u> |               |
|-------------------------------------|---------------------------------------------------|---------------|--------------------------------------------------|---------------|
|                                     | <u>2020</u>                                       | <u>2019</u>   | <u>2020</u>                                      | <u>2019</u>   |
|                                     | <u>Unaudited</u>                                  |               | <u>Unaudited</u>                                 |               |
| General and administrative expenses | \$ 88                                             | 140           | \$ 288                                           | \$ 419        |
| Financial expenses                  | 35                                                | 45            | 108                                              | 139           |
|                                     | <u>\$ 123</u>                                     | <u>\$ 185</u> | <u>\$ 396</u>                                    | <u>\$ 558</u> |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE 10: SHARE BASED PAYMENT**

The expense recognized in the financial statements for employee services received is shown in the following table:

|                                                             | <b>Three months ended<br/>September 30,</b> |             | <b>Nine months ended<br/>September 30,</b> |             |
|-------------------------------------------------------------|---------------------------------------------|-------------|--------------------------------------------|-------------|
|                                                             | <b>2020</b>                                 | <b>2019</b> | <b>2020</b>                                | <b>2019</b> |
|                                                             | <b>Unaudited</b>                            |             |                                            |             |
| Equity-settled share-based payment plans                    | 534                                         | 872         | 1,798                                      | 2,443       |
| Total expense arising from share-based payment transactions | 534                                         | 872         | 1,798                                      | 2,443       |

The share-based payment transactions entered into between the Company and its employees during the nine month period ended September 30, 2020 are described below.

On June 28, 2020 and August 31, 2020, the Board of Directors approved stock option grants of 3,800,000 options to purchase 3,800,000 common shares in accordance with the stock option plan adopted on June 20, 2019. All options become exercisable when they vest and can be exercised for a period of 5 years from the date of the grant. The inputs used to value the grants using the Black-Scholes model are as follows:

| <b>Grant date</b>                      | <b>June 28, 2020</b> | <b>August 31, 2020</b> |
|----------------------------------------|----------------------|------------------------|
| Dividend yield (%)                     | -                    | -                      |
| Expected share price volatility (%)    | 125%                 | 125%                   |
| Risk-free interest rate (%)            | 0.95%                | 0.95%                  |
| Expected life of stock options (years) | 3                    | 3                      |
| Share price (Canadian Dollar) *        | 0.36                 | 0.43                   |
| Exercise price (Canadian Dollar)       | 0.36                 | 0.43                   |
| Fair value of options (USD)            | 0.19                 | 0.24                   |
| Vesting period (years)                 | 2                    | 2                      |
| Quantity of options granted *          | 2,600,000            | 1,200,000              |

Details of the outstanding stock options as at September 30, 2020 are as follows:

|                                 | <b>September 30, 2020 (Unaudited)</b> |                                                            |
|---------------------------------|---------------------------------------|------------------------------------------------------------|
|                                 | <b>Number of<br/>Options</b>          | <b>Weighted<br/>Average<br/>Exercise Price<br/>(\$CAD)</b> |
| Outstanding, January 1          | 8,345,000                             | 1.06                                                       |
| Granted                         | 3,800,000                             | 0.38                                                       |
| Exercised                       | -                                     | -                                                          |
| Forefeited                      | (1,860,000)                           | 1.13                                                       |
| Expired                         | (895,000)                             | 0.99                                                       |
| Outstanding, September 30, 2020 | 9,390,000                             | 0.72                                                       |
| Exercisable, September 30, 2020 | 5,983,435                             | 0.90                                                       |

The weighted average contractual life of the stock options as at September 30, 2020 was 3.25 years.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE 10: SHARE BASED PAYMENT (Cont.)**

On March 11, 2020, Wes Fulford resigned as Chief Executive Officer (CEO) and Director of Bitfarms and its subsidiaries. In consideration for past services rendered, the former CEO's stock compensation agreement was modified to immediately vest all unvested stock options, extend the expiration date of 3,000,000 options from 90 days subsequent to his resignation to July 31, 2022. Furthermore, the Company granted the former CEO 500,000 common shares and modified 500,000 options to expire as at June 2020. The stock option modifications and grant of 500,000 common shares resulted in the Company recording stock compensation expense of \$624.

On August 31, 2020, John Rim resigned as Chief Financial Officer (CFO) of Bitfarms and its subsidiaries. The former CFO entered into a consulting agreement with the Company that allows the continued vesting of all unvested stock options with the removal of performance obligations. As a result, all unvested stock options were recorded as expense effective the former CFO's resignation date. In addition, the former CFO voluntarily forfeited 1,000,000 stock options with an average strike price of \$1.19 and the Company granted immediate vesting of 300,000 stock options that were originally scheduled to vest in June 2022. The stock option modifications resulted in the Company recording stock compensation expense of \$300.

**NOTE 11: ADDITIONAL DETAILS TO THE STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME***Revenues:*

Details of the cryptocurrency mined by the Backbone operating segment and their related fair values, based on the prices quoted on [www.coinmarketcap.com](http://www.coinmarketcap.com) at the time of mining are as follows:

|              |  | <b>Three months ended September 30, 2020<br/>(Unaudited)</b> |                 |                 |
|--------------|--|--------------------------------------------------------------|-----------------|-----------------|
|              |  | <b>Bitcoin</b>                                               | <b>Litecoin</b> | <b>Total \$</b> |
| Quantity     |  | 535                                                          | -               | -               |
| Fair value * |  | \$ 5,681                                                     | \$ -            | \$ 5,681        |

|              |  | <b>Three months ended September 30, 2019<br/>(Unaudited)</b> |                 |                 |
|--------------|--|--------------------------------------------------------------|-----------------|-----------------|
|              |  | <b>Bitcoin</b>                                               | <b>Litecoin</b> | <b>Total \$</b> |
| Quantity     |  | 834                                                          | 1,219           | -               |
| Fair value * |  | \$ 8,623                                                     | \$ 123          | \$ 8,746        |

|              |  | <b>Nine months ended September 30, 2020<br/>(Unaudited)</b> |                 |                 |
|--------------|--|-------------------------------------------------------------|-----------------|-----------------|
|              |  | <b>Bitcoin</b>                                              | <b>Litecoin</b> | <b>Total \$</b> |
| Quantity     |  | 2,437                                                       | 41              | -               |
| Fair value * |  | \$ 21,421                                                   | \$ 3            | \$ 21,424       |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE 11: ADDITIONAL DETAILS TO THE STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME (Cont.)**

|              | Nine months ended September 30, 2019<br>(Unaudited) |          |           |
|--------------|-----------------------------------------------------|----------|-----------|
|              | Bitcoin                                             | Litecoin | Total \$  |
| Quantity     | 2,646                                               | 7,561    | -         |
| Fair value * | \$ 19,020                                           | \$ 653   | \$ 19,673 |

*Earnings per share:*

For the three and nine months ended September 30, 2020, 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, 2020, would have been approximately 965,000 and 385,000, respectively.

**NOTE 12: REPORTABLE SEGMENTS**

## a. General:

The reporting segments are identified on the basis of information that is reviewed by the chief operating decision maker ("CODM") to make decisions about resources to be allocated and assess its performance. Accordingly, for management purposes, the Company is organized into operating segments based on the products and services of its business units and has reportable segments as follows:

**Backbone** Backbone operates server farms that support the validation and verification of transactions on the blockchain, earning cryptocurrency for providing these services.

**Volta** Volta provides electrician services to both commercial and residential customers in Quebec.

The segment results reported to the CODM include items that are allocated directly to the segments and items that can be allocated on a reasonable basis. Items that were not allocated, mainly corporate expenses, are managed on a group basis.



**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE 12: REPORTABLE SEGMENTS (Cont.)**

b. Reportable segments:

|                                                   | <b>Three months ended September 30, 2020</b> |              |              |
|---------------------------------------------------|----------------------------------------------|--------------|--------------|
|                                                   | <b>(Unaudited)</b>                           |              |              |
|                                                   | <b>Backbone</b>                              | <b>Volta</b> | <b>Total</b> |
| Revenues                                          | \$ 6,065                                     | 730          | 6,795        |
| Cost of sales                                     | 7,366                                        | 461          | 7,827        |
| Gross profit (loss)                               | (1,301)                                      | 269          | (1,032)      |
| General and administrative expenses               | 1,702                                        | 107          | 1,809        |
| Loss on disposal of property, plant and equipment | 554                                          | 3            | 557          |
| Net financial expenses (income)                   | 1,351                                        | 12           | 1,363        |
| Segment profit (loss)                             | \$ (4,908)                                   | \$ 147       | \$ (4,761)   |

|                                                                  | <b>Three months ended September 30, 2019</b> |              |              |
|------------------------------------------------------------------|----------------------------------------------|--------------|--------------|
|                                                                  | <b>(Unaudited)</b>                           |              |              |
|                                                                  | <b>Backbone</b>                              | <b>Volta</b> | <b>Total</b> |
| Revenues                                                         | \$ 8,942                                     | 797          | \$ 9,739     |
| Cost of sales                                                    | 4,651                                        | 625          | 5,276        |
| Gross profit                                                     | 4,291                                        | 172          | 4,463        |
| General and administrative expenses                              | 2,141                                        | 172          | 2,313        |
| Impairment and loss on disposal of property, plant and equipment | 60                                           | -            | 60           |
| Net financial expenses (income)                                  | (2,199)                                      | 14           | (2,185)      |
| Segment profit                                                   | \$ 4,289                                     | \$ (14)      | \$ 4,275     |
| Unallocated corporate income                                     |                                              |              | (17)         |
| Income before income taxes                                       |                                              |              | \$ 4,292     |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE 12: REPORTABLE SEGMENTS (Cont.)**

|                                                   | Nine months ended September 30, 2020<br>(Unaudited) |       |             |
|---------------------------------------------------|-----------------------------------------------------|-------|-------------|
|                                                   | Backbone                                            | Volta | Total       |
| Revenues                                          | \$ 21,678                                           | 1,701 | \$ 23,379   |
| Cost of sales                                     | 21,932                                              | 1,318 | 23,250      |
| Gross profit                                      | (254)                                               | 383   | 129         |
| (Gain) on disposition of cryptocurrencies         | (23)                                                | -     | (23)        |
| General and administrative expenses               | 5,564                                               | 335   | 5,899       |
| Loss on disposal of property, plant and equipment | 1,261                                               | 2     | 1,263       |
| Net financial expenses (income)                   | 3,902                                               | 28    | 3,930       |
| Segment profit (loss)                             | \$ (10,958)                                         | \$ 18 | \$ (10,940) |
| Unallocated corporate expenses                    |                                                     |       | 87          |
| Loss before income taxes                          |                                                     |       | \$ (11,027) |

|                                                                  | Nine months ended September 30, 2019<br>(Unaudited) |       |          |
|------------------------------------------------------------------|-----------------------------------------------------|-------|----------|
|                                                                  | Backbone                                            | Volta | Total    |
| Revenues                                                         | 19,630                                              | 2,256 | 21,886   |
| Cost of sales                                                    | 11,600                                              | 1,680 | 13,280   |
| Gross profit                                                     | 8,030                                               | 576   | 8,606    |
| General and administrative expenses                              | 6,853                                               | 469   | 7,322    |
| Impairment and loss on disposal of property, plant and equipment | 63                                                  | -     | 63       |
| Net financial expenses (income)                                  | (25)                                                | 27    | 2        |
| Segment profit (loss)                                            | \$ 1,139                                            | \$ 80 | \$ 1,219 |
| Unallocated corporate expenses                                   |                                                     |       | 253      |
| Income before income taxes                                       |                                                     |       | \$ 966   |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE 13: ADDITIONAL DETAILS TO THE STATEMENT OF CASH FLOWS**

|                                                                         | Nine months ended<br>September 30, |                   |
|-------------------------------------------------------------------------|------------------------------------|-------------------|
|                                                                         | 2020                               | 2019              |
|                                                                         | Unaudited                          |                   |
| <u>Changes in working capital components:</u>                           |                                    |                   |
| Decrease (increase) in trade receivables, net                           | \$ 209                             | \$ (89)           |
| Decrease (increase) in other current assets                             | 506                                | (643)             |
| Increase in inventories                                                 | (75)                               | (49)              |
| Decrease (increase) in long-term deposits                               | 85                                 | (1,021)           |
| Increase (decrease) in accounts payable and accrued liabilities         | 468                                | (171)             |
| Decrease (increase) in income taxes receivable                          | 1,209                              | (376)             |
| Decrease in liabilities held for sale                                   | -                                  | (50)              |
|                                                                         | <u>\$ 2,402</u>                    | <u>\$ (2,399)</u> |
| <u>Significant non-cash transactions:</u>                               |                                    |                   |
| Addition of right-of-use assets and related lease liabilities           | \$ 1,769                           | \$ 1,695          |
| Purchase of property, plant and equipment financed by short-term credit | \$ 154                             | \$ 438            |
| Acquisition of non-controlling interest by issuance of shares           |                                    | \$ 24,938         |



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## **Introduction**

The following Management's Discussion and Analysis ("MD&A") for Bitfarms Ltd. (together with its subsidiaries, the "Company" or "Bitfarms"), dated November 25, 2020, should be read in conjunction with the Company's third quarter 2020 unaudited interim period condensed consolidated financial statements and its accompanying notes, and the 2019 audited annual consolidated financial statements and its accompanying notes. In addition, the following MD&A should be read in conjunction with the Company's "Caution Regarding Forward-Looking Statements" section of this MD&A.

The Company's third quarter 2020 unaudited interim period condensed consolidated financial statements and the accompanying notes have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company's third quarter 2020 unaudited interim period condensed consolidated financial statements are reported in US dollars, 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 operates through two operating corporate subsidiaries and reportable segments: Backbone Hosting Solutions Inc. ("Backbone") and 9159-9290 Quebec Inc. (Volta Electrique, "Volta").

Backbone owns and operates server farms, comprised of computers (referred to as a "Miners") designed for the purpose of validating transactions, primarily on the Bitcoin 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 Bitcoin network to a Mining Pool from which the Company receives cryptocurrencies in return for contributing its hashrate which the Mining Pool uses to validate transactions (referred to as "Mining"). Backbone regularly exchanges cryptocurrencies mined into U.S. dollars through reputable and established cryptocurrency trading platforms.

As of the date of this MD&A, Bitfarms operates five server farm facilities in Québec, Canada, with electrical infrastructure capacity of 69 MW for Mining Bitcoin. The Company has contracts securing an aggregate of 160 MW of hydro-electric green energy in Quebec. In addition, Bitfarms owns proprietary software that is used to control, manage, report and secure mining operations. The software scans and reports the location, computing power and temperature of all Miners at regular intervals to allow the Company to monitor performance and ensure Miners are operating at maximum capacity and up-time.

Volta provides electrician services to both commercial and residential customers in Quebec, while assisting Bitfarms in building and maintaining its server farms.

## Consolidated Results of Operations

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

| For the periods ended as indicated          | Three months ended |              |           |          | Nine months ended |              |           |          |
|---------------------------------------------|--------------------|--------------|-----------|----------|-------------------|--------------|-----------|----------|
|                                             | Sep. 30 2020       | Sep. 30 2019 | \$ Change | % Change | Sep. 30 2020      | Sep. 30 2019 | \$ Change | % Change |
| Revenues                                    | 6,795              | 9,739        | (2,944)   | (30%)    | 23,379            | 21,886       | 1,493     | 7%       |
| Cost of sales                               | 7,827              | 5,276        | 2,551     | 48%      | 23,250            | 13,280       | 9,970     | 75%      |
| Gross profit (loss)                         | (1,032)            | 4,463        | (5,495)   | (123%)   | 129               | 8,606        | (8,477)   | (99%)    |
| Gross margin                                | (15%)              | 46%          | -         | -        | 1%                | 39%          | -         | -        |
| General and administrative expenses         | 1,809              | 2,296        | (487)     | (21%)    | 5,985             | 7,575        | (1,590)   | (21%)    |
| Impairment of property, plant and equipment | -                  | 56           | (56)      | (100%)   | -                 | 56           | (56)      | (100%)   |
| Operating income (loss)                     | (2,841)            | 2,111        | (4,952)   | (235%)   | (5,856)           | 975          | (6,831)   | (701%)   |
| Operating margin                            | (42%)              | 22%          | -         | -        | (25%)             | 4%           | -         | -        |
| (Gain) on disposition of cryptocurrencies   | -                  | -            | -         | -        | (23)              | -            | (23)      | 100%     |
| Loss on disposition of assets               | 557                | 4            | 553       | 13825%   | 1,264             | 7            | 1,257     | 17957%   |
| Net financial expenses (income)             | 1,363              | (2,185)      | 3,548     | 162%     | 3,930             | 2            | 3,928     | 196400%  |
| Net income (loss) before income taxes       | (4,761)            | 4,292        | (9,053)   | (211%)   | (11,027)          | 966          | (11,993)  | (1242%)  |
| Income tax expense (recovery)               | -                  | (17)         | 17        | (100%)   | (112)             | (17)         | (95)      | (559%)   |
| Net income (loss)                           | (4,761)            | 4,309        | (9,070)   | (210%)   | (10,915)          | 983          | (11,898)  | (1210%)  |
| Net earnings (loss) per share - basic       | (0.06)             | 0.06         | -         | -        | (0.13)            | 0.03         | -         | -        |
| Net earnings (loss) per share - diluted     | (0.06)             | 0.05         | -         | -        | (0.13)            | 0.03         | -         | -        |
| Gross mining profit <sup>(1)</sup>          | 1,593              | 5,954        | (4,361)   | (73%)    | 8,322             | 12,192       | (3,870)   | (32%)    |
| Gross mining margin <sup>(1)</sup>          | 26%                | 67%          | -         | -        | 38%               | 62%          | -         | -        |
| EBITDA <sup>(1)</sup>                       | (274)              | 7,161        | (7,435)   | (104%)   | 1,973             | 7,329        | (5,356)   | (73%)    |
| EBITDA margin <sup>(1)</sup>                | (4%)               | 74%          | -         | -        | 8%                | 33%          | -         | -        |
| Adjusted EBITDA (1)                         | 365                | 4,668        | (4,303)   | (92%)    | 4,463             | 7,632        | (3,169)   | (42%)    |
| Adjusted EBITDA margin (1)                  | 5%                 | 48%          | -         | -        | 19%               | 35%          | -         | -        |

### Third Quarter 2020 Highlights:

- Revenues of \$6.8 million; gross loss of \$1.0 million (-15% gross margin), operating loss of \$2.8 million (-42% operating margin), and net loss of \$4.8 million;
- Gross mining profit<sup>1</sup> of \$1.6 million (26% gross mining margin);
- EBITDA loss of \$0.3 million (-4% EBITDA margin), \$0.4 million Adjusted EBITDA (5% Adjusted EBITDA margin);
- Mined 535 Bitcoins with an average break-even<sup>2</sup> Bitcoin price of approximately \$7,500;
- Entered into lease agreements for 3,000 Whatsminer Miners, of which 1,000 WhatsMiner M31S, adding approximately 82 PH/s, were received and installed during the quarter;
- Completed Dominion Capital loan modification providing the Company financial flexibility

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

<sup>2</sup> Represents the break-even cost of Bitcoin based on variable cost of electricity and is calculated by taking the total electricity costs related to the Mining of Bitcoin, excluding hosting contracts, divided by the total number of Bitcoin mined.

## Revenues

Revenues were \$6.8 million for the three month period ended September 30, 2020 ("Q3 2020") compared to \$9.7 million for the same three month period in 2019 ("Q3 2019").

| (U.S. \$ in thousands except where indicated)                                                                                                                                       | Note | Bitcoin | (USD)   | % Change |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|---------|---------|----------|
| Revenues based on actual coins sold during the three-month period ended September 30, 2019 and Volta revenues                                                                       |      | 865     | 9,739   | -        |
| Impact of increase in average Bitfarms' Bitcoin hashrate average in excess of increase in network difficulty during Q3 2020 compared to Q3 2019, adjusted for Bitcoin Halving Event | 1    | 184     | 1,892   | 19%      |
| Impact of Bitcoin Halving Event on May 11, 2020 on Bitfarms' quantity of coins mined during Q3 2020                                                                                 | 2    | (483)   | (4,968) | (51%)    |
| Impact of difference in average Bitcoin price in Q3 2020 compared to Q3 2019                                                                                                        | 3    | -       | 338     | 4%       |
| Other mining variance and change in Volta revenues                                                                                                                                  |      | (31)    | (206)   | (2%)     |
| Revenues for three months ended September 30, 2020                                                                                                                                  |      | 535     | 6,795   | (30%)    |

## Notes

- 1 Calculated as the difference in theoretical Bitcoin mined in Q3 2020 assuming the Bitcoin Halving Event did not occur, compared to Q3 2019 multiplied by Q3 2019 average Bitcoin price
- 2 Calculated as the theoretical Bitcoin mined based on Bitfarms' actual hashrate during Q3 2020 assuming the Bitcoin Halving Event did not occur, compared to actual coins mined during the same period multiplied by average Bitcoin price
- 3 Calculated as the difference in average Bitcoin price in Q3 2020 compared to Q3 2019 multiplied by Bitcoin mined in Q3 2020 plus the reduction in Bitcoin mined as a result of the Bitcoin Halving event

The most significant factors impacting the decrease to Bitfarms' revenues in Q3 2020, compared to Q3 2019, are presented in the table above. Revenues decreased mostly due to the Bitcoin Halving Event, partially offset by an increase in Bitfarms' hashrate in excess of network difficulty and an increase in Bitcoin price.



Revenues were \$23.4 million for the nine month period ended September 30, 2020 compared to \$21.9 million for the same nine month period in 2019.

| (U.S. \$ in thousands except where indicated)                                                                                                                                               | Note | Bitcoin | (USD)   | % Change |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|---------|---------|----------|
| Revenues based on actual coins sold during the nine-month period ended September 30, 2019 and Volta revenues                                                                                |      | 2,657   | 21,886  | -        |
| Impact of increase in average Bitfarms' Bitcoin hashrate average in excess of increase in network difficulty during YTD Q3 2020 compared to YTD Q3 2019, adjusted for Bitcoin Halving Event | 1    | 540     | 3,984   | 18%      |
| Impact of Bitcoin Halving Event on May 11, 2020 on Bitfarms' quantity of coins mined during Q3 2020                                                                                         | 2    | (749)   | (5,525) | (25%)    |
| Impact of difference in average Bitcoin price in YTD Q3 2020 compared to YTD Q3 2019                                                                                                        | 3    | -       | 4,358   | 20%      |
| Impact of Litecoins mined and sold in YTD Q3 2019                                                                                                                                           | 4    | -       | (612)   | (3%)     |
| Other mining variance and change in Volta revenues                                                                                                                                          |      | -       | (712)   | (3%)     |
| Revenues for nine months ended September 30, 2020                                                                                                                                           |      | 2,437   | 23,379  | 7%       |

#### Notes

- 1 Calculated as the difference in theoretical Bitcoin mined in YTD Q3 2020 assuming the Bitcoin Halving Event did not occur, compared to YTD Q3 2019 multiplied by YTD Q3 2019 average Bitcoin price
- 2 Calculated as the theoretical Bitcoin mined based on Bitfarms' actual hashrate from May 11, 2020 to September 30, 2020 assuming the Bitcoin Halving Event did not occur, compared to actual coins mined during the same period multiplied by average Bitcoin price
- 3 Calculated as the difference in average Bitcoin price in YTD Q3 2020 compared to YTD Q3 2019 multiplied by Bitcoins mined and sold in Q3 2020 plus the reduction in Bitcoin mined as a result of the Bitcoin Halving event
- 4 Calculated as the difference in Litecoin sold as at YTD Q3 2020 compared to YTD Q3 2019 multiplied by the average Litecoin price for YTD Q3 2019

The most significant factors impacting the increase to Bitfarms' revenues for the nine months ended September 30, 2020, compared to the nine months ended September 30, 2019 are presented in the table above. Revenues increased mostly due to the increase in average Bitfarms hashrate in excess of increase in network difficulty and the average increase in Bitcoin price, reduced by the negative impact of the Bitcoin Halving Event.

#### *Cost of Sales*

Bitfarms' cost of sales for Q3 2020 was \$7.8 million compared to \$5.3 million in Q3 2019. Cost of sales includes energy and infrastructure expenses, depreciation and amortization, electrician salaries, and purchases and net change in inventory. The most significant factors resulting in the increase in cost of sales are described below.

Energy and infrastructure expenses increased by \$1.5 million or 49% in Q3 2020 compared to Q3 2019, primarily due to the Company adding new Miners, which increased electrical consumption to an average of 50 MW during Q3 2020 compared to 34 MW during Q3 2019.

Depreciation and amortization expense increased by \$1.4 million or 90% in Q3 2020 compared to Q3 2019 primarily resulting from depreciation expense recorded on net additions to property, plant and equipment of approximately \$20.8 million from Q3 2019 through Q3 2020.

Bitfarms' cost of sales for the nine months ended September 30, 2020 was \$23.3 million compared to \$13.3 million for the nine months ended September 30, 2019.

Energy and infrastructure expenses increased by \$5.9 million or 80% for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, primarily due to the Company adding new Miners, which increased average electrical consumption from 28 MW to 50 MW.

Depreciation and amortization expense increased by \$4.4 million or 105% for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, primarily resulting from depreciation expense recorded on net additions to property, plant and equipment of approximately \$20.8 million.

#### *General & Administrative & Other Expenses*

Bitfarms' general and administrative and other expenses stood at \$1.8 million in Q3 2020, compared to \$2.3 million in Q3 2019, a decrease of \$0.5 million or 21%. The main reasons for the decrease were due to lower non-cash expenses related to employee stock options, as well as lower salaries and wages expense resulting from fewer executive level employees and government wage subsidies received in connection with COVID-19.

Bitfarms' general and administrative and other expenses stood at \$6.0 million for the nine month period ended September 30, 2020, compared to \$7.6 million for the same period in 2019, a decrease of \$1.6 million or 21%. The main reasons for the decrease were due to lower non-cash expenses related to employee stock options as well as lower salaries and wages expense resulting from fewer executive level employees and government wage subsidies received in connection with COVID-19. In addition, professional fees were lower as the Company incurred non-recurring professional fees in 2019 in connection with its TSX-V listing process.

#### *Net financial expenses (income)*

Bitfarms' net financial expenses for Q3 2020 were \$1.4 million compared to net financial income of \$2.2 million in Q3 2019. The \$3.6 million swing in net financial expenses was mainly related to a \$2.6 million gain recorded on revaluation of warrants in Q3 2019, as well as a lower gain on revaluation of embedded derivative in Q3 2020 compared to Q3 2019. In addition, there was approximately \$0.4 million more interest expense recorded in 2020 due to increased debt. The financial income and expenses related to debt (the Dominion Capital loan) are described under the Financial Instruments and Risks section of this MD&A. Financial income and expenses are comprised of interest on the Dominion Capital loan, gain on embedded derivative and classification of a portion of rent as interest expense on lease liabilities, and unrealized foreign exchange gains and losses on monetary items denominated in Canadian dollars to the functional currency in US dollars, and interest on Volta's long-term debt repayments and bank charges.

Bitfarms' net financial expenses for the nine months ended September 30, 2020 were \$3.9 million compared to financial income of \$5,000 for the nine months ended September 30, 2019. The \$3.9 million swing in financial expenses was mainly related to a gain on revaluation of warrants of \$1.8 million in 2019. In addition, interest expense increased by \$2.3 million during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 as a result of an increase in debt (the Dominion Capital loan) in 2020.

## Reconciliation of Non-IFRS measures

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

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

| For the periods ended as indicated    | Three months ended |              |           |          | Nine months ended |              |           |          |
|---------------------------------------|--------------------|--------------|-----------|----------|-------------------|--------------|-----------|----------|
|                                       | Sep. 30 2020       | Sep. 30 2019 | \$ Change | % Change | Sep. 30 2020      | Sep. 30 2019 | \$ Change | % Change |
| Net income (loss) before tax          | (4,761)            | 4,292        | (9,053)   | (211%)   | (11,027)          | 966          | (11,993)  | (1242%)  |
| Interest expense                      | 1,563              | 1,332        | 231       | 17%      | 4,348             | 2,146        | 2,202     | 103%     |
| Depreciation expense                  | 2,924              | 1,537        | 1,387     | 90%      | 8,652             | 4,217        | 4,435     | 105%     |
| EBITDA                                | (274)              | 7,161        | (7,435)   | (104%)   | 1,973             | 7,329        | (5,356)   | (73%)    |
| Stock compensation expense            | 534                | 872          | (338)     | (39%)    | 1,798             | 2,443        | (645)     | (26%)    |
| Financial expenses (income) and other | 105                | (3,365)      | 3,470     | 103%     | 692               | (2,140)      | 2,832     | 132%     |
| Adjusted EBITDA                       | 365                | 4,668        | (4,303)   | (92%)    | 4,463             | 7,632        | (3,169)   | (42%)    |

### Calculation of Gross Mining Profit & Gross Mining Margin

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

| For the periods ended as indicated | Three months ended |              |           |          | Nine months ended |              |           |          |
|------------------------------------|--------------------|--------------|-----------|----------|-------------------|--------------|-----------|----------|
|                                    | Sep. 30 2020       | Sep. 30 2019 | \$ Change | % Change | Sep. 30 2020      | Sep. 30 2019 | \$ Change | % Change |
| Revenues                           | 6,065              | 8,942        | (2,877)   | (32%)    | 21,678            | 19,630       | 2,048     | 10%      |
| Cost of sales                      | 7,366              | 4,641        | 2,725     | 59%      | 21,932            | 11,600       | 10,332    | 89%      |
| Gross profit (loss)                | (1,301)            | 4,301        | (5,602)   | (130%)   | (254)             | 8,030        | (8,284)   | (103%)   |
| Depreciation and amortization      | 2,894              | 1,518        | 1,376     | 91%      | 8,576             | 4,154        | 4,422     | 106%     |
| Net change in inventory and other  | -                  | 135          | (135)     | (100%)   | -                 | 8            | (8)       | (100%)   |
| Gross mining profit                | 1,593              | 5,954        | (4,361)   | (73%)    | 8,322             | 12,192       | (3,870)   | (32%)    |
| Gross mining margin                | 26%                | 67%          | -         | -        | 38%               | 62%          | -         | -        |

“Gross mining profit” is defined as Gross profit (loss) excluding depreciation and amortization and net change in inventory and other minor items included in cost of sales for the Backbone segment of the Company. “Gross mining margin” is defined as the percentage obtained when dividing Gross mining profit by Revenues for the Backbone segment of the Company.

## Reportable Segments

### Backbone

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

| For the periods ended as indicated          | Three months ended |              |           |          | Nine months ended |              |           |          |
|---------------------------------------------|--------------------|--------------|-----------|----------|-------------------|--------------|-----------|----------|
|                                             | Sep. 30 2020       | Sep. 30 2019 | \$ Change | % Change | Sep. 30 2020      | Sep. 30 2019 | \$ Change | % Change |
| Revenues                                    | 6,065              | 8,942        | (2,877)   | (32%)    | 21,678            | 19,630       | 2,048     | 10%      |
| Cost of sales                               | 7,366              | 4,651        | 2,715     | 58%      | 21,932            | 11,600       | 10,332    | 89%      |
| Gross profit (loss)                         | (1,301)            | 4,291        | (5,592)   | (130%)   | (254)             | 8,030        | (8,284)   | (103%)   |
| Gross margin                                | (21%)              | 48%          | -         | -        | (1%)              | 41%          | -         | -        |
| General and administrative expenses         | 1,702              | 2,141        | (439)     | (21%)    | 5,564             | 6,853        | (1,289)   | (19%)    |
| Impairment of property, plant and equipment | -                  | 56           | (56)      | (100%)   | -                 | 56           | (56)      | (100%)   |
| Operating income (loss)                     | (3,003)            | 2,094        | (5,097)   | (243%)   | (5,818)           | 1,121        | (6,939)   | (619%)   |
| Operating margin                            | (50%)              | 23%          | -         | -        | (27%)             | 6%           | -         | -        |
| (Gain) on disposition of cryptocurrencies   | -                  | -            | -         | -        | (23)              | -            | (23)      | 100%     |
| Loss on disposition of assets               | 554                | 4            | 550       | 13750%   | 1,261             | 7            | 1,254     | 17914%   |
| Net financial expenses (income)             | 1,351              | (2,199)      | 3,550     | 161%     | 3,902             | (25)         | 3,927     | 15708%   |
| Net income (loss) before tax                | (4,908)            | 4,289        | (9,197)   | (214%)   | (10,958)          | 1,139        | (12,097)  | (1062%)  |
| EBITDA <sup>(1)</sup>                       | (459)              | 7,135        | (7,594)   | (106%)   | 1,951             | 7,412        | (5,461)   | (74%)    |
| EBITDA margin <sup>(1)</sup>                | (8%)               | 80%          | -         | -        | 9%                | 38%          | -         | -        |
| Adjusted EBITDA <sup>(1)</sup>              | 180                | 4,642        | (4,462)   | (96%)    | 4,440             | 7,715        | (3,275)   | (42%)    |
| Adjusted EBITDA margin <sup>(1)</sup>       | 3%                 | 52%          | -         | -        | 20%               | 39%          | -         | -        |

(1) EBITDA, EBITDA margin, Adjusted EBITDA and Adjusted EBITDA margin are non-IFRS performance measures; please refer to the Non-IFRS Financial Performance Measures section of this MD&A.

### Reconciliation of Non-IFRS Performance Measures

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

| For the periods ended as indicated    | Three months ended |              |           |          | Nine months ended |              |           |          |
|---------------------------------------|--------------------|--------------|-----------|----------|-------------------|--------------|-----------|----------|
|                                       | Sep. 30 2020       | Sep. 30 2019 | \$ Change | % Change | Sep. 30 2020      | Sep. 30 2019 | \$ Change | % Change |
| Net income(loss) before tax           | (4,908)            | 4,289        | (9,197)   | (214%)   | (10,958)          | 1,139        | (12,097)  | (1062%)  |
| Interest expense                      | 1,555              | 1,318        | 237       | 18%      | 4,333             | 2,119        | 2,214     | 104%     |
| Depreciation expense                  | 2,894              | 1,518        | 1,376     | 91%      | 8,576             | 4,154        | 4,422     | 106%     |
| EBITDA                                | (459)              | 7,135        | (7,594)   | (106%)   | 1,951             | 7,412        | (5,461)   | (74%)    |
| Stock compensation expense            | 534                | 872          | (338)     | (39%)    | 1,798             | 2,443        | (645)     | (26%)    |
| Financial expenses (income) and other | 105                | (3,365)      | 3,470     | 103%     | 691               | (2,140)      | 2,831     | 132%     |
| Adjusted EBITDA                       | 180                | 4,642        | (4,462)   | (96%)    | 4,440             | 7,715        | (3,275)   | (42%)    |

## Volta

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

| For the periods ended as indicated    | Three months ended |              |           |          | Nine months ended |              |           |          |
|---------------------------------------|--------------------|--------------|-----------|----------|-------------------|--------------|-----------|----------|
|                                       | Sep. 30 2020       | Sep. 30 2019 | \$ Change | % Change | Sep. 30 2020      | Sep. 30 2019 | \$ Change | % Change |
| Revenues                              | 730                | 797          | (67)      | (8%)     | 1,701             | 2,256        | (555)     | (25%)    |
| Cost of sales                         | 461                | 625          | (164)     | (26%)    | 1,318             | 1,680        | (362)     | (22%)    |
| Gross profit                          | 269                | 172          | 97        | 56%      | 383               | 576          | (193)     | (34%)    |
| Gross margin                          | 37%                | 20%          | -         | -        | 23%               | 26%          | -         | -        |
| G &A and other expenses               | 107                | 172          | (65)      | (38%)    | 335               | 469          | (134)     | (29%)    |
| Operating income (loss)               | 162                | -            | 162       | 100%     | 48                | 107          | (59)      | (55%)    |
| Operating margin                      | 22%                | (1%)         | -         | -        | 3%                | 5%           | -         | -        |
| Loss on disposition of assets         | 3                  | -            | 3         | 100%     | 2                 | -            | 2         | (100%)   |
| Net financial expenses (income)       | 12                 | 14           | (2)       | (18%)    | 28                | 27           | 1         | 4%       |
| Net income (loss) before tax          | 147                | (14)         | 161       | 1153%    | 18                | 80           | (62)      | (78%)    |
| EBITDA <sup>(1)</sup>                 | 185                | 9            | 176       | 1956%    | 110               | 170          | (60)      | (36%)    |
| EBITDA margin <sup>(1)</sup>          | 25%                | 1%           | -         | -        | 6%                | 8%           | -         | -        |
| Adjusted EBITDA <sup>(1)</sup>        | 185                | 9            | 176       | 1956%    | 110               | 170          | (60)      | (36%)    |
| Adjusted EBITDA margin <sup>(1)</sup> | 25%                | 1%           | -         | -        | 6%                | 8%           | -         | -        |

(1) EBITDA, EBITDA margin, Adjusted EBITDA and Adjusted EBITDA margin are non-IFRS performance measures; please refer to the Non-IFRS Financial Performance Measures section of this MD&A.

## Reconciliation of Non-IFRS Performance Measures

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

| For the periods ended as indicated | Three months ended |              |           |          | Nine months ended |              |           |          |
|------------------------------------|--------------------|--------------|-----------|----------|-------------------|--------------|-----------|----------|
|                                    | Sep. 30 2020       | Sep. 30 2019 | \$ Change | % Change | Sep. 30 2020      | Sep. 30 2019 | \$ Change | % Change |
| Net income (loss) before tax       | 147                | (14)         | 161       | (1153%)  | 18                | 80           | (62)      | (78%)    |
| Interest expense                   | 9                  | 14           | (5)       | (39%)    | 15                | 27           | (12)      | (46%)    |
| Depreciation expense               | 29                 | 19           | 10        | 53%      | 77                | 63           | 14        | 22%      |
| EBITDA                             | 185                | 19           | 166       | 874%     | 110               | 170          | (60)      | (36%)    |
| Adjusted EBITDA                    | 185                | 19           | 166       | 874%     | 110               | 170          | (60)      | (36%)    |

## Selected Quarterly Information

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

|                                 | Q3 2020 | Q2 2020* | Q1 2020 | Q4 2019 | Q3 2019 | Q2 2019 | Q1 2019 | Q4 2018  |
|---------------------------------|---------|----------|---------|---------|---------|---------|---------|----------|
| Revenue                         | 6,795   | 7,372    | 9,212   | 10,536  | 9,739   | 8,517   | 3,629   | 5,292    |
| EBITDA <sup>(1)</sup>           | (274)   | 416      | 1,833   | 2,299   | 7,161   | 668     | (526)   | (19,839) |
| Adjusted EBITDA <sup>(1)</sup>  | 365     | 1,435    | 2,780   | 2,986   | 4,668   | 3,329   | (420)   | (603)    |
| Net income (loss)               | (4,761) | (3,730)  | (2,424) | 1,125   | 4,605   | (1,320) | (2,006) | (21,313) |
| Basic earnings (loss) per share | (0.06)  | (0.04)   | (0.03)  | 0.02    | 0.06    | (0.01)  | (0.02)  | (0.23)   |

\* The Bitcoin Halving Event occurred on May 11, 2020, during Q2 2020

(1) EBITDA and Adjusted EBITDA are non-IFRS performance measures; please refer to the Non-IFRS Financial Performance Measures section of this MD&A.

The Company is not subject to seasonality. Factors that may impact Revenues and profitability quarter over quarter include cryptocurrency pricing, network difficulty and the Company's hashrate.

## Liquidity and Capital Resources

### Cash Flows

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

| For the periods ended as indicated                | Nine months ended |                 |           |          |
|---------------------------------------------------|-------------------|-----------------|-----------|----------|
|                                                   | Sep. 30<br>2020   | Sep. 30<br>2019 | \$ Change | % Change |
| Cash & cash equivalents, beginning of the period  | 2,159             | 552             | 1,607     | 291%     |
| Cash flows from (used in):                        |                   |                 |           |          |
| Operating activities                              | 4,139             | 3,329           | 810       | 24%      |
| Investing activities                              | (4,184)           | (19,697)        | 15,513    | 79%      |
| Financing activities                              | (810)             | 18,279          | (19,089)  | (104%)   |
| Exchange rate differences on currency translation | 20                | -               | 20        | (100%)   |
| Cash & cash equivalents, end of the period        | 1,324             | 2,463           | (1,139)   | (46%)    |

#### Cash Flows from Operating Activities

Cash flows from operating activities increased by \$0.8 million or 24% during the nine months ended September 30, 2020 compared to nine months ended September 30, 2019. The increase in cash flows from operating activities was primarily driven by a favorable \$4.8 million swing in changes in non-cash working capital components in the nine months ended September 30, 2020, compared to the same period in 2019. The \$4.8 million increase was largely offset by \$4.0 million less cash from operating activities before changes in non-cash working capital components, primarily as a result of the Bitcoin Halving Event.

#### Cash Flows used in Investing Activities

Cash flows used in investing activities decreased by \$15.5 million or 79% during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019. This was primarily due to significant acquisitions of property, plant and equipment during the nine months ended September 30, 2019, related to the initial phases of the Sherbrooke Expansion.

#### Cash Flows from Financing Activities

Cash flows from financing activities decreased \$19.1 million or 104% during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019. This was primarily due to the Company drawing down on the four \$5.0 million loan tranches on the \$20.0 million debt facility from Dominion Capital from March to August 2019. During the nine months ended September 30, 2020 the Company made repayments of long-term debt and lease liabilities in the amounts of approximately \$0.5 million and \$0.6 million, respectively, partially offset by the proceeds from the exercise of warrants in the amount of \$0.2 million.

## Working Capital

As at September 30, 2020, Bitfarms had a working capital deficit of \$10.9 million compared to positive working capital of \$2.5 million on December 31, 2019, primarily due to debt of \$11.6 million, being reclassified from long-term to current. The current maturities of long-term debt may fluctuate due to the variable repayment terms of the loan with Dominion Capital. The Company's strategy to remedy the working capital deficit and ensure sufficient liquidity to repay the Dominion Capital loan maturing in 2021, include amendments to the Dominion Capital loan as well as growing operations through available equipment leasing to increase cash flows from operations. In September 2020, the Company reached an agreement with Dominion Capital to amend the maturity date of the second loan tranche from April 2021 to November 2021 in exchange for the issuance of 1,000,000 restricted shares to Dominion Capital. In addition, a conversion feature was added to the third loan tranche, maturing in June 2021, providing Dominion Capital with the option to convert the loan into shares at a price of \$0.59 USD per share. The conversion feature may be exercised by Dominion Capital, in whole or in part, at any time until the loan matures in June 2021. Management believes the extension of Tranche #2's maturity date, combined with the conversion feature and the new lease agreements will allow the Company to meet its obligations in 2021. As of the date of this MD&A, lease agreements for 4,000 Miners have been executed, of which 3,000 have been installed. The Company plans to continue to grow operational capacity by securing additional leased Mining equipment in order to further increase cash flows from operations, however there is no assurance that the Company will be successful in its efforts. As at September 30, 2020, Bitfarms had cash and cash equivalents of \$1.3 million compared to \$2.2 million as at December 31, 2019. Cash and cash equivalents are mainly U.S. and Canadian dollar deposits at regulated financial institutions.

## Components of Total Debt

The Company expects that cash and cash equivalents and future operating cash flows will enable it to fund its working capital requirements and financial obligations, over the next twelve months.

Since inception, the Company has primarily financed its growth through retained earnings, vendor financing, and, since March 2019, a long-term debt facility. The primary component of long-term debt is a secured debt financing facility of \$20.0 million with Dominion Capital. The debt facility is structured into four separate loan tranches of \$5.0 million each bearing interest at 10% per annum on the full principal balance of each loan tranche regardless of principal repayments made during the term of each loan tranche, referred to as a "make-whole" provision. The term of each loan tranche is 24 months with a balloon payment for any remaining outstanding balance at the end the term. As described in the Working Capital section above, the Company reached an agreement to extend the maturity date of Tranche #2 from April 2021 to November 2021 and add a conversion feature to Tranche #3, maturing in June 2021. A monthly payment equivalent to 10% of the value of cryptocurrencies mined by Bitfarms during the month is required in repayment of the total loan tranches drawn. This amount shall first be applied to accrued interest and the balance to principal. In the event that the amount of interest owing is greater than the amount of cryptocurrency mined, an additional amount shall be remitted such that the interest is paid in full. The debt facility is fully secured by the assets of Bitfarms on a first priority basis.

## Capital Resources

Bitfarms' capital management objective is to ensure its ability to maximize the return to its shareholders. 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 maintaining a strong capital base so as to maintain investor confidence to sustain future development of the business, maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations, and ensuring sufficient liquidity to pursue organic growth.

Bitfarms may manage its capital structure by issuing equity, obtaining loan financing, adjusting capital spending, or disposing of assets. The Company is not subject to any externally imposed capital requirements, with the exception of the Company's agreement not to issue common shares below \$0.40 USD during the term of the loan with Dominion Capital.

### *Sherbrooke Expansion*

To complete each remaining phase of the Sherbrooke Expansion, Bitfarms will need to incur infrastructure buildout costs including exhaust structure, mining structure and building modifications, as well as sourcing of mining hardware and electrical components.

The capital cost for the construction of the remaining Phases 3 through 6 is currently estimated to range between \$20.0 million to \$25.0 million, inclusive of Miner purchases based on recent hardware pricing. These costs will be divided between the Sherwood and Leger properties, with the majority being allocated to the Leger Property.

The ability to undertake the construction of Phases 3 through 6 of the Sherbrooke Expansion depends, among other things, on the Company's ability to raise the required financing. As a result, there is no definitive or planned timetable for Phases 3 through 6 of the Sherbrooke Expansion. The Company intends to finance the remainder of the construction of Phases 3 through 6 of the Sherbrooke Expansion by raising additional debt or equity capital or a combination of these means, as well as through the cash flow generated from its operations. There can be no assurance that the remaining Sherbrooke Expansion will be fully funded and undertaken at this time on any particular schedule or at all.

In response to both a complaint concerning noise at the Sherwood Property and indications from officials at the municipality of Sherbrooke that they were reviewing applicable regulations, the Company has met with community residents and city officials on several occasions. While the Company believes it is compliant with all applicable regulations, the Company has implemented further sound mitigating measures, including the construction of a sound barrier wall at a cost of approximately \$0.3 million.

### Off-Balance Sheet Arrangements

In September 2020, the Company entered into a lease agreement for 2,000 Whatsminer Miners. The equipment was made available to the Company in November 2020, which is when the lease liability and corresponding assets will be recorded on the Company's balance sheet. In addition, another lease for 1,000 Whatsminer Miners was executed in October 2020. These Miners were not received as of the date of this MD&A. Other than the two leases described above, there are no off-balance sheet arrangements which could have an effect on current or future results or operations, or the financial condition of Bitfarms.



## **Share Capital**

On February 4, 2020, shareholders approved an amendment to the articles of incorporation of the Company to authorize the issuance of class A preferred shares. As of the date of this MD&A, the Company has 84,720,630 common shares, 5,983,435 vested employee stock options, 3,406,565 unvested employee stock options, 5,916,668 warrants to Dominion Capital issued and outstanding, as well as 636,250 other warrants. As of the date of this MD&A there were no preferred shares outstanding.

## **Financial Instruments & Risks**

It is anticipated that in the normal course of operations, Bitfarms will be exposed to exchange risk, foreign currency risk and credit risk.

### *Dominion Capital Loan*

As of September 30, 2020, the Dominion Capital loan consisted of four \$5.0 million tranches that were drawn down from the financing facility, which included a total of four available \$5.0 million loan tranches (please refer to the Components of Total Debt section above). The features of the loan, which include the issuance of 1,666,667 warrants per tranche with an exercise price of \$0.40 USD, as well as a make-whole interest clause resulted in a financial liability accounted for at amortized cost, warrant liabilities previously recorded at fair value through profit or loss which were reclassified to equity during the period, and an embedded derivative recorded at fair value through profit or loss. In September 2020 the Company reached an agreement with Dominion Capital where the exercise price of 1,666,667 warrants were repriced to \$0.30 USD and the expiry date was accelerated from June 2024 to June 2021. In addition, another 1,666,667 warrants had their expiry date modified from April 2024 to November 2021. The purpose of the loan was to provide the Company with additional funds to achieve its growth objectives, notably, the buildout of the first two phases of the Sherbrooke Expansion.

### *Financial Instrument at Amortized Cost*

Management used significant judgement and estimates when determining the effective interest rate of the financial liability accounted for at amortized cost. Repayment amounts are determined as 10% of the cryptocurrency mined by Bitfarms. In order to calculate the effective interest rate, management had to estimate Bitfarms' future cryptocurrency mining revenue in order to estimate the timing and amount of future loan repayments. The effective interest rate was determined to be 26.93%, 30.16%, 37.10% and 38.02% for the first, second and third and fourth tranches, respectively. The component of the financial instrument carried at amortized cost resulted in interest expense of \$1.5 million and \$3.9 million included in financial expenses for the three and nine month periods ended September 30, 2020.

### *Warrants*

Upon inception of the Dominion Capital loan, the warrants contained an anti-dilutive feature that would have resulted in a reduction in the exercise price in the event that Bitfarms Ltd. were to issue shares at a price lower than the exercise price. On September 27, 2019, the Company received all necessary approvals in order to remove the anti-dilutive feature. In exchange for removal of the anti-dilutive feature, the Company agreed not to issue common shares below the exercise price of \$0.40 USD during the term of the loan with the lender.

#### Embedded Derivative

The value of the "make-whole" clause will vary based on management's projections of the timing of the loan repayment, which are based on Bitfarms' cryptocurrency mining revenue. This interest feature has been accounted for as an embedded derivative that is measured at fair value through profit or loss. Since this is a non-option derivative, the fair value upon initial recognition of the loan liability is nil. As of September 30, 2020, management revised its projections of the timing of the loan repayment and discounted future payments to their present value using the effective interest rates determined upon inception of each loan tranche. As of September 30, 2020, management recognized an embedded derivative asset with a value of \$1.1 million resulting in a gain of \$0.6 million in financial income for the nine month ended September 30, 2020. Any change in management's assumptions of Bitcoin price, Bitcoin Network Difficulty and the Company's internal hashrate may have a material impact on profit or loss upon remeasurement in subsequent periods.

#### Credit Risk

Credit risk is the risk of an unexpected loss if a third party fails to meet its contractual obligations, including cash and cash equivalents, accounts receivable and long-term deposits. The risk regarding cash and cash equivalents is mitigated by holding the cash and cash equivalents through Canadian chartered banks. 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. The Company places deposits with suppliers of cryptocurrency mining hardware in the normal course of operations in order to secure orders and delivery dates. The Company deals with major suppliers of cryptocurrency equipment and routinely maintains strong relationships with suppliers and evaluates the mining hardware market. Other long-term deposits include deposits with local government run energy producers. The Company is also exposed to credit risk through conversion of cryptocurrency to fiat currency through the use of cryptocurrency exchanges. The Company maintains relationships with multiple exchanges and mitigates credit risk by routinely converting cryptocurrency to fiat currency to limit exposure. Furthermore, the Company performs periodic evaluations of cryptocurrency exchanges.

#### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to pay its financial obligations when they are due. The Company's policy is to monitor its cash balances and planned cash flows generated from operations to ensure, as far as possible, that it maintains sufficient liquidity in order to pay its projected financial liabilities. The contractual maturities of trade and other payables are less than nine months. Long-term debt, as of September 30, 2020, adjusted for the loan amendments as described in the Working Capital section, includes financial obligations with contractual maturities, including principal and interest, as follows:

|                      |                      |
|----------------------|----------------------|
| Q4 2020              | \$ 825,000           |
| Q1 2021              | \$ 3,320,000         |
| Q2 2021              | \$ 5,400,000         |
| Q3 2021              | \$ 5,800,000         |
| Q4 2021              | \$ 4,345,000         |
| 2022 and thereafter: | \$ 93,000            |
| <b>Total</b>         | <b>\$ 19,783,000</b> |

Lease liabilities includes financial obligations with contractual maturities as follows, inclusive of interest, as of the September 30, 2020, adjusted for the lease described in off-balance sheet arrangements, are as follows:

|                      |                      |
|----------------------|----------------------|
| 2020                 | \$ 1,465,000         |
| 2021                 | \$ 3,765,000         |
| 2022                 | \$ 2,680,000         |
| 2023                 | \$ 820,000           |
| 2024 and thereafter: | \$ 3,520,000         |
| <b>Total</b>         | <b>\$ 12,250,000</b> |

#### *Foreign Currency Risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the US Dollar as all its revenues, excluding Volta, and most of its capital expenditures and financing are transacted in US dollars. The Company is exposed to variability in the Canadian dollar to US dollar exchange rate when paying operating expenses incurred and payable in Canadian dollars. The Company funds foreign currency transactions by buying the foreign currency at the spot rate when required. Management does not currently hedge its foreign currency risk.

#### *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 Company is primarily engaged in the cryptocurrency mining industry that is a highly volatile market with significant inherent risk. 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. The Company does not currently hedge the conversion of cryptocurrencies to fiat currency.

#### *Custody of Crypto Asset Risk*

Cryptocurrencies are controllable by the possessors of the unique public key and private key relating to the digital wallet used to store the cryptocurrencies. If keys are lost, stolen or destroyed this could result in a loss for the Company. In order to mitigate the risk of loss of cryptocurrencies the Company sells cryptocurrency routinely and uses multi-signature digital wallets to store cryptocurrency until its eventual sale. The digital wallets used for Bitcoin require 2 out of 3 individuals to approve a spending transaction. Each of the users has a separate password that is not known by the other users. The transactions can only be initiated from the physical computer where the multi-signature wallet is installed for each user. In order to install the multi-signature wallet on a computer, twelve "seed" words that are distinct to each user are required, which are physically stored offline in confidential locations offsite.

Security breaches and hacking have been prevalent in cryptocurrency exchanges. The Company mitigates this risk by performing ongoing evaluations of exchanges, and routinely converting cryptocurrencies to fiat currency so that no material amount of crypto assets is held at any given time.

## **Other Risks**

The following discussion summarizes the principal risk factors that apply to the Company's business and that may have a material adverse effect on the Company's business and financial condition and results of operations, or the trading price of the Company's shares. Due to the nature of the Company's business, the legal and economic climate in which it operates and its present stage of development and proposed operations, the Company is subject to significant risks. In evaluating the Company and its business, investors should carefully consider, in addition to other information contained in this MD&A, the risk factors below as well as those included in the Company's 2019 Annual MD&A dated April 29, 2020. These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with its operations. Additional risk and uncertainties not presently known to the Company, or that are currently deemed immaterial, may also impair operations. If any such risks actually occur, the business, financial condition, liquidity and results of operations could be materially adversely affected.

### *Bitcoin Halving Event*

In May 2020, the Bitcoin Block Reward decreased from 12.5 to 6.25 Bitcoins per block (the "Bitcoin Halving"), and consequently the number of new Bitcoin issued to miners has been reduced to approximately 900 per day, excluding transaction fees.

The Bitcoin Halving had a significant impact on the Company's profitability. Given that profitability is required for self-acting agents to perform Mining to continue to support the validation of transactions, the expected impact of the Bitcoin Halving is that market variables of Bitcoin price and Difficulty will adjust over time to ensure that Mining remains profitable. The period of market normalization after the Bitcoin Halving to incentivizing profitability levels is unknown. In the 30 days prior to the Bitcoin Halving Event the average daily revenue per Terahash of computing power was approximately \$0.13. Immediately after the Bitcoin Halving, daily revenue per Terahash was \$0.07. In the 30 days subsequent to the Bitcoin Halving, average daily revenue per Terahash was \$0.09, an increase of \$0.02 or approximately 29% compared to the daily revenue per Terahash immediately after the Bitcoin Halving, demonstrating the normalization of daily revenue per Terahash expected for viable long-term Mining profitability. In the 20 days leading up to the date of this MD&A, average daily revenue per Terahash was \$0.13. Management has observed a recovery of \$0.06 daily revenue per Terahash, a recovery of 86% when compared to immediately after the Bitcoin Halving, which represents a further normalization of daily revenue per Terahash to pre-Bitcoin Halving levels. As of the date of this MD&A daily revenue per Terahash approximates average daily revenue per Terahash in the 30 days prior to the halving.

Management believes that revenue per Terahash will continue to normalize to levels that would allow Miners with competitive electricity pricing, sufficient scale of efficient Mining operations, recent generation Mining hardware and access to capital to remain profitable. Management has actively responded by reaching an agreement with Dominion Capital to amend loan terms to provide additional time to generate incremental cash flow from operations and provide the opportunity to convert from debt to equity. In addition, Management has secured lease financing of new, more efficient mining hardware to grow operations and is continuing to seek further financing to fill available capacity. If Bitcoin price and Difficulty do not maintain or continue their trend of adjusting to pre-Bitcoin Halving profitability levels over time, or the period of market normalization after the Bitcoin Halving to pre-Bitcoin Halving profitability levels is too long, there is a risk that the Bitcoin Halving will render the Company unprofitable for a sustained time period such that it could be unable to continue as a going concern.

#### *COVID-19 Pandemic Risk*

In March 2020, the World Health Organization declared COVID-19 a pandemic. The global response to the pandemic is constantly evolving, including various measures implemented at the global, national, provincial and local levels. The major impacts that COVID-19 are expected to have on the Backbone operating segment include potential increases in cryptocurrency price volatility, difficulty obtaining new financing due to a global economic slowdown, and delays in receiving future orders of mining hardware and parts sourced from overseas. The Backbone operating segment has been, and is expected to, continue operating throughout the pandemic.

Volta's services are considered to be essential by government authorities and have been, and are expected to continue, operating throughout the pandemic. The impacts of COVID-19 on the Volta operating segment have reduced revenues by \$0.6 million or 25% from the sale of electrician services and parts for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, as well as having resulted in longer collection periods for outstanding trade receivables. There is a potential for increased bad debts resulting from the economic impact of COVID-19 on existing customers. The Group has benefited from the Canada Emergency Wage Subsidy ("CEWS") in the amount of approximately \$625 and will continue to monitor its eligibility to claim the CEWS. There can be no assurance that the Group will continue to be eligible for the CEWS as future changes to revenues as well as modification to the eligibility criteria may render the Group ineligible.

The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government interventions. It is not possible to reliably estimate the length and severity of these developments as well as the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

#### **Related Party Transactions**

During the three and nine month periods ended September 30, 2020, the Company had the following transactions with related parties:

1. Bitfarms made rent payments totaling approximately \$111,000 and \$328,000 for the three and nine month periods ended September 30, 2020 (three and nine months ended September 30, 2019 - \$125,000 and \$447,000 ) to companies controlled by a director and officer, Emiliano Grodzki and Mathieu Vachon and a former director, Pierre-Luc Quimper.
2. Bitfarms entered into consulting agreements with two of the directors, Nicolas Bonta and Emiliano Grodzki. The consulting fees charged by directors totaled approximately \$88,000 and \$288,000 for the three and nine month periods ended September 30, 2020 (three and nine month periods ended September 30, 2019 - \$100,000 and \$300,000).

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

## **Adoption of and Change in Accounting Policies**

### *Government assistance*

Government assistance is recognized where there is reasonable assurance that the assistance will be received, and all attached conditions will be complied with. Government assistance is intended to compensate an expense item which is recognized in net income (loss) on a systematic basis over the periods that the related costs are expensed. During the quarter and nine-month period ended September 30, 2020, the Company recorded \$345 and \$625 of government subsidies (CEWS), recognized in cost of sales and general and administrative expenses (nil during the comparable periods in 2019). There are no unfulfilled conditions or contingencies attached this assistance. The Company adopted this accounting policy during the year.

### *Revenue recognition*

The Group, through Backbone, operates server farms supporting the verification and validation of blockchain transactions in exchange for cryptocurrency, referred to as "cryptocurrency mining". During the period, the Group changed its accounting policy with respect to revenue recognition from cryptocurrency mining and subsequent measurement of cryptocurrency on hand. Prior to this change, the Group accounted for cryptocurrency as inventory until it was sold in exchange for fiat currency. Inventories of cryptocurrency were measured at the lower of cost to produce and net realizable value. The cost of cryptocurrency inventory was comprised of the costs incurred with respect to the validation and verification of blockchain transactions, consisting mainly of electricity and depreciation. Net realizable value was measured as the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. Revenue was recognized when the cryptocurrency was converted into fiat currency or when the cryptocurrency was transferred to another party in settlement of a debt to this party. The Group now recognizes revenue upon receipt of cryptocurrency in exchange for its mining activities at the fair market value of the cryptocurrency received, as described below.

IFRS 15 provides a five step model for identifying revenue from contracts with customers, as follows:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when the Company satisfies a performance obligation

The Group has entered into contracts with Mining Pools and has undertaken the performance obligation of providing computing power to the Mining Pool in exchange for non-cash consideration in the form cryptocurrency. The Group measures the non-cash consideration received at the fair market value of the cryptocurrency received. Management estimates fair value 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 previously considered Coinmarketcap to be a Level 1 input under IFRS 13 Fair Value Measurement. However, management has revised this opinion and now considers Coinmarketcap to be a level 2 input as the price represents an average of quoted prices on various markets and not necessarily the Group's principal market. Any difference between the fair value of cryptocurrency recorded upon receipt from mining activities and the actual realized price upon disposal are recorded as a gain or loss on disposition of cryptocurrency.

Cryptocurrency on hand at the end of a reporting period is accounted for under IAS 38 Intangible Assets, as an intangible asset with an indefinite useful life initially measured at cost, deemed to be the fair value upon receipt as described above, and subsequently measured under the revaluation model. Under the revaluation model, increases in the cryptocurrency's carrying amount is recognized in other comprehensive income and accumulated in equity under revaluation surplus. However, increases are recognized in profit or loss to the extent that it reverses a revaluation decrease of cryptocurrency previously recognized in profit or loss. The fair value of cryptocurrency on hand at the end of the reporting period is calculated as the quantity of cryptocurrency on hand multiplied by price quoted on Coinmarketcap as of the reporting date.

The Company has continued to classify cryptocurrency on hand at the end of a period as a current asset as management has determined that cryptocurrency markets have sufficient liquidity to allow conversion within the Company's normal operating cycle.

The Group believes that the revised policy and presentation provide more relevant financial information to the users of the financial statements. The accounting policy change has been applied retrospectively, but the Group's management has determined that the impact of the accounting policy change in previous periods is not material. The cumulative effect of retrospective application of the accounting policy change on retained earnings as of January 1, 2020 was nil as the Company did not have any cryptocurrency on hand as of December 31, 2019. Furthermore, the Group's management believes that the disclosures made in previous periods relating to the quantity and fair value of cryptocurrencies mined during the periods, the cost and fair market value of cryptocurrencies on hand at the end of the periods and the proceeds received from disposal of cryptocurrencies during the periods is sufficient to allow users of the financial statements to understand the Company's financial results. The accounting standards in the cryptocurrency mining industry are still evolving and the Group's management believes that this accounting policy change is better aligned with current industry practices. Additionally, the Group may be required to re-evaluate their accounting policy with respect to revenue recognition and subsequent remeasurement of cryptocurrency on hand in the event of the issuance of new accounting guidance or a change in the Group's business practice of regularly disposing of cryptocurrencies.

### **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 in 2020 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:

- Bitcoin halving event;
- COVID 19 pandemic;
- the availability of financing opportunities and risks associated with economic conditions, including Bitcoin price and Bitcoin network difficulty;
- the ability to service debt obligations and maintain flexibility in respect of debt covenants;
- 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;
- 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; and
- other factors beyond the Company's control.



The above is not an exhaustive list of the factors that may affect the Company's forward-looking statements. 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. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian Securities Authorities, including the Company's annual MD&A dated April 29, 2020. 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; and (iv) 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 Revenues minus energy and infrastructure expenses for the Backbone segment of the Company. "Gross mining margin" is defined as the percentage obtained when dividing Gross mining profit by Revenues for the Backbone segment of the Company.

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.

#### **Management's Report on Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company and its subsidiaries is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. In designing such controls, it should be recognized that due to inherent limitations, any control, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is required to use judgment in evaluating controls and procedures.

## 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:** Bitcoin 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 Bitcoin 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. Bitcoin is created when the Bitcoin network issues Block Rewards through the Mining process.

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

**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 Bitcoin 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 Bitcoin Blockchain. As a reward for their services, Bitcoin Miners collect transaction fees for the transactions they confirm, along with newly created Bitcoins 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 Bitcoin 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 Bitcoin 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 Bitcoin 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 Bitcoin network to validate transactions on the Bitcoin Blockchain.

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

**FORM 52-109FV2**  
**CERTIFICATION OF INTERIM FILINGS**  
**VENTURE ISSUER BASIC 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, 2020.
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.

Date: November 26, 2020

“Emiliano Grodzki”

\_\_\_\_\_  
 Emiliano Grodzki  
 Chief Executive Officer

**NOTE TO READER**

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

- I. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- II. a process 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.

The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

**FORM 52-109FV2**  
**CERTIFICATION OF INTERIM FILINGS**  
**VENTURE ISSUER BASIC CERTIFICATE**

I, Mauro Ferrara, 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, 2020.
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.

Date: November 26, 2020

“Mauro Ferrara”

Mauro Ferrara

Chief Financial Officer

**NOTE TO READER**

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- I. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- II. a process 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.

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**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
1376 Bayview Ave, Unit 1  
Toronto, Ontario M4G 3A1

**Item 2 Date of Material Change**

November 26, 2020.

**Item 3 News Release**

The press release attached as Schedule “A” was disseminated on November 26, 2020.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Nicolas Bonta  
Chairman & Director  
Bitfarms Ltd.  
nbonta@bitfarms.com

**Item 9 Date of Report**

November 26, 2020.

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## Bitfarms Reports Q3 2020 Financial Results

**Toronto, Ontario and Brossard, Québec (November 26, 2020)** - Bitfarms Ltd. ("Bitfarms", or the "Company") (TSXV:BITE) today announced its financial and operating results for the third quarter ended September 30, 2020.

## Q3 2020 Financial Summary and Corporate Highlights

- Revenues of \$6.8 million; gross loss of \$1.0 million (-15% gross margin), operating loss of \$2.8 million (-42% operating margin), and net loss of \$4.8 million;
- Gross mining profit<sup>1</sup> of \$1.6 million (26% gross mining margin);
- EBITDA loss of \$0.3 million (-4% EBITDA margin), \$0.4 million Adjusted EBITDA (5% Adjusted EBITDA margin);
- Mined 535 Bitcoins with an average break-even<sup>2</sup> Bitcoin price of approximately \$7,500;
- Entered into lease agreements for 3,000 Whatsminer Miners, of which 1,000 Whatsminer M31S, adding approximately 82PH/s, were received and installed during the quarter;
- Completed Dominion Capital loan modification providing the Company financial flexibility

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

| For the periods ended as indicated      | Three months ended |              |           |          | Nine months ended |              |           |          |
|-----------------------------------------|--------------------|--------------|-----------|----------|-------------------|--------------|-----------|----------|
|                                         | Sep. 30 2020       | Sep. 30 2019 | \$ Change | % Change | Sep. 30 2020      | Sep. 30 2019 | \$ Change | % Change |
| Revenues                                | 6,795              | 9,739        | (2,944)   | (30)%    | 23,379            | 21,886       | 1,493     | 7%       |
| Cost of sales                           | 7,827              | 5,276        | 2,551     | 48%      | 23,250            | 13,280       | 9,970     | 75%      |
| Gross profit (loss)                     | (1,032)            | 4,463        | (5,495)   | (123)%   | 129               | 8,606        | (8,477)   | (99)%    |
| Gross margin                            | (15)%              | 46%          | -         | -        | 1%                | 39%          | -         | -        |
| Operating income (loss)                 | (2,841)            | 2,111        | (4,952)   | (235)%   | (5,856)           | 975          | (6,831)   | (701)%   |
| Operating margin                        | (42)%              | 22%          | -         | -        | (25)%             | 4%           | -         | -        |
| Net income (loss)                       | (4,761)            | 4,309        | (9,070)   | (210)%   | (10,915)          | 983          | (11,898)  | (1210)%  |
| Net earnings (loss) per share - basic   | (0.06)             | 0.06         | -         | -        | (0.13)            | 0.03         | -         | -        |
| Net earnings (loss) per share - diluted | (0.06)             | 0.05         | -         | -        | (0.13)            | 0.03         | -         | -        |
| Gross mining profit <sup>(1)</sup>      | 1,593              | 5,954        | (4,361)   | (73)%    | 8,322             | 12,192       | (3,870)   | (32)%    |
| Gross mining margin <sup>(1)</sup>      | 26%                | 67%          | -         | -        | 38%               | 62%          | -         | -        |
| EBITDA <sup>(1)</sup>                   | (274)              | 7,161        | (7,435)   | (104)%   | 1,973             | 7,329        | (5,356)   | (73)%    |
| EBITDA margin <sup>(1)</sup>            | (4)%               | 74%          | -         | -        | 8%                | 33%          | -         | -        |
| Adjusted EBITDA <sup>(1)</sup>          | 365                | 4,668        | (4,303)   | (92)%    | 4,463             | 7,632        | (3,169)   | (42)%    |
| Adjusted EBITDA margin <sup>(1)</sup>   | 5%                 | 48%          | -         | -        | 19%               | 35%          | -         | -        |

1 Gross mining profit, Gross mining margin, EBITDA, EBITDA margin, Adjusted EBITDA and Adjusted EBITDA margin are non-IFRS financial performance measures; please refer to the Non-IFRS Financial Performance Measures section and related reconciliations included in Bitfarms' third quarter 2020 MD&A, available on SEDAR and Bitfarms' website.

2 Represents the break-even cost of Bitcoin based on variable cost of electricity and is calculated by taking the total electricity costs related to the Mining of Bitcoin, excluding hosting contracts, divided by the total number of Bitcoin mined.

“As anticipated, the May 2020 Bitcoin Halving event negatively impacted most of our financial metrics for the quarter. However, gross mining profit and adjusted EBITDA remained in positive territory, and Bitcoin mining economics have stabilized and improved significantly subsequent to Q3. Operationally, we added one thousand WhatsMiner M31S in September, increasing mining computing power by approximately 82PH/s” commented Mauro Ferrara, Interim Chief Financial Officer.

Emiliano Grodzki, Interim Chief Executive Officer of Bitfarms added, “Although our break-even Bitcoin production cost increased in Q3 2020 to approximately \$7,500, mainly as a result of the aforementioned Bitcoin Halving event, it still compared favourably to the average Bitcoin market price of \$10,615 for the quarter, and even more favourably compared to an average Bitcoin market price of \$16,525 over the last 20 days. Our efforts continue towards achieving greater scale by adding best in class miners and pushing operational efficiency.”

## **Webcast**

The Company will be hosting a webcast presentation at 10:00 AM ET on November 26, 2020. To view the webcast presentation, please register at:

<https://onlinexperiences.com/Launch/QReg/ShowUUID=24FF76E5-C7B6-45CC-B66D-D650BAAE8D3E>

The financial results and presentation will also be available on our website at [www.bitfarms.com](http://www.bitfarms.com).

## **About Bitfarms Ltd.**

The Company owns and operates computing centres that power the global decentralized financial economy. Bitfarms provides computing power to cryptocurrency networks such as Bitcoin, earning fees from each network for securing and processing transactions. Powered by clean and competitively priced hydroelectricity, Bitfarms operates 5 computing centres in Québec, Canada. Bitfarms’ experienced management team includes industrial-scale data centre operators and capital markets professionals, focused on building infrastructure for the future by developing and hosting the ecosystem growing around blockchain-based technologies.

## **For investor and media inquiries, please contact:**

Mauro Ferrara  
+1.514.691-6228  
[MFerrara@Bitfarms.com](mailto:MFerrara@Bitfarms.com)

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

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

### **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 TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

### **Forward-Looking Statements**

● This news release contains certain “forward-looking information” within the meaning of applicable Canadian securities laws that are based on expectations, estimates and projections as at the date of this news release. The information in this release about any 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 resulting significant negative impact on the Company’s operations, the construction and operation of expanded blockchain infrastructure as currently planned, and the regulatory environment of cryptocurrency in the Provinces of Canada.

● 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 reasonable assumptions and estimates of management of the Company at the time it was 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; 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; 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; and volatile securities markets impacting security pricing unrelated to operating performance. In addition, particular factors which could impact future results of the business of Bitfarms include but are not limited to: the construction and operation of blockchain infrastructure 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 Province of Québec, 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; and there will be no regulation or law that will prevent Bitfarms from operating its business. The Company has also assumed that no significant events occur outside of the Bitfarms’ normal course of business. Although the Company has attempted to identify important factors that could cause actual results to differ materially, 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 forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.



## Bitfarms Reports Q3 2020 Financial Results

TORONTO & BROSSARD, Québec--(BUSINESS WIRE)--November 26, 2020--Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) (TSXV:BITF) today announced its financial and operating results for the third quarter ended September 30, 2020.

## Q3 2020 Financial Summary and Corporate Highlights

- Revenues of \$6.8 million; gross loss of \$1.0 million(-15% gross margin), operating loss of \$2.8 million (-42% operating margin), and net loss of \$4.8 million;
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- EBITDA loss of \$0.3 million ( -4% EBITDA margin), \$0.4 million Adjusted EBITDA (5% Adjusted EBITDA margin);
- Mined 535 Bitcoins with an average break-even<sup>2</sup> Bitcoin price of approximately \$7,500;
- Entered into lease agreements for 3,000 Whatsminer Miners, of which 1,000 Whatsminer M31S, adding approximately 82PH/s, were received and installed during the quarter;
- Completed Dominion Capital loan modification providing the Company financial flexibility

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

| For the periods ended as indicated      | Three months ended |                 |           |             | Nine months ended |                 |           |             |
|-----------------------------------------|--------------------|-----------------|-----------|-------------|-------------------|-----------------|-----------|-------------|
|                                         | Sep. 30<br>2020    | Sep. 30<br>2019 | \$ Change | %<br>Change | Sep. 30<br>2020   | Sep. 30<br>2019 | \$ Change | %<br>Change |
| Revenues                                | 6,795              | 9,739           | (2,944)   | (30)%       | 23,379            | 21,886          | 1,493     | 7%          |
| Cost of sales                           | 7,827              | 5,276           | 2,551     | 48%         | 23,250            | 13,280          | 9,970     | 75%         |
| Gross profit (loss)                     | (1,032)            | 4,463           | (5,495)   | (123)%      | 129               | 8,606           | (8,477)   | (99)%       |
| Gross margin                            | (15)%              | 46%             | -         | --          | 1%                | 39%             | -         | -           |
| Operating income (loss)                 | (2,841)            | 2,111           | (4,952)   | (235)%      | (5,856)           | 975             | (6,831)   | (701)%      |
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| Net income (loss)                       | (4,761)            | 4,309           | (9,070)   | (210)%      | (10,915)          | 983             | (11,898)  | (1210)%     |
| Net earnings (loss) per share - basic   | (0.06)             | 0.06            | -         | -           | (0.13)            | 0.03            | -         | -           |
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| Adjusted EBITDA margin <sup>(1)</sup>   | 5%                 | 48%             | -         | -           | 19%               | 35%             | -         | -           |

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Emiliano Grodzki, Interim Chief Executive Officer of Bitfarms added, “Although our break-even Bitcoin production cost increased in Q3 2020 to approximately \$7,500, mainly as a result of the aforementioned Bitcoin Halving event, it still compared favourably to the average Bitcoin market price of \$10,615 for the quarter, and even more favourably compared to an average Bitcoin market price of \$16,525 over the last 20 days. Our efforts continue towards achieving greater scale by adding best in class miners and pushing operational efficiency.”

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<https://onlinexperiences.com/Launch/QReg/ShowUUID=24FF76E5-C7B6-45CC-B66D-D650BAAE8D3E>

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

<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/>

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

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### **Forward-Looking Statements**

- *This news release contains certain “forward-looking information” within the meaning of applicable Canadian securities laws that are based on expectations, estimates and projections as at the date of this news release. The information in this release about any 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 resulting significant negative impact on the Company’s operations, the construction and operation of expanded blockchain infrastructure as currently planned, and the regulatory environment of cryptocurrency in the Provinces of Canada.*
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## **Contacts**

### **For investor and media inquiries, please contact:**

Mauro Ferrara  
+1.514.691-6228  
MFerrara@Bitfarms.com

**NOTICE DECLARING INTENTION TO BE QUALIFIED UNDER NATIONAL INSTRUMENT 44-101**  
**SHORT FORM PROSPECTUS DISTRIBUTIONS**  
**("NI 44-101")**

November 27, 2020

**TO: British Columbia Securities Commission, as notice regulator**

Bitfarms Ltd. (the “**Issuer**”) intends to be qualified to file a short form prospectus under NI 44-101. The Issuer acknowledges that it must satisfy all applicable qualification criteria prior to filing a preliminary short form prospectus. This notice does not evidence the Issuer's intent to file a short form prospectus, to enter into any particular financing or transaction or to become a reporting issuer in any jurisdiction. This notice will remain in effect until withdrawn by the Issuer.

**BITFARMS LTD.**

By: (signed) “Nicolas Bonta”

Nicolas Bonta  
Chairman

**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
18 King St. E, Suite 902  
Toronto, Ontario M5C 1C4

**Item 2 Date of Material Change**

December 22, 2020.

**Item 3 News Release**

The press release attached as Schedule “A” was disseminated on December 22, 2020.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Nicolas Bonta  
Chairman & Director  
Bitfarms Ltd.  
nbonta@bitfarms.com

**Item 9 Date of Report**

December 22, 2020.

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**Bitfarms Announces the Deployment of 1,000 Whatsminer Rigs and the Acquisition of 3,000 Additional Miners, in line with Increasing Bitcoin Demand; Grant of Stock Options**

**Brossard, Québec (December 22, 2020)** - Bitfarms Ltd. ("Bitfarms", or the "Company") (TSXV: BITF), one of the largest and most cost-effective public bitcoin mining operations in the world, recently deployed 1,000 new Whatsminer M31S mining rigs, and placed an order for an additional 3,000 Whatsminer M31S+ miners scheduled for delivery in late February 2021, to significantly boost computing power and drive the rapid growth of the global decentralized financial economy.

The 1,000 new M31S miners were deployed last week at one of Bitfarms' high-power data centres, adding 74 petahash ("PH") of computing power, thus increasing Bitfarms' total operating hashrate to over 965 PH.

The addition of 3,000 new WhatsMiner M31S+ miners, when deployed, will increase Bitfarms' output to over 1.2 exahash ("EH"), a significant step towards Bitfarms' previously announced corporate target of 3 EH.

Demand for Bitcoin has never been higher, with the price recently topping US\$24,000. By providing the computing power needed to produce new Bitcoin, miners such as Bitfarms are providing an essential service to the global decentralized financial economy.

"The Bitcoin mining sector has been tremendously exciting following the increase of Bitcoin prices since early October, and in particular thanks to the unprecedented peaks in price we've seen over the last week. The role, we as bitcoin miners have to play in this industry, is completely essential, and it is with great excitement that we are able to announce this expansion to our computing power," said Emiliano Grodzki, Interim Chief Executive Officer of Bitfarms.

The addition of over 6,000 new generation miners over the past 6 months, combined with recent bitcoin price increase, has improved the Company's "gross mining margin" \* to approximately 68%.

By late February 2021, management forecasts computing power-to-electricity efficiency ratio to improve by 1.7%, from ~17.8 PH/MW to ~18.1 PH/MW. Bitfarms remains one of the largest and lowest cost producers of Bitcoin amongst publicly traded Bitcoin mining companies in the world.

In addition, Bitfarms announces the grant of 1,624,600 management incentive options to directors, officers, employees and consultants in accordance with the Company's Stock Option Plan. The options have a term of five years with an exercise price of \$1.76 per share, and are subject to vesting requirements.

**About Bitfarms Ltd.**

Bitfarms is one of the largest public bitcoin mining operations in the world and is listed on the TSX-V. Founded in 2017 it has 5 industrial scale facilities across Quebec, Canada and is responsible for approximately 1% of the entire Bitcoin mining industry and daily Bitcoin mined. Bitfarms run vertically integrated mining operations with onsite technical repair, data analytics and engineers to deliver the computing power needed to drive the rapid growth of the global decentralized financial economy.

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\* Gross mining margin is defined as the percentage obtained when dividing Gross mining profit by mining-related revenue.

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**Bitfarms Announces the Deployment of 1,000 Whatsminer Rigs and the Acquisition of 3,000 Additional Miners, in line with Increasing Bitcoin Demand; Grant of Stock Options**

BROSSARD, Québec--(BUSINESS WIRE)--December 22, 2020--Bitfarms Ltd. (“Bitfarms”, or the “Company”) (TSXV: BITF), one of the largest and most cost-effective public bitcoin mining operations in the world, recently deployed 1,000 new Whatsminer M31S mining rigs, and placed an order for an additional 3,000 Whatsminer M31S+ miners scheduled for delivery in late February 2021, to significantly boost computing power and drive the rapid growth of the global decentralized financial economy.

The 1,000 new M31S miners were deployed last week at one of Bitfarms’ high-power data centres, adding 74 petahash (“PH”) of computing power, thus increasing Bitfarms’ total operating hashrate to over 965 PH.

The addition of 3,000 new WhatsMiner M31S+ miners, when deployed, will increase Bitfarms’ output to over 1.2 exahash (“EH”), a significant step towards Bitfarms’ previously announced corporate target of 3 EH.

Demand for Bitcoin has never been higher, with the price recently topping US\$24,000. By providing the computing power needed to produce new Bitcoin, miners such as Bitfarms are providing an essential service to the global decentralized financial economy.

“The Bitcoin mining sector has been tremendously exciting following the increase of Bitcoin prices since early October, and in particular thanks to the unprecedented peaks in price we’ve seen over the last week. The role, we as bitcoin miners have to play in this industry, is completely essential, and it is with great excitement that we are able to announce this expansion to our computing power,” said Emiliano Grodzki, Interim Chief Executive Officer of Bitfarms.

The addition of over 6,000 new generation miners over the past 6 months, combined with recent bitcoin price increase, has improved the Company’s “gross mining margin” \* to approximately 68%.

By late February 2021, management forecasts computing power-to-electricity efficiency ratio to improve by 1.7%, from ~17.8 PH/MW to ~18.1 PH/MW. Bitfarms remains one of the largest and lowest cost producers of Bitcoin amongst publicly traded Bitcoin mining companies in the world.

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## **Contacts**

### **For corporate inquiries:**

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gmorphy@bitfarms.com

### **For media inquiries:**

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ellis@yapglobal.com

**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
18 King St. E, Suite 902  
Toronto, Ontario M5C 1C4

**Item 2 Date of Material Change**

December 29, 2020.

**Item 3 News Release**

The press release attached as Schedule “A” was disseminated on December 29, 2020.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Nicolas Bonta  
Executive  
Chairman & Director Bitfarms Ltd.  
nbonta@bitfarms.com

**Item 9 Date of Report**

December 29, 2020.

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**Bitfarms Announces Executive Management and Board Changes to Prepare for Company Growth in 2021**

**Toronto, Ontario and Brossard, Québec (December 29, 2020)** - Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) (TSXV:BITF) (U.S.:OTC:BFARF), one of the largest and most profitable public bitcoin mining operations in the world, announces changes to the Board and executive management team in order to respond to market conditions and prepare the Company for continued growth and new opportunities in 2021.

**Changes to the Structure of the Board and Executive Management:**

- Effective Immediately, Mr. Nicolas Bonta will become Executive Chairman of Bitfarms.

Nicolas Bonta has served as the Chairman of Bitfarms since its inception. Mr. Bonta is a founder of Bitfarms and a successful entrepreneur with over 20 years of commercial business experience.

In June 2020, Mr. Bonta assumed the role of Chief Development Officer of Bitfarms and has been responsible for strategic corporate and business development.

- As Mr. Bonta is not an independent board member, the Board has decided to employ best governance practices by appointing Mr. Brian Howlett as Lead Director, effective immediately.

Mr. Howlett has served as an independent director of the Company since April 2020. He is a Chartered Professional Accountant and possesses over 30 years of experience in senior management as a board member and management, and with numerous public companies.

- Effective immediately, Mr. Emiliano Grodzki has agreed to serve as Bitfarms’ Chief Executive Officer on a permanent basis.

Emiliano Grodzki is a founder of the Company and until his appointment as Interim CEO earlier this year was the Chief Strategy Officer. He too has served as a Company director since its inception.

- Effective immediately, Mr. Mathieu Vachon will become Bitfarms’ Chief Information Officer.

Mathieu Vachon is a founder of the Company and is currently an Executive Vice President – Technology & Operations, who has served as a director of the Company since June 2020.

- Effective immediately, Mr. Geoffrey Morphy will become President.

L. Geoffrey Morphy served as a Director of Bitfarms before becoming Executive Vice President – Finance, Administration, and Corporate Development in August 2020.

###  
**About Bitfarms Ltd.**

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## Bitfarms Announces CAD\$20.0 Million Private Placement with U.S. Institutional Investors

**Toronto, Ontario and Brossard, Québec (January 3, 2021)** - Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) (TSXV:BITF) (U.S.:OTC:BFARF), a Canadian publicly listed bitcoin mining operation, has entered into subscription agreements with certain institutional investors for gross proceeds of approximately CAD\$20.0 million of in a private placement in the United States of its equity securities, comprised of 8,888,889 common shares along with warrants to purchase an aggregate of up to 8,888,889 common shares at a purchase price of CAD\$2.25 per common share and associated warrant. The warrants have an exercise price of CAD\$2.75 per common share and exercise period of three years. The net proceeds of the private placement will be used by the Company principally to acquire additional miners, expand infrastructure, and improve its working capital position.

The private placement is expected to close on or about January 6, 2021, subject to satisfaction of customary closing conditions.

“We are pleased to welcome these investors to Bitfarms as we continue to grow our miner count. There has never been a more exciting time to be a part of the cryptocurrency mining industry. We are very pleased to have established an institutional presence in the United States.”, said Emiliano Grodzki, CEO of Bitfarms.

H.C. Wainwright & Co. is acting as the exclusive placement agent for the private placement in the United States.

Bitfarms has sights set on growth and expansion towards its mission to provide 3 Exahash of computing power by the end of 2021, which will continue to contribute to the rapid growth of the global, decentralized financial economy.

###

### Notes

The securities being offered have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, and such securities may not be offered or sold within the United States except pursuant to an exemption from the registration requirements of the U.S. Securities Act of 1933 and applicable state securities laws. This press release does not constitute an offer to sell or the solicitation of an offer to buy securities, nor shall it constitute an offer, solicitation or sale in any jurisdiction in which such offer, solicitation or sale is unlawful.

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**For media inquiries, please contact:**

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**Cautionary Statement**

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**Forward-Looking Statements**

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*This forward-looking information is based on reasonable assumptions and estimates of management of the Company at the time it was 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: the Company's ability to obtain all approvals required in connection with the private placement and successfully complete the private placement; risks relating to the global economic climate; dilution; the Company's limited operating history; future capital needs and uncertainty of additional financing; 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; 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; and volatile securities markets impacting security pricing unrelated to operating performance. In addition, particular factors which could impact future results of the business of Bitfarms include but are not limited to: the construction and operation of blockchain infrastructure 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 Province of Québec, 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 there will be no regulation or law that will prevent Bitfarms from operating its business. The Company has also assumed that no significant events occur outside of the Bitfarms' normal course of business. Although the Company has attempted to identify important factors that could cause actual results to differ materially, 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 forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.*

**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
18 King St. E, Suite 902  
Toronto, Ontario M5C 1C4

**Item 2 Date of Material Change**

January 3, 2021.

**Item 3 News Release**

The press release attached as Schedule “A” was disseminated on January 3, 2021.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Nicolas Bonta  
Executive Chairman & Director  
Bitfarms Ltd.  
nbonta@bitfarms.com

**Item 9 Date of Report**

January 4, 2021.

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## **Bitfarms Announces CAD\$20.0 Million Private Placement with U.S. Institutional Investors**

**Toronto, Ontario and Brossard, Québec (January 3, 2021)** - Bitfarms Ltd. ("**Bitfarms**", or the "**Company**") (TSXV:BITF) (U.S.:OTC:BFARF), a Canadian publicly listed bitcoin mining operation, has entered into subscription agreements with certain institutional investors for gross proceeds of approximately CAD\$20.0 million of in a private placement in the United States of its equity securities, comprised of 8,888,889 common shares along with warrants to purchase an aggregate of up to 8,888,889 common shares at a purchase price of CAD\$2.25 per common share and associated warrant. The warrants have an exercise price of CAD\$2.75 per common share and exercise period of three years. The net proceeds of the private placement will be used by the Company principally to acquire additional miners, expand infrastructure, and improve its working capital position.

The private placement is expected to close on or about January 6, 2021, subject to satisfaction of customary closing conditions.

"We are pleased to welcome these investors to Bitfarms as we continue to grow our miner count. There has never been a more exciting time to be a part of the cryptocurrency mining industry. We are very pleased to have established an institutional presence in the United States.", said Emiliano Grodzki, CEO of Bitfarms.

H.C. Wainwright & Co. is acting as the exclusive placement agent for the private placement in the United States.

Bitfarms has sights set on growth and expansion towards its mission to provide 3 Exahash of computing power by the end of 2021, which will continue to contribute to the rapid growth of the global, decentralized financial economy.

###

### **Notes**

The securities being offered have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, and such securities may not be offered or sold within the United States except pursuant to an exemption from the registration requirements of the U.S. Securities Act of 1933 and applicable state securities laws. This press release does not constitute an offer to sell or the solicitation of an offer to buy securities, nor shall it constitute an offer, solicitation or sale in any jurisdiction in which such offer, solicitation or sale is unlawful.

### **About Bitfarms Ltd.**

Bitfarms is one of the largest public bitcoin mining operations in the world and is listed on the TSX-V. Founded in 2017 it has 5 industrial scale facilities across Quebec, Canada and is responsible for mining about 1% of the entire supply of bitcoin. Bitfarms run vertically integrated mining operations with onsite technical repair, data analytics and engineers to deliver the computing power needed to contribute to the rapid growth of the global decentralized financial economy.

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**Forward-Looking Statements**

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**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
18 King St. E, Suite 902  
Toronto, Ontario M5C 1C4

**Item 2 Date of Material Change**

January 7, 2021.

**Item 3 News Release**

The press release attached as Schedule “A” was disseminated on January 7, 2021.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Nicolas Bonta  
Executive Chairman & Director  
Bitfarms Ltd.  
nbonta@bitfarms.com

**Item 9 Date of Report**

January 7, 2021.

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**Bitfarms Announces Closing of CAD\$20.0 Million Private Placement with U.S. Institutional Investors**

**Toronto, Ontario and Brossard, Québec (January 7, 2021)** - Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) ([TSXV:BITE](#)) (U.S.:OTC:BFARF), one of the largest and most productive publicly listed bitcoin mining operations in the world, is pleased to announce that it has closed its previously announced private placement of equity securities (the “**Offering**”). The Offering was for gross proceeds of approximately CAD\$20 million and consisted of the sale of 8,888,889 common shares, along with warrants to purchase an aggregate of up to 8,888,889 common shares, at a purchase price of CAD\$2.25 per common share and associated warrant. The warrants have an exercise price of CAD\$2.75 per common share and exercise period of three years (through January 8, 2024). The funds were raised via a fully subscribed private placement of Units among U.S. institutional investors.

H.C. Wainwright & Co. acted as the exclusive placement agent for the Offering.

The net proceeds of the Offering will be used principally to acquire additional miners, expand infrastructure, and improve its working capital position.

H.C. Wainwright & Co. received (i) a cash commission equal to 8.0% of the gross proceeds of the Offering and (ii) 711,111 non-transferable broker warrants (the “**Broker Warrants**”), with each Broker Warrant exercisable for one common share of the Company at a price of CAD\$2.81 at any time on or before January 8, 2024.

The securities issued under the Offering are subject to customary resale restrictions in the United States with no resale restrictions in Canada.

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**Notes**

The securities being offered have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, and such securities may not be offered or sold within the United States except pursuant to an exemption from the registration requirements of the U.S. Securities Act of 1933 and applicable state securities laws. This press release does not constitute an offer to sell or the solicitation of an offer to buy securities, nor shall it constitute an offer, solicitation or sale in any jurisdiction in which such offer, solicitation or sale is unlawful.

**About Bitfarms Ltd.**

Bitfarms is one of the largest public bitcoin mining operations in the world and is listed on the TSX-V. Founded in 2017 it has five industrial scale facilities across Quebec, Canada and is responsible for infrastructure activities of approximately 1% of the entire Bitcoin mining industry and daily Bitcoin mined. Bitfarms run vertically integrated mining operations with onsite technical repair, data analytics and engineers to deliver the computing power needed to drive the rapid growth of the global decentralized financial economy.

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## Bitfarms Announces Closing of CAD\$20.0 Million Private Placement with U.S. Institutional Investors

TORONTO & BROSSARD, Québec--(BUSINESS WIRE)--January 7, 2021--Bitfarms Ltd. ("**Bitfarms**", or the "**Company**") (TSXV:BITF) (U.S.:OTC:BFARF), one of the largest and most productive publicly listed bitcoin mining operations in the world, is pleased to announce that it has closed its previously announced private placement of equity securities (the "**Offering**"). The Offering was for gross proceeds of approximately CAD\$20 million and consisted of the sale of 8,888,889 common shares, along with warrants to purchase an aggregate of up to 8,888,889 common shares, at a purchase price of CAD\$2.25 per common share and associated warrant. The warrants have an exercise price of CAD\$2.75 per common share and exercise period of three years (through January 8, 2024). The funds were raised via a fully subscribed private placement of Units among U.S. institutional investors.

H.C. Wainwright & Co. acted as the exclusive placement agent for the Offering.

The net proceeds of the Offering will be used principally to acquire additional miners, expand infrastructure, and improve its working capital position.

H.C. Wainwright & Co. received (i) a cash commission equal to 8.0% of the gross proceeds of the Offering and (ii) 711,111 non-transferable broker warrants (the "**Broker Warrants**"), with each Broker Warrant exercisable for one common share of the Company at a price of CAD\$2.81 at any time on or before January 8, 2024.

The securities issued under the Offering are subject to customary resale restrictions in the United States with no resale restrictions in Canada.

### Notes

The securities being offered have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, and such securities may not be offered or sold within the United States except pursuant to an exemption from the registration requirements of the U.S. Securities Act of 1933 and applicable state securities laws. This press release does not constitute an offer to sell or the solicitation of an offer to buy securities, nor shall it constitute an offer, solicitation or sale in any jurisdiction in which such offer, solicitation or sale is unlawful.

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**Bitfarms Announces Second CAD\$20.0 Million Private Placement with  
U.S. Institutional Investors**

**Toronto, Ontario and Brossard, Québec (January 10, 2021)** - Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) (**TSXV:BTF**) (U.S.:OTC:BFARF), a Canadian publicly listed bitcoin mining operation, has entered into subscription agreements with certain institutional investors for gross proceeds of approximately CAD\$20.0 million in a private placement in the United States of its equity securities, comprised of 5,586,593 common shares along with warrants to purchase an aggregate of up to 5,586,593 common shares at a purchase price of CAD\$3.58 per common share and associated warrant. The warrants have an exercise price of USD\$3.10 per common share and exercise period of three and one-half years. The net proceeds of the private placement will be used by the Company principally to acquire additional miners, expand infrastructure, and improve its working capital position.

The private placement is expected to close on or about January 13, 2021, subject to satisfaction of customary closing conditions and approval of the TSX Venture Exchange.

“We are pleased to announce our second financing of CAD\$20.0 million, having just closed a financing of CAD\$20.0 million (see press release of January 7, 2021). This additional financing will allow us to further grow our miner count and expand infrastructure. We are very pleased to continue to expand our institutional presence in the United States.”, said Emiliano Grodzki, CEO of Bitfarms.

H.C. Wainwright & Co. is acting as the exclusive placement agent for the private placement in the United States.

Bitfarms has sights set on growth and expansion towards its mission to provide 3 Exahash of computing power by the end of 2021, which will continue to contribute to the rapid growth of the global, decentralized financial economy.

###

**Notes**

The securities being offered have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, and such securities may not be offered or sold within the United States except pursuant to an exemption from the registration requirements of the U.S. Securities Act of 1933 and applicable state securities laws. This press release does not constitute an offer to sell or the solicitation of an offer to buy securities, nor shall it constitute an offer, solicitation or sale in any jurisdiction in which such offer, solicitation or sale is unlawful.

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## **About Bitfarms Ltd.**

Bitfarms is one of the largest public bitcoin mining operations in the world and is listed on the TSX-V. Founded in 2017 it has five industrial scale facilities across Quebec, Canada and is responsible for infrastructure activities of approximately 1% of the entire Bitcoin mining industry and daily Bitcoin mined. Bitfarms run vertically integrated mining operations with onsite technical repair, data analytics and engineers to deliver the computing power needed to drive the rapid growth of the global decentralized financial economy.

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[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 TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

## **Forward-Looking Statements**

*This news release contains certain “forward-looking information” within the meaning of applicable Canadian securities laws that are based on expectations, estimates and projections as at the date of this news release. The information in this release about future plans and objectives of the Company, including the intention to complete the private placement and the expected expenditure of the proceeds of the private placement, 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 resulting significant negative impact on the Company’s operations, the construction and operation of expanded blockchain infrastructure as currently planned, and the regulatory environment of cryptocurrency in the Provinces of Canada.*

*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 reasonable assumptions and estimates of management of the Company at the time it was 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: the Company's ability to obtain all approvals required in connection with the private placement and successfully complete the private placement; risks relating to the global economic climate; dilution; the Company's limited operating history; future capital needs and uncertainty of additional financing; 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; 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; and volatile securities markets impacting security pricing unrelated to operating performance. In addition, particular factors which could impact future results of the business of Bitfarms include but are not limited to: the construction and operation of blockchain infrastructure 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 Province of Québec, 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 there will be no regulation or law that will prevent Bitfarms from operating its business. The Company has also assumed that no significant events occur outside of the Bitfarms' normal course of business. Although the Company has attempted to identify important factors that could cause actual results to differ materially, 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 forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.*

**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
18 King St. E, Suite 902  
Toronto, Ontario M5C 1C4

**Item 2 Date of Material Change**

January 10, 2021.

**Item 3 News Release**

The press release attached as Schedule “A” was disseminated on January 10, 2021.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Nicolas Bonta  
Executive Chairman & Director  
Bitfarms Ltd.  
nbonta@bitfarms.com

**Item 9 Date of Report**

January 11, 2021.

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**Bitfarms Announces Second CAD\$20.0 Million Private Placement with U.S. Institutional Investors**

**Toronto, Ontario and Brossard, Québec (January 10, 2021)** - Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) (TSXV:BITF) (U.S.:OTC:BFARF), a Canadian publicly listed bitcoin mining operation, has entered into subscription agreements with certain institutional investors for gross proceeds of approximately CAD\$20.0 million in a private placement in the United States of its equity securities, comprised of 5,586,593 common shares along with warrants to purchase an aggregate of up to 5,586,593 common shares at a purchase price of CAD\$3.58 per common share and associated warrant. The warrants have an exercise price of USD\$3.10 per common share and exercise period of three and one-half years. The net proceeds of the private placement will be used by the Company principally to acquire additional miners, expand infrastructure, and improve its working capital position.

The private placement is expected to close on or about January 13, 2021, subject to satisfaction of customary closing conditions and approval of the TSX Venture Exchange.

“We are pleased to announce our second financing of CAD\$20.0 million, having just closed a financing of CAD\$20.0 million (see press release of January 7, 2021). This additional financing will allow us to further grow our miner count and expand infrastructure. We are very pleased to continue to expand our institutional presence in the United States.”, said Emiliano Grodzki, CEO of Bitfarms.

H.C. Wainwright & Co. is acting as the exclusive placement agent for the private placement in the United States.

Bitfarms has sights set on growth and expansion towards its mission to provide 3 Exahash of computing power by the end of 2021, which will continue to contribute to the rapid growth of the global, decentralized financial economy.

###

**Notes**

The securities being offered have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, and such securities may not be offered or sold within the United States except pursuant to an exemption from the registration requirements of the U.S. Securities Act of 1933 and applicable state securities laws. This press release does not constitute an offer to sell or the solicitation of an offer to buy securities, nor shall it constitute an offer, solicitation or sale in any jurisdiction in which such offer, solicitation or sale is unlawful.

## **About Bitfarms Ltd.**

Bitfarms is one of the largest public bitcoin mining operations in the world and is listed on the TSX-V. Founded in 2017 it has five industrial scale facilities across Quebec, Canada and is responsible for infrastructure activities of approximately 1% of the entire Bitcoin mining industry and daily Bitcoin mined. Bitfarms run vertically integrated mining operations with onsite technical repair, data analytics and engineers to deliver the computing power needed to drive the rapid growth of the global decentralized financial economy.

### **For corporate inquiries, please contact:**

Geoff Morphy  
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647-500-7440

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## **Forward-Looking Statements**

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*This forward-looking information is based on reasonable assumptions and estimates of management of the Company at the time it was 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: the Company’s ability to obtain all approvals required in connection with the private placement and successfully complete the private placement; risks relating to the global economic climate; dilution; the Company’s limited operating history; future capital needs and uncertainty of additional financing; 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; 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; and volatile securities markets impacting security pricing unrelated to operating performance. In addition, particular factors which could impact future results of the business of Bitfarms include but are not limited to: the construction and operation of blockchain infrastructure 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 Province of Québec, 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 there will be no regulation or law that will prevent Bitfarms from operating its business. The Company has also assumed that no significant events occur outside of the Bitfarms’ normal course of business. Although the Company has attempted to identify important factors that could cause actual results to differ materially, 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 forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.*



## Bitfarms Announces Closing of Second CAD\$20.0 Million Private Placement with U.S. Institutional Investors

**Toronto, Ontario and Brossard, Québec (January 13, 2021)** - Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) ([TSXV:BITE](#)) (U.S.:OTC:BFARF), one of the largest and most productive publicly listed bitcoin mining operations in the world, is pleased to announce that it has closed its previously announced private placement of equity securities (the “**Offering**”). The Offering was for gross proceeds of approximately CAD\$20 million and consisted of the sale of 5,586,593 common shares, along with warrants to purchase an aggregate of up to 5,586,593 common shares, at a purchase price of CAD\$3.58 per common share and associated warrant. The warrants have an exercise price of USD\$3.10 per common share and exercise period of three and one-half years (through July 15, 2024). The funds were raised via a fully subscribed private placement of units among U.S. institutional investors.

H.C. Wainwright & Co. acted as the exclusive placement agent for the Offering.

The net proceeds of the Offering will be used by the Company principally to acquire additional miners, expand infrastructure, and improve its working capital position.

H.C. Wainwright & Co. received (i) a cash commission equal to 8.0% of the gross proceeds of the Offering and (ii) 446,927 non-transferable broker warrants (the “**Broker Warrants**”). Each Broker Warrant will entitle the holder to purchase one common share at an exercise price of USD\$3.53 at any time on or before July 15, 2024.

The securities issued under the Offering are subject to customary resale restrictions in the United States with no resale restrictions in Canada.

###

### Notes

The securities being offered have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, and such securities may not be offered or sold within the United States except pursuant to an exemption from the registration requirements of the U.S. Securities Act of 1933 and applicable state securities laws. This press release does not constitute an offer to sell or the solicitation of an offer to buy securities, nor shall it constitute an offer, solicitation or sale in any jurisdiction in which such offer, solicitation or sale is unlawful.

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## **About Bitfarms Ltd.**

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gmorphy@bitfarms.com  
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<https://www.instagram.com/bitfarms/>  
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## **Forward-Looking Statements**

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**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
18 King St. E, Suite 902  
Toronto, Ontario M5C 1C4

**Item 2 Date of Material Change**

January 13, 2021.

**Item 3 News Release**

The press release attached as Schedule “A” was disseminated on January 13, 2021.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Nicolas Bonta  
Executive Chairman & Director  
Bitfarms Ltd.  
nbonta@bitfarms.com

**Item 9 Date of Report**

January 14, 2021.

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**Bitfarms Announces Closing of Second CAD\$20.0 Million Private Placement with U.S. Institutional Investors**

**Toronto, Ontario and Brossard, Québec (January 13, 2021)** - Bitfarms Ltd. ("**Bitfarms**", or the "**Company**") (TSXV:BITE) (U.S.:OTC:BFARF), one of the largest and most productive publicly listed bitcoin mining operations in the world, is pleased to announce that it has closed its previously announced private placement of equity securities (the "**Offering**"). The Offering was for gross proceeds of approximately CAD\$20 million and consisted of the sale of 5,586,593 common shares, along with warrants to purchase an aggregate of up to 5,586,593 common shares, at a purchase price of CAD\$3.58 per common share and associated warrant. The warrants have an exercise price of USD\$3.10 per common share and exercise period of three and one-half years (through July 15, 2024). The funds were raised via a fully subscribed private placement of units among U.S. institutional investors.

H.C. Wainwright & Co. acted as the exclusive placement agent for the Offering.

The net proceeds of the Offering will be used by the Company principally to acquire additional miners, expand infrastructure, and improve its working capital position.

H.C. Wainwright & Co. received (i) a cash commission equal to 8.0% of the gross proceeds of the Offering and (ii) 446,927 non-transferable broker warrants (the "**Broker Warrants**"). Each Broker Warrant will entitle the holder to purchase one common share at an exercise price of USD\$3.53 at any time on or before July 15, 2024.

The securities issued under the Offering are subject to customary resale restrictions in the United States with no resale restrictions in Canada.

###

**Notes**

The securities being offered have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, and such securities may not be offered or sold within the United States except pursuant to an exemption from the registration requirements of the U.S. Securities Act of 1933 and applicable state securities laws. This press release does not constitute an offer to sell or the solicitation of an offer to buy securities, nor shall it constitute an offer, solicitation or sale in any jurisdiction in which such offer, solicitation or sale is unlawful.

## About Bitfarms Ltd.

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**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
18 King St. E, Suite 902  
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**Item 2 Date of Material Change**

January 14, 2021.

**Item 3 News Release**

The press release attached as Schedule “A” was disseminated on January 14, 2021.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Nicolas Bonta  
Executive Chairman & Director  
Bitfarms Ltd.  
nbonta@bitfarms.com

**Item 9 Date of Report**

January 14, 2021.



### **Bitfarms Announces Resignation of Officer and Director**

Toronto, Ontario and Brossard, Québec (January 14, 2021) - Bitfarms Ltd. ("Bitfarms", or the "Company") (TSXV:BITE) (U.S.:OTC:BFARF), a Canadian publicly listed bitcoin mining operation announces that, effective immediately, Mathieu Vachon has resigned as the Chief Information Officer and a Director of the Company for personal reasons unrelated to the Company.

Nicolas Bonta, Executive Chairman and Director of the Company stated: "The Company thanks Mr. Vachon as a founder and for his services as a key member of Bitfarms. Mr. Vachon was instrumental in founding the Company and the remaining team has been well trained to continue his vital work. We wish him the very best for the future". Mathieu Vachon commented: "It has been my pleasure to work with the entire Bitfarms team. I continue as a substantial shareholder with full confidence in the current management to achieve full growth potential of Bitfarms".

#### **About Bitfarms Ltd.**

Bitfarms is one of the largest public bitcoin mining operations in the world and is listed on the TSX-V. Founded in 2017 it has five industrial scale facilities across Quebec, Canada and is responsible for infrastructure activities of approximately 1% of the entire Bitcoin mining industry and daily Bitcoin mined. Bitfarms run vertically integrated mining operations with onsite technical repair, data analytics and engineers to deliver the computing power needed to drive the rapid growth of the global decentralized financial economy.

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<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 TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

### **Forward-Looking Statements**

*This news release contains certain “forward-looking information” within the meaning of applicable Canadian securities laws that are based on expectations, estimates and projections as at the date of this news release. The information in this release about future plans and objectives of the Company, including the intention to complete the private placement and the expected expenditure of the proceeds of the private placement, 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 resulting significant negative impact on the Company’s operations, the construction and operation of expanded blockchain infrastructure as currently planned, and the regulatory environment of cryptocurrency in the Provinces of Canada.*

*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 reasonable assumptions and estimates of management of the Company at the time it was 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: the Company's ability to obtain all approvals required in connection with the private placement and successfully complete the private placement; risks relating to the global economic climate; dilution; the Company's limited operating history; future capital needs and uncertainty of additional financing; 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; 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; and volatile securities markets impacting security pricing unrelated to operating performance. In addition, particular factors which could impact future results of the business of Bitfarms include but are not limited to: the construction and operation of blockchain infrastructure 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 Province of Québec, 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 there will be no regulation or law that will prevent Bitfarms from operating its business. The Company has also assumed that no significant events occur outside of the Bitfarms' normal course of business. Although the Company has attempted to identify important factors that could cause actual results to differ materially, 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 forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.*



### Bitfarms Announces Resignation of Officer and Director

Toronto, Ontario and Brossard, Québec (January 14, 2021) - Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) ([TSXV:BITE](#)) (U.S.:OTC:BFARF), a Canadian publicly listed bitcoin mining operation announces that, effective immediately, Mathieu Vachon has resigned as the Chief Information Officer and a Director of the Company for personal reasons unrelated to the Company.

Nicolas Bonta, Executive Chairman and Director of the Company stated: “The Company thanks Mr. Vachon as a founder and for his services as a key member of Bitfarms. Mr. Vachon was instrumental in founding the Company and the remaining team has been well trained to continue his vital work. We wish him the very best for the future”. Mathieu Vachon commented: “It has been my pleasure to work with the entire Bitfarms team. I continue as a substantial shareholder with full confidence in the current management to achieve full growth potential of Bitfarms”.

#### About Bitfarms Ltd.

Bitfarms is one of the largest public bitcoin mining operations in the world and is listed on the TSX-V. Founded in 2017 it has five industrial scale facilities across Quebec, Canada and is responsible for infrastructure activities of approximately 1% of the entire Bitcoin mining industry and daily Bitcoin mined. Bitfarms run vertically integrated mining operations with onsite technical repair, data analytics and engineers to deliver the computing power needed to drive the rapid growth of the global decentralized financial economy.

#### For corporate inquiries, please contact:

Geoff Morphy  
[gmorphy@bitfarms.com](mailto:gmorphy@bitfarms.com)  
647-500-7440

#### For media inquiries, please contact:

Ellis Ballard  
[ellis@yapglobal.com](mailto:ellis@yapglobal.com)  
011-07725951640

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/>

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**Form 62-103F1**  
**REQUIRED DISCLOSURE UNDER THE EARLY WARNING REQUIREMENTS**

**Item 1- Security and Reporting Issuer**

**1.1 State the designation of securities to which this report relates and the name and address of the head office of the Issuer of the securities.**

Common shares ("Common Shares") of Bitfarms Ltd. (the "Issuer"), head office located at 18 King Street East, Suite 902, Toronto, Ontario M5C 1C4.

**1.2 State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.**

See item 2.2 below.

**Item 2 - Identity of the Acquiror**

**2.1 State the name and address of the acquiror.**

Mathieu Vachon (the "Acquiror")  
 185 Rue Chicoine  
 Vaudreuil-dorion, Québec J7V 1Y7

**2.2 State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.**

When the Issuer became a reporting issuer on June 13, 2019 (upon being Issued a receipt for its final prospectus dated June 12, 2019), the Acquiror had control and direction (in his capacity as an individual and by way of 9264-2644 Quebec Inc., a corporation of which he owns 100% of the outstanding securities) 4,450 and 8,367,245 Common Shares respectively, representing approximately 14.7 % of the then-outstanding Common Shares.

The Issuer's issued capital increased from approximately 57,045,875 common shares on June 13, 2019 to approximately 112,721,792 Common Shares as of the date of this report, as a result of which the Acquiror's security holding percentage interest in the Issuer has decreased as a result of dilution. Mr. Vachon currently holds 8,434,403 Common Shares which represents less than 10% of the outstanding Common Shares.

Mr. Vachon has sold an aggregate of 67,500 Common Shares and purchased an aggregate of 130,208 Common Shares (for a net increase of 62,708 Common Shares), as set forth in the table below.

| <b>Date</b> | <b>Number of Common<br/>Shares Sold</b> | <b>Number of Common<br/>Shares<br/>Purchased</b> | <b>Market</b>                    | <b>Price per Common<br/>Share</b> | <b>Total Consideration</b> |
|-------------|-----------------------------------------|--------------------------------------------------|----------------------------------|-----------------------------------|----------------------------|
| 2019-07-15  | -                                       | 130,208                                          | Private Sale                     | \$ 0.0008                         | \$ 104.1664                |
| 2019-09-24  | 10,000                                  | -                                                | TSX Venture<br>Exchange ("TSXV") | \$ 0.9525                         | \$ 9,525.00                |
| 2019-09-27  | 7,500                                   | -                                                | TSXV                             | \$ 0.9000                         | \$ 6,750.00                |
| 2020-12-14  | 50,000                                  | -                                                | TSXV                             | \$ 0.7200                         | \$ 36,000.00               |

**2.3 State the names of any joint actors.**

Not applicable.

**Item 3 - Interest in Securities of the Reporting Issuer**

**3.1 State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file the report and the change in the acquiror's securityholding percentage in the class of securities.**

See item 2.2 above.

**3.2 State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file the report.**

See item 2.2 above.

**3.3 If the transaction involved a securities lending arrangement, state that fact.**

Not applicable.

**3.4 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.**

See item 2.2 above.

**3.5 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities referred to in Item 3.4 over which (a) the acquiror, either alone or together with any joint actors, has ownership and control, (b) the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor, and (c) the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.**

See item 2.2 above.

**3.6 If the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this Item, describe the material terms of the related financial instrument and its impact on the acquiror's securityholdings.**

See item 2.2 above.

**3.7 If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this Item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement. State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.**

Not applicable.

**3.8 If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.**

Not applicable.

#### **Item 4 - Consideration Paid**

**4.1 State the value, In Canadian dollars, of any consideration paid or received per security and in total.**

See item 2.2 above.

**4.2 In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, Including an Issuance from treasury, disclose the nature and value, In Canadian dollars, of the consideration paid or received by the acquiror.**

See item 2.2 above.

**4.3 If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.**

Not applicable.

#### **Item 5 - Purpose of the Transaction**

**State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting Issuer. Describe any plans or future Intentions which the acquiror and any joint actors may have which relate to or would result in any of the following:**

- (a) the acquisition of additional securities of the reporting Issuer, or the disposition of securities of the reporting Issuer;**
- (b) a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting Issuer or any of Its subsidiaries; a sale or transfer of a material amount of the assets of the**
- (c) reporting Issuer or any of Its subsidiaries;**
- (d) a change In the board of directors or management of the reporting Issuer, Including any plans or Intentions to change the number or term of directors or to fill any existing vacancy on the board;**
- (e) a material change In the present capitalization or dividend policy of the reporting Issuer;**
- (f) a material change In the reporting Issuer's business or corporate structure;**
- (g) a change In the reporting Issuer's charter, bylaws or similar Instruments or another action which might Impede the acquisition of control of the reporting Issuer by any person or company;**
- (h) a class of securities of the reporting Issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;**
- (i) the Issuer ceasing to be a reporting Issuer In any jurisdiction of Canada;**
- (j) a solicitation of proxies from securityholders;**
- (k) an action similar to any of those enumerated above.**

The Acquiror holds his securities of the Issuer for investment purposes. Depending upon the circumstances, the Acquiror may, from time to time, acquire additional securities of the Issuer or sell all or a portion of the securities of the Issuer previously acquired.

**Item 6 - Agreements, Arrangements, Commitments or Understandings with Respect to Securities of the Reporting Issuer**

Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a Joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder's fees, Joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such Information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or Investment power over such securities, except that disclosure of standard default and similar provisions contained In loan agreements need not be Included.

The Acquiror is party to an escrow agreement dated June 12, 2019 (the "Escrow Agreement"), under which his Common Shares are held in escrow by TSX Trust Company and will be released as per the following schedule:

| Date             | Number of<br>Common<br>Shares to be<br>Released |
|------------------|-------------------------------------------------|
| July 16, 2021    | 1,276,313                                       |
| January 16, 2022 | 1,276,313                                       |
| July 16, 2022    | 3,403,505                                       |

The Escrow Agreement does not limit the Acquiror's ability to exercise the voting rights attached to his Common Shares held in escrow.

A copy of the Escrow Agreement is available on SEDAR.

**Item 7 - Change In material fact**

If applicable, describe any change in a material fact set out In a previous report filed by the acquiror under the early warning requirements or Part 4 In respect of the reporting Issuer's securities.

Not applicable.

**Item 8 – Exemption**

If the acquiror relies on an exemption from requirements In securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.

Not applicable.

**Certificate**

I, as the Acquiror, certify, or I, as the agent filing the report on behalf of an Acquiror, certify to the best of my knowledge, information and belief, that the statements made In this report are true and complete In every respect.

Dated this 25th day of January, 2021.

(signed) “*Mathieu Vachon*”

**MATHIEU VACHON**



### Bitfarms' Mathieu Vachon Files Early Warning Report

TORONTO & BROSSARD, Québec--(BUSINESS WIRE)--January 25, 2021--Mathieu Vachon announces that he has filed an early warning report in respect of his holdings in Bitfarms Ltd. ("**Bitfarms**") as a result of the dilution of the 8,434,403 common shares of Bitfarms held by Mr. Vachon (the "**Share Dilution**").

When Bitfarms became a reporting issuer on June 13, 2019 (upon being Issued a receipt for its final prospectus dated June 12, 2019), Mr. Vachon had control and direction (in his capacity as an individual and by way of 9264-2644 Quebec Inc., a corporation of which he owns 100% of the outstanding securities) 4,450 and 8,367,245 common shares respectively, representing approximately 14.7 % of the then-outstanding Common Shares.

Bitfarms' issued capital increased from approximately 57,045,875 common shares on June 13, 2019 to approximately 112,721,792 Common Shares as of the date of this report. Mr. Vachon has sold an aggregate of 67,500 Common Shares and purchased an aggregate of 130,208 Common Shares (for a net increase of 62,708 Common Shares), as set forth in the table below.

| Date       | Number of Common Shares Sold | Number of Common Shares Purchased | Market                        | Price per Common Share | Total Consideration |
|------------|------------------------------|-----------------------------------|-------------------------------|------------------------|---------------------|
| 2019-07-15 | -                            | 130,208                           | Private Sale                  | \$ 0.0008              | \$ 104.1664         |
| 2019-09-24 | 10,000                       | -                                 | TSX Venture Exchange ("TSXV") | 0.9525                 | 9,525.00            |
| 2019-09-27 | 7,500                        | -                                 | TSXV                          | \$ 0.9000              | \$ 6,750.00         |
| 2020-12-14 | 50,000                       | -                                 | TSXV                          | \$ 0.7200              | \$ 36,000.00        |

Mr. Vachon currently owns or controls 8,434,403 common shares, representing approximately 7.5% of the issued and outstanding Common Shares after giving effect to the Share Dilution.

Mr. Vachon reviews his holdings from time to time and may increase or decrease his position as future circumstances may dictate.

This news release is being issued in accordance with *National Instrument 62-103 – The Early Warning System and Related Take-Over Bid and Insider Reporting Issues* in connection with the filing of an early warning report dated January 25, 2021. The early warning report has been filed on the System for Electronic Document Analysis and Review ("**SEDAR**") under Bitfarms' issuer profile at <https://www.sedar.com/>.

#### Contacts

For more information, or to obtain a copy of the early warning report filed by Mr. Vachon, please contact:

Mathieu Vachon (514) 575-6088

**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
18 King St. E, Suite 902  
Toronto, Ontario M5C 1C4

**Item 2 Date of Material Change**

February 4, 2021.

**Item 3 News Release**

The press release attached as Schedule “A” was disseminated on February 4, 2021.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Nicolas Bonta  
Executive Chairman & Director  
Bitfarms Ltd.  
nbonta@bitfarms.com

**Item 9 Date of Report**

February 4, 2021.

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### Bitfarms Provides Corporate Update on Growth and Activity

**Toronto, Ontario and Brossard, Québec (February 4, 2021)** - Bitfarms Ltd. ("Bitfarms", or the "Company") (TSXV: BITF), one of the largest and most cost-effective public bitcoin mining operations in the world, provides corporate update on activities and changes for the benefit of all shareholders.

#### Computing Power Expansion:

Bitfarms is on schedule to install 3,000 additional miners at the end of this month. Upon successful completion of these installations, the Company will have installed 8,847 latest generation miners since June 2020. As a result of this growth, the Company will have added over 679 Petahash per second ("PH") of computational power to its mining operations within the past eight months.

| <b>Announced:</b> | <b>Installed:</b>             | <b>Equipment:</b>                                                                             |
|-------------------|-------------------------------|-----------------------------------------------------------------------------------------------|
| June 2020         | June 2020                     | 1,847 MicroBT's WhatsMiner M20S units adding 133 PH of computing power                        |
| August 2020       | September 2020                | 1,000 MicroBT's WhatsMiner M31S <sup>+</sup> units adding 82 PH of computing power            |
| October 2020      | November 2020                 | 2,000 MicroBT's WhatsMiner M31S unit adding 144 PH of computing power                         |
| October, 2020     | Mid - December 2020           | 1,000 MicroBT's WhatsMiner M31S units adding 74 PH of computing power.                        |
| December 2020     | Late February 2021 (Expected) | 3,000 MicroBT's WhatsMiner M31S <sup>+</sup> units forecast to add 246 PH of computing power. |

The Company currently has a Bitcoin mining market share of approximately 0.66% (.965Exahash/147.315Exahash), with an estimated mining output of over six Bitcoins per day, a daily value of in excess of US\$222,000.

With the addition of these new and efficient miners, the Company's fleet of miners now achieve a higher level of computational throughput while using comparatively less electricity per PH. The Company's acquisition of these miners prior to the late 2020 Bitcoin price surge has resulted in capital cost savings for the Company, through purchasing these miners when demand and prices were low.

Bitfarms plans to further develop the infrastructure capacity at two of its mining facilities during the second fiscal quarter of 2021, through the addition of new transformers. The additional transformers are anticipated to create approximately 15 MW of additional capacity.

#### Expansion Plans:

Bitfarms operates five data centres in the Province of Quebec and possesses long term contracts with Hydro Quebec and several municipal power utilities. Bitfarms values the relationship it possesses with the local government and community members at its data centres. The Company plans to bolster its cooperation with these municipal bodies and communities through sustained employment of local residents, ongoing by-law compliance including sound control measures and consultation with community stakeholders.

The Company is seeking discussions with the Province and Hydro Quebec to assess options for an expansion and activation of a sixth data centre, in late 2021 or early 2022, that would be beneficial to all parties.

In addition, the Company entertains expansion plans throughout North America and elsewhere. In particular, as previously announced, the Company has a non-binding memorandum of understanding with a private energy producer to secure exclusive use of up to 200 MW of electricity in South America at an average price of US 2 cents per kilowatt hour (“kWh”). Discussions with local engineering and project management firms to develop initial capital investment cost estimates to operationalize the first 60 MW of mining infrastructure are ongoing.

#### **BTC Pilot Retention Program:**

After considerable planning, implementation of internal controls, counter-party risk review, and custody arrangements, in early January, Bitfarms has commenced a Bitcoin Pilot Retention Program. Under this Program, for the first time, the Company is no longer selling all the Bitcoins earned. As investors look to alternatives to buying Bitcoins which can be cumbersome, expensive, and risky, an investment in Bitfarms can be a proxy for directly buying and holding Bitcoins. Since the start of this Program, Bitfarms has added over 150 Bitcoin to its balance sheet.

#### **Corporate Debt & Financing:**

In January 2021, the Company completed two private placements for gross proceeds of C\$40 million. The proceeds of the private placements and the improved profit margins from the increase in Bitcoin prices, has provided new and attractive options for expanding the Company’s infrastructure, acquiring new miners, and reducing the Company’s outstanding term debt.

As a result of the two private placements, the exercise of various warrants, and the conversion of a term loan into equity, the total number of outstanding shares of Bitfarms has increased to approximately 113 million.

#### **Management Reorganization:**

In December 2020, Bitfarms’ Board of Directors approved changes to the Company’s executive management team to facilitate additional governance and oversight towards the Company’s plans for expansion and other initiatives in 2021.

On January 14, 2021, it was announced that Mathieu Vachon amicably retired as an officer and director of the Company. The Company continues with an experienced and knowledgeable management team.

#### **Stock-Market Listing:**

Due to increasing demand by investors, management is actively seeking an additional stock exchange listing for the Company in the United States.

Emiliano Grodzki, Chief Executive Officer of Bitfarms added, “Higher Bitcoin prices along with a strong management team has allowed Bitfarms to achieve progress which only a few months ago would have only been a dream. We are pleased with our progress and are excited about what is possible in 2021 and beyond. We have built a strong platform that distinguishes Bitfarms amongst its peers. The outlook for further Bitcoin price appreciation is positive and Bitfarms is well positioned to take full advantage.”

#### **About Bitfarms Ltd.**

The Company owns and operates computing centres that power the global decentralized financial economy. Bitfarms provides computing power to cryptocurrency networks such as Bitcoin, earning fees from each network for securing and processing transactions. Powered by clean and competitively priced hydroelectricity, Bitfarms operates five computing centres in Québec, Canada. Bitfarms’ experienced management team includes industrial- scale data centre operators and capital markets professionals, focused on building infrastructure by developing and hosting one of the industry’s most efficient ecosystem growing around blockchain-based technologies.

**For investor inquiries, please contact:**

Geoff Morphy, President  
+1.647.500.7440  
gmorphy@bitfarms.com

**For media inquiries, please contact:**

Ellis Ballard  
+44 7725 951640  
ellis@yapglobal.com

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/>

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### Bitfarms Provides Corporate Update on Growth and Activity

TORONTO & BROSSARD, Québec--(BUSINESS WIRE)--February 4, 2021--Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) (TSXV: BITF), one of the largest and most cost-effective public bitcoin mining operations in the world, provides corporate update on activities and changes for the benefit of all shareholders.

#### Computing Power Expansion:

Bitfarms is on schedule to install 3,000 additional miners at the end of this month. Upon successful completion of these installations, the Company will have installed 8,847 latest generation miners since June 2020. As a result of this growth, the Company will have added over 679 Petahash per second (“PH”) of computational power to its mining operations within the past eight months.

| <b>Announced:</b> | <b>Installed:</b>                | <b>Equipment:</b>                                                                             |
|-------------------|----------------------------------|-----------------------------------------------------------------------------------------------|
| June 2020         | June 2020                        | 1,847 MicroBT’s WhatsMiner M20S units adding 133 PH of computing power                        |
| August 2020       | September 2020                   | 1,000 MicroBT’s WhatsMiner M31S <sup>+</sup> units adding 82 PH of computing power            |
| October 2020      | November 2020                    | 2,000 MicroBT’s WhatsMiner M31S unit adding 144 PH of computing power                         |
| October, 2020     | Mid - December 2020              | 1,000 MicroBT’s WhatsMiner M31S units adding 74 PH of computing power.                        |
| December 2020     | Late February 2021<br>(Expected) | 3,000 MicroBT’s WhatsMiner M31S <sup>+</sup> units forecast to add 246 PH of computing power. |

The Company currently has a Bitcoin mining market share of approximately 0.66% (.965Exahash/147.315Exahash), with an estimated mining output of over six Bitcoins per day, a daily value of in excess of US\$222,000.

With the addition of these new and efficient miners, the Company’s fleet of miners now achieve a higher level of computational throughput while using comparatively less electricity per PH. The Company’s acquisition of these miners prior to the late 2020 Bitcoin price surge has resulted in capital cost savings for the Company, through purchasing these miners when demand and prices were low.

Bitfarms plans to further develop the infrastructure capacity at two of its mining facilities during the second fiscal quarter of 2021, through the addition of new transformers. The additional transformers are anticipated to create approximately 15 MW of additional capacity.

**Expansion Plans:**

Bitfarms operates five data centres in the Province of Quebec and possesses long term contracts with Hydro Quebec and several municipal power utilities. Bitfarms values the relationship it possesses with the local government and community members at its data centres. The Company plans to bolster its cooperation with these municipal bodies and communities through sustained employment of local residents, ongoing by-law compliance including sound control measures and consultation with community stakeholders.

The Company is seeking discussions with the Province and Hydro Quebec to assess options for an expansion and activation of a sixth data centre, in late 2021 or early 2022, that would be beneficial to all parties.

In addition, the Company entertains expansion plans throughout North America and elsewhere. In particular, as previously announced, the Company has a non-binding memorandum of understanding with a private energy producer to secure exclusive use of up to 200 MW of electricity in South America at an average price of US 2 cents per kilowatt hour (“kWh”).

Discussions with local engineering and project management firms to develop initial capital investment cost estimates to operationalize the first 60 MW of mining infrastructure are ongoing.

**BTC Pilot Retention Program:**

After considerable planning, implementation of internal controls, counter-party risk review, and custody arrangements, in early January, Bitfarms has commenced a Bitcoin Pilot Retention Program. Under this Program, for the first time, the Company is no longer selling all the Bitcoins earned. As investors look to alternatives to buying Bitcoins which can be cumbersome, expensive, and risky, an investment in Bitfarms can be a proxy for directly buying and holding Bitcoins. Since the start of this Program, Bitfarms has added over 150 Bitcoin to its balance sheet.

**Corporate Debt & Financing:**

In January 2021, the Company completed two private placements for gross proceeds of C\$40 million. The proceeds of the private placements and the improved profit margins from the increase in Bitcoin prices, has provided new and attractive options for expanding the Company’s infrastructure, acquiring new miners, and reducing the Company’s outstanding term debt.

As a result of the two private placements, the exercise of various warrants, and the conversion of a term loan into equity, the total number of outstanding shares of Bitfarms has increased to approximately 113 million.

**Management Reorganization:**

In December 2020, Bitfarms’ Board of Directors approved changes to the Company’s executive management team to facilitate additional governance and oversight towards the Company’s plans for expansion and other initiatives in 2021.



On January 14, 2021, it was announced that Mathieu Vachon amicably retired as an officer and director of the Company. The Company continues with an experienced and knowledgeable management team.

### **Stock-Market Listing:**

Due to increasing demand by investors, management is actively seeking an additional stock exchange listing for the Company in the United States.

Emiliano Grodzki, Chief Executive Officer of Bitfarms added, “Higher Bitcoin prices along with a strong management team has allowed Bitfarms to achieve progress which only a few months ago would have only been a dream. We are pleased with our progress and are excited about what is possible in 2021 and beyond. We have built a strong platform that distinguishes Bitfarms amongst its peers. The outlook for further Bitcoin price appreciation is positive and Bitfarms is well positioned to take full advantage.”

### **About Bitfarms Ltd.**

The Company owns and operates computing centres that power the global decentralized financial economy. Bitfarms provides computing power to cryptocurrency networks such as Bitcoin, earning fees from each network for securing and processing transactions. Powered by clean and competitively priced hydroelectricity, Bitfarms operates five computing centres in Québec, Canada. Bitfarms’ experienced management team includes industrial-scale data centre operators and capital markets professionals, focused on building infrastructure by developing and hosting one of the industry’s most efficient ecosystem growing around blockchain-based technologies.

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**

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## **Contacts**

### **For investor inquiries:**

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+1.647.500.7440  
gmorphy@bitfarms.com

### **For media inquiries:**

Ellis Ballard  
+44 7725 951640  
ellis@yapglobal.com

**Bitfarms Announces CAD\$40.0 Million Private Placement with U.S. Institutional Investors**

**Toronto, Ontario and Brossard, Québec (February 7, 2021)** - Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) ([TSXV:BITF](#)) (U.S.:OTC:BFARF), a Canadian publicly listed bitcoin mining operation, has entered into subscription agreements with certain institutional investors for gross proceeds of approximately CAD\$40.0 million in a private placement in the United States of its equity securities, comprised of 11,560,695 common shares along with warrants to purchase an aggregate of up to 11,560,695 common shares at a purchase price of CAD\$3.46 per common share and associated warrant. The warrants have an exercise price of USD\$3.01 per common share and exercise period of three and one-half years. The net proceeds of the private placement will be used by the Company principally to acquire additional miners, expand infrastructure, and improve its working capital position.

The private placement is expected to close on or about February 10, 2021, subject to satisfaction of customary closing conditions and approval of the TSX Venture Exchange.

“We are pleased to announce our third financing, having just closed two financings in January of CAD\$20.0 million each (see press releases of January 7 and January 13, 2021). This additional financing will allow us to further grow our miner count and expand infrastructure. We are very pleased to continue to expand our institutional presence in the United States”, said Emiliano Grodzki, CEO of Bitfarms.

H.C. Wainwright & Co. is acting as the exclusive placement agent for the private placement in the United States.

Bitfarms has sights set on growth and expansion towards its mission to provide 3 Exahash of computing power by the end of 2021, which will continue to contribute to the rapid growth of the global, decentralized financial economy.

###

**Notes**

The securities being offered have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, and such securities may not be offered or sold within the United States except pursuant to an exemption from the registration requirements of the U.S. Securities Act of 1933 and applicable state securities laws. This press release does not constitute an offer to sell or the solicitation of an offer to buy securities, nor shall it constitute an offer, solicitation or sale in any jurisdiction in which such offer, solicitation or sale is unlawful.

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## **About Bitfarms Ltd.**

Bitfarms is one of the largest public bitcoin mining operations in the world and is listed on the TSX-V. Founded in 2017 it has five industrial scale facilities across Quebec, Canada and is responsible for infrastructure activities of approximately 1% of the entire Bitcoin mining industry and daily Bitcoin mined. Bitfarms run vertically integrated mining operations with onsite technical repair, data analytics and engineers to deliver the computing power needed to drive the rapid growth of the global decentralized financial economy.

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[https://twitter.com/Bitfarms\\_io](https://twitter.com/Bitfarms_io)  
<https://www.instagram.com/bitfarms/>  
<https://www.linkedin.com/company/bitfarms/>

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**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
18 King St. E, Suite 902  
Toronto, Ontario M5C 1C4

**Item 2 Date of Material Change**

February 7, 2021.

**Item 3 News Release**

The press release attached as Schedule “A” was disseminated on February 7, 2021.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Nicolas Bonta  
Executive Chairman & Director  
Bitfarms Ltd.  
nbonta@bitfarms.com

**Item 9 Date of Report**

February 8, 2021.

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## **Bitfarms Announces CAD\$40.0 Million Private Placement with U.S. Institutional Investors**

**Toronto, Ontario and Brossard, Québec (February 7, 2021)** - Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) ([TSXV:BITF](#)) (U.S.:OTC:BFARF), a Canadian publicly listed bitcoin mining operation, has entered into subscription agreements with certain institutional investors for gross proceeds of approximately CAD\$40.0 million in a private placement in the United States of its equity securities, comprised of 11,560,695 common shares along with warrants to purchase an aggregate of up to 11,560,695 common shares at a purchase price of CAD\$3.46 per common share and associated warrant. The warrants have an exercise price of USD\$3.01 per common share and exercise period of three and one-half years. The net proceeds of the private placement will be used by the Company principally to acquire additional miners, expand infrastructure, and improve its working capital position.

The private placement is expected to close on or about February 10, 2021, subject to satisfaction of customary closing conditions and approval of the TSX Venture Exchange.

“We are pleased to announce our third financing, having just closed two financings in January of CAD\$20.0 million each (see press releases of January 7 and January 13, 2021). This additional financing will allow us to further grow our miner count and expand infrastructure. We are very pleased to continue to expand our institutional presence in the United States”, said Emiliano Grodzki, CEO of Bitfarms.

H.C. Wainwright & Co. is acting as the exclusive placement agent for the private placement in the United States.

Bitfarms has sights set on growth and expansion towards its mission to provide 3 Exahash of computing power by the end of 2021, which will continue to contribute to the rapid growth of the global, decentralized financial economy.

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## **About Bitfarms Ltd.**

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gmorphy@bitfarms.com  
647-500-7440

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[https://twitter.com/Bitfarms\\_io](https://twitter.com/Bitfarms_io)  
<https://www.instagram.com/bitfarms/>  
<https://www.linkedin.com/company/bitfarms/>

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MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
18 King St. E, Suite 902  
Toronto, Ontario M5C 1C4

**Item 2 Date of Material Change**

February 10, 2021.

**Item 3 News Release**

The press release attached as Schedule “A” was disseminated on February 10, 2021.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Nicolas Bonta  
Executive Chairman & Director  
Bitfarms Ltd.  
nbonta@bitfarms.com

**Item 9 Date of Report**

February 10, 2021.

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**Bitfarms Announces Closing of CAD\$40.0 Million Private Placement with U.S. Institutional Investors**

**Toronto, Ontario and Brossard, Québec (February 10, 2021)** - Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) (TSXV:BITF) (U.S.:OTC:BFARF), one of the largest and most productive publicly listed bitcoin mining operations in the world, is pleased to announce that it has closed its previously announced private placement of equity securities (the “**Offering**”). The Offering was for gross proceeds of approximately CAD\$40 million and consisted of the sale of 11,560,695 common shares, along with warrants to purchase an aggregate of up to 11,560,695 common shares, at a purchase price of CAD\$3.46 per common share and associated warrant. The warrants have an exercise price of USD\$3.01 per common share and exercise period of three and one-half years (through August 12, 2024). The funds were raised via a fully subscribed private placement of units among U.S. institutional investors.

H.C. Wainwright & Co. acted as the exclusive placement agent for the Offering.

The net proceeds of the Offering will be used by the Company principally to acquire additional miners, expand infrastructure, and improve its working capital position.

H.C. Wainwright & Co. received (i) a cash commission equal to 8.0% of the gross proceeds of the Offering and (ii) 924,856 non-transferable broker warrants (the “**Broker Warrants**”). Each Broker Warrant will entitle the holder to purchase one common share at an exercise price of USD\$3.39 at any time on or before August 12, 2024.

The securities issued under the Offering are subject to customary resale restrictions in the United States with no resale restrictions in Canada.

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**Notes**

The securities being offered have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, and such securities may not be offered or sold within the United States except pursuant to an exemption from the registration requirements of the U.S. Securities Act of 1933 and applicable state securities laws. This press release does not constitute an offer to sell or the solicitation of an offer to buy securities, nor shall it constitute an offer, solicitation or sale in any jurisdiction in which such offer, solicitation or sale is unlawful.

## **About Bitfarms Ltd.**

Bitfarms is one of the largest public bitcoin mining operations in the world and is listed on the TSX-V. Founded in 2017 it has five industrial scale facilities across Quebec, Canada and is responsible for infrastructure activities of approximately 1% of the entire Bitcoin mining industry and daily Bitcoin mined. Bitfarms run vertically integrated mining operations with onsite technical repair, data analytics and engineers to deliver the computing power needed to drive the rapid growth of the global decentralized financial economy.

### **For corporate inquiries, please contact:**

Geoff Morphy  
gmorphy@bitfarms.com  
647-500-7440

### **For media inquiries, please contact:**

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**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
18 King St. E, Suite 902  
Toronto, Ontario M5C 1C4

**Item 2 Date of Material Change**

February 18, 2021.

**Item 3 News Release**

The press release attached as Schedule “A” was disseminated on February 18, 2021.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Nicolas Bonta  
Executive Chairman & Director  
Bitfarms Ltd.  
nbonta@bitfarms.com

**Item 9 Date of Report**

February 18, 2021.

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**Bitfarms Operating Hashrate To Grow 35% To Over 1.3  
EH/s with the Delivery of 4,500 Miners from MicroBT**

**Toronto, Ontario and Brossard, Québec (February 18, 2021)** - Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) ([TSXV: BITE](#) / [OTC:BFARF](#)), one of the largest, oldest and most cost-effective public bitcoin mining operations in the world, is pleased to announce we have increased our previously announced order of 3,000 MicroBT M31S+ miners by 50% to a total of 4,500 miners. These 4,500 miners will be delivered on schedule and be in production over the next 30 days.

Bitfarms’ current mining operations consists of five sites in Quebec, utilising environmentally friendly hydroelectric power. With the successful installation of these 4,500 miners, Bitfarms operational hashrate will increase 35% from 965 PH/s to 1.3 EH/s utilizing existing infrastructure. Additionally, the high efficiency of these miners will improve our overall efficiency by 12.5% to 49 w/TH, resulting in a direct reduction in Bitcoin Gross Mining Costs\*. At prevailing mining difficulty levels as of February 17th, 2021, this translates to:

1. Daily production of over nine (9) Bitcoins
2. Daily Bitcoin production value over US\$450,000 based on Bitcoin’s recent all time high of over US\$50,000
3. Bitcoin Gross Mining Costs below US\$7,000 per Bitcoin

As of Jan 1, 2021, almost all of our daily Bitcoin production has been added to our balance sheet in a Bitcoin retention pilot program. In just 46 days, this pilot program has accumulated over 250 BTC. During that period, the average daily Bitcoin price was ~\$40,800. With Bitcoin recently surpassing US\$50,000, Bitfarms is excited to report the early success of this program. With the addition of the new miners, the Company intends to continue to add more Bitcoin to its balance sheet at a faster pace and with lower per unit costs. Bitfarms expects to have approximately 500 BTC in the program in approximately 30 days.

The installation of these 4,500 miners will increase Bitfarms operational fleet and will maximise the utility of our current infrastructure. To prepare for future equipment purchases, Bitfarms recently began construction of Phase II at our site in Cowansville. This will expand the site capabilities from 4 MW to its full 16.7MW capacity and be able to accommodate up to 4,700 new generation miners. The buildout also includes a new repair lab and operations command center which is expected to be operational in Q2 2021.

“I’d like to wish a happy Chinese New Year and thank our partners at MicroBT for their sustained efforts over the last nine months to produce and deliver over 12,000 high efficiency Bitcoin miners to us. MicroBT miners are well known in the industry for their superior reliability and operability, contributing 100% of our hashrate growth over the same period. We are thrilled to continue to expand our relationship with MicroBT, especially at a time when the Bitcoin mining industry is more popular than ever” said Emiliano Grodzki, Interim Chief Executive Officer of Bitfarms.

#### **About Bitfarms Ltd.**

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Having demonstrated rapid growth and stellar operations, Bitfarms became the first Bitcoin mining company to complete its long form prospectus with the Ontario Securities Commission and started trading on the TSX-V in July 2019. Bitfarms is currently listed as a Rising Star by the TSX-V.

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#### **Defined Terms**

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#### **For corporate inquiries:**

Geoff Morphy  
gmorphy@bitfarms.com

#### **For media inquiries:**

Ellis Ballard  
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**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
18 King St. E, Suite 902  
Toronto, Ontario M5C 1C4

**Item 2 Date of Material Change**

February 23, 2021.

**Item 3 News Release**

The press release attached as Schedule “A” was disseminated on February 23, 2021.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Nicolas Bonta  
Executive Chairman & Director  
Bitfarms Ltd.  
nbonta@bitfarms.com

**Item 9 Date of Report**

February 23, 2021.

---



**Bitfarms Announces Operating Hash Rate of 1.18 EH/s  
And Full Repayment of Its Term Debt**

**Toronto, Ontario and Brossard, Québec (February 23, 2021)** - Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) (TSXV:BITF / OTC:BFARE), one of the largest, oldest and most cost-effective publicly traded bitcoin mining operations in the world, has broken the landmark 1 EH/s barrier with the successful installation of 1,560 of the new miners over the last five days since our announcement. The miners are online and hashing as expected.

“As one of the founders of Bitfarms, I have been excited for the day that I could celebrate that our Company surpassed this important milestone. However, having achieved 1 EH/s, it has only increased my desire and excitement to grow Bitfarms to 3.0 EH/s by the end of 2021, and achieve sustained growth in 2022”, said Emiliano Grodzki, Chief Executive Officer of Bitfarms.

Bitfarms is also pleased to announce the full repayment and retirement of its remaining term loan indebtedness.

In March 2019, Bitfarms signed a term loan agreement with Dominion Capital which allowed Bitfarms to draw down on four tranches of US\$5.0 million. The US\$20.0 million advanced to the Company in 2019 allowed Bitfarms to grow its operations into five locations and install a substantial amount of hash rate and physical and electrical infrastructure. During the past eighteen months, the installed infrastructure allowed Bitfarms to acquire and lease over 12,000 high efficiency Bitcoin miners. The Company’s growth and improvements over the past eighteen months would not have been possible without Dominion Capital. We are pleased that we were able to justify their confidence in Bitfarms and repay and retire their remaining loans six and nine months prior to maturity. We thank Dominion Capital for their support and confidence.

Mikhail Gurevich, Managing Partner of Dominion Capital LLC comments, “Most people don’t realize that it takes time to build a sustainable business that runs well, but that is exactly what Bitfarms has done, and we’ve been privileged to witness it firsthand over the last several years. Judging from the quality of their management, engineering, infrastructure, and operational efficiency, we believe Bitfarms is by far the best publicly traded Bitcoin miner right now - and the results speak for themselves. It has been an honor and a pleasure working with everyone there, and we continue to remain a shareholder because we believe in their vision. Now that they have this phenomenal infrastructure in place and as Bitcoin continues to gain wider acceptance in our society, we are excited to see where this team will take Bitfarms next.”

## **About Bitfarms Ltd.**

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### Bitfarms Announces Operating Hash Rate of 1.18 EH/s And Full Repayment of Its Term Debt

TORONTO and BROSSARD, Quebec, Feb. 23, 2021 (GLOBE NEWSWIRE) -- Bitfarms Ltd. ("**Bitfarms**", or the "**Company**") ([TSXV:BITF](#) / [OTC:BFARF](#)), one of the largest, oldest and most cost-effective publicly traded bitcoin mining operations in the world, has broken the landmark 1 EH/s barrier with the successful installation of 1,560 of the new miners over the last five days since our announcement. The miners are online and hashing as expected.

"As one of the founders of Bitfarms, I have been excited for the day that I could celebrate that our Company surpassed this important milestone. However, having achieved 1 EH/s, it has only increased my desire and excitement to grow Bitfarms to 3.0 EH/s by the end of 2021, and achieve sustained growth in 2022", said Emiliano Grodzki, Chief Executive Officer of Bitfarms.

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Mikhail Gurevich, Managing Partner of Dominion Capital LLC comments, "Most people don't realize that it takes time to build a sustainable business that runs well, but that is exactly what Bitfarms has done, and we've been privileged to witness it firsthand over the last several years. Judging from the quality of their management, engineering, infrastructure, and operational efficiency, we believe Bitfarms is by far the best publicly traded Bitcoin miner right now - and the results speak for themselves. It has been an honor and a pleasure working with everyone there, and we continue to remain a shareholder because we believe in their vision. Now that they have this phenomenal infrastructure in place and as Bitcoin continues to gain wider acceptance in our society, we are excited to see where this team will take Bitfarms next."

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Founded in 2017 Bitfarms is one of the one of the largest, oldest, and most cost-effective public bitcoin mining operations in the world. Bitfarms run vertically integrated mining operations with onsite technical repair, data analytics and engineers to deliver high performance and uptime of operations.

Having demonstrated rapid growth and stellar operations, Bitfarms became the first Bitcoin mining company to complete its long form prospectus with the Ontario Securities Commission and started trading on the TSX-V in July 2019. Bitfarms is currently listed as a Rising Star by the TSX-V.

Bitfarms has a diversified production platform with five industrial scale facilities located in Quebec. Each facility is 100% powered with environmentally friendly hydro power and secured with long-term power contracts. Bitfarms is currently the only publicly traded pure-play mining company audited by a Big Four audit firm.

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**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
18 King St. E, Suite 902  
Toronto, Ontario M5C 1C4

**Item 2 Date of Material Change**

March 2, 2021.

**Item 3 News Release**

The press release attached as Schedule “A” was disseminated on March 2, 2021.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Nicolas Bonta  
Executive Chairman & Director  
Bitfarms Ltd.  
nbonta@bitfarms.com

**Item 9 Date of Report**

March 2, 2021.

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**Bitfarms Announces Purchase Agreement for 48,000 MicroBT Miners to Expand Hash Rate Capacity by over 5.0 EH and named to TSXV's Top 50 Listing**

**Toronto, Ontario and Brossard, Québec (March 2, 2021)** - Bitfarms Ltd. ("**Bitfarms**", or the "**Company**") (TSXV:BTF / OTC:BFARF), one of the largest, oldest and most cost-effective publicly traded bitcoin mining operations in the world, has undertaken a transformational purchase of 48,000 new miners to increase hashing capacity by approximately 5.0 EH.

The mining equipment has been sourced from MicroBT (<https://www.microbtwhatsminer1.com>). MicroBT has become our supplier of choice. Over the past eight months we have acquired over 12,000 of their mining rigs. The MicroBT miners are the most reliable, efficient, and consistent miners within the Company's fleet. We anticipate the initial shipment of miners to take place on or before January 2022. Thereafter, miners will arrive monthly with the final mining rigs expected to arrive in December 2022. The miners will be installed at our existing and new facilities which are currently in development. In the event market conditions change, Bitfarms has negotiated certain delivery and contract adjustment options.

Once the above-noted miners are fully deployed along with the current and planned addition of new miners in 2021, the production capability of Bitfarms mining fleet is expected to grow from over 1.0 EH at the present time to 3.0 EH by the end of 2021 and then to exceed 8.0 EH by the end of 2022. Utilizing the latest generation of miners, the increase in our hash rate by a factor of eight will increase Bitfarms' global market share and substantially increase the number of Bitcoins earned on a daily basis. In addition, the subject miners are rated to achieve high levels of performance while consuming less electricity than earlier models. Bitfarms has always been an extremely efficient mining company and with the addition of these productive miners and greater scale, our corporate efficiencies are expected to set a new performance standard.

"This is another great milestone in the history of our company", said Emiliano Grodzki, CEO of Bitfarms. "With this equipment purchase agreement, Bitfarms is positioned to remain in the top tier of publicly traded crypto mining companies in the world. This purchase and expansion will be the cornerstone of our corporate growth strategy through 2022. The supply of miners will be one of the greatest challenges in the foreseeable future due to a global shortage of wafers used to create semi-conductor chips which is a vital component in mining rigs. Our strategy will be to continue to grow our own infrastructure and professional operations and conduct mining in our own facilities which increases operational efficiency and profitability", added Mr. Grodzki.



“We are very excited to enhance and expand our partnership with Bitfarms. Bitfarms is one of the best Bitcoin mining operators in the world. The miners to be supplied to Bitfarms are very reliable and stable. These miners will generate tremendous value to Bitfarms in its mining operations and its investors. We are very excited to continue to build the relationship and cooperation between our two companies”, said Vincent Zhang, MicroBT’s Global Sales Director.

On February 24, 2021, the TSX Venture Exchange announced the 2021 Venture 50. The 2021 Venture 50 is a ranking of top performers on TSX Venture Exchange over the last year. The ranking comprises 10 companies from each of the five industry sectors, selected based on three equally weighted criteria: market capitalization growth, share price appreciation and trading volume. Bitfarms was included in the Technology section and is honoured by its selection and to be included amongst such a distinguished group of leading companies.

#### **About Bitfarms Ltd.**

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## Bitfarms Announces Purchase Agreement for 48,000 MicroBT Miners to Expand Hash Rate Capacity by over 5.0 EH and named to TSXV's Top 50 Listing

TORONTO and BROSSARD, Quebec, March 02, 2021 (GLOBE NEWSWIRE) -- Bitfarms Ltd. ("**Bit farms**", or the "**Company**") (TSXV:BITF / OTC:BFARF), one of the largest, oldest and most cost-effective publicly traded bitcoin mining operations in the world, has undertaken a transformational purchase of 48,000 new miners to increase hashing capacity by approximately 5.0 EH.

The mining equipment has been sourced from MicroBT (<https://www.microbtwhatsminer.com>). MicroBT has become our supplier of choice. Over the past eight months we have acquired over 12,000 of their mining rigs. The MicroBT miners are the most reliable, efficient, and consistent miners within the Company's fleet. We anticipate the initial shipment of miners to take place on or before January 2022. Thereafter, miners will arrive monthly with the final mining rigs expected to arrive in December 2022. The miners will be installed at our existing and new facilities which are currently in development. In the event market conditions change, Bitfarms has negotiated certain delivery and contract adjustment options.

Once the above-noted miners are fully deployed along with the current and planned addition of new miners in 2021, the production capability of Bitfarms mining fleet is expected to grow from over 1.0 EH at the present time to 3.0 EH by the end of 2021 and then to exceed 8.0 EH by the end of 2022. Utilizing the latest generation of miners, the increase in our hash rate by a factor of eight will increase Bitfarms' global market share and substantially increase the number of Bitcoins earned on a daily basis. In addition, the subject miners are rated to achieve high levels of performance while consuming less electricity than earlier models. Bitfarms has always been an extremely efficient mining company and with the addition of these productive miners and greater scale, our corporate efficiencies are expected to set a new performance standard.

"This is another great milestone in the history of our company," said Emiliano Grodzki, CEO of Bitfarms. "With this equipment purchase agreement, Bitfarms is positioned to remain in the top tier of publicly traded crypto mining companies in the world. This purchase and expansion will be the cornerstone of our corporate growth strategy through 2022. The supply of miners will be one of the greatest challenges in for the foreseeable future due to a global shortage of wafers used to create semi-conductor chips which is a vital component in mining rigs. Our strategy will be to continue to grow our own infrastructure and professional operations and conduct mining in our own facilities which increases operational efficiency and profitability," added Mr. Grodzki.

"We are very excited to enhance and expand our partnership with Bitfarms. Bitfarms is one of the best Bitcoin mining operators in the world. The miners to be supplied to Bitfarms are very reliable and stable. These miners will generate tremendous value to Bitfarms in its mining operations and its investors. We are very excited to continue to build the relationship and cooperation between our two companies," said Vincent Zhang, MicroBT's Global Sales Director.

On February 24, 2021, the TSX Venture Exchange announced the 2021 Venture 50. The 2021 Venture 50 is a ranking of top performers on TSX Venture Exchange over the last year. The ranking comprises 10 companies from each of the five industry sectors, selected based on three equally weighted criteria: market capitalization growth, share price appreciation and trading volume. Bitfarms was included in the Technology section and is honoured by its selection and to be included amongst such a distinguished group of leading companies.

## **About Bitfarms Ltd.**

Founded in 2017 Bitfarms is one of the one of the largest, oldest, and most cost-effective public bitcoin mining operations in the world. Bitfarms run vertically integrated mining operations with onsite technical repair, data analytics and engineers to deliver high performance and uptime of operations.

Having demonstrated rapid growth and stellar operations, Bitfarms became the first Bitcoin mining company to complete its long form prospectus with the Ontario Securities Commission and started trading on the TSX-V in July 2019. Bitfarms is currently listed as a Rising Star by the TSX-V.

Bitfarms has a diversified production platform with five industrial scale facilities located in Quebec. Each facility is 100% powered with environmentally friendly hydro power and secured with long-term power contracts. Bitfarms is currently the only publicly traded pure-play mining company audited by a Big Four audit firm.

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/>

## **Defined Terms**

EH/s: Exahash per second.

## **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 TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

## **Forward-Looking Statements**

*This news release contains certain "forward-looking information" within the meaning of applicable Canadian securities laws that are based on expectations, estimates and projections as at the date of this news release. The information in this release about future plans and objectives of the Company, are forward-looking information. Other forward-looking information includes but is not limited to information concerning: the delivery of new miners on schedule and otherwise in accordance with the contract terms; 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 resulting significant negative impact on the Company's operations, the construction and operation of expanded blockchain infrastructure as currently planned, and the regulatory environment of cryptocurrency in the Provinces of Canada.*

*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 reasonable assumptions and estimates of management of the Company at the time it was 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; 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; 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; and volatile securities markets impacting security pricing unrelated to operating performance. In addition, particular factors which could impact future results of the business of Bitfarms include but are not limited to: successful delivery of the new miners on the agreed schedule in accordance with the contract terms and the potential for further improvements to profitability and efficiency across mining operations; the construction and operation of blockchain infrastructure 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 Province of Quebec, 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 there will be no regulation or law that will prevent Bitfarms from operating its business. The Company has also assumed that no significant events occur outside of the Bitfarms' normal course of business. Although the Company has attempted to identify important factors that could cause actual results to differ materially, 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 forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.*

## **Contacts**

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**BITFARMS LTD.**

**ANNUAL INFORMATION FORM**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

**March 8, 2021**

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## GLOSSARY OF DEFINED TERMS

In this Annual Information Form, the following capitalized words and terms shall have the following meanings:

“**Additional Server Farms**” means the additional servers farms that Backbone is presently planning to establish and operate, namely the Sherbrooke Expansion.

“**Arrangement**” means the arrangement pursuant to Sections 350-351 of the *Israeli Companies Law* between Bitfarms Canada and Bitfarms Israel, pursuant to which Bitfarms Canada acquired 100% of the issued and outstanding shares of Bitfarms Israel in exchange for 39,739,785 Bitfarms Canada Shares, on a one Bitfarms Israel Share for one Bitfarms Canada Share basis, and exchanged the Legacy Options for non-tradeable options of Bitfarms Canada with similar terms;

“**ASIC**” means application specific integrated circuit;

“**Backbone**” means Backbone Hosting Solutions Inc.;

“**Backbone Class A Shares**” mean Class A voting common shares without par value in the capital of Backbone, the holders of which receive all dividends equally with the Backbone Class B Shares, and share equally with the holders of Backbone Class B Shares all remaining property in the event of liquidation, dissolution or winding-up of the Corporation;

“**Backbone Class B Shares**” mean Class B non-voting common shares without par value in the capital of Backbone, the holders of which receive all dividends equally with the Backbone Class A Shares, and share equally with the holders of Backbone Class A Shares all remaining property in the event of liquidation, dissolution or winding-up of the Corporation;

“**Backbone Exchangeable Shareholders**” means 9264-2644 Québec Inc. and Prosum Management Inc., companies which are controlled by, respectively, Mathieu Vachon and Pierre-Luc Quimper;

“**Backbone Exchangeable Shares**” mean a former class of preference shares without par value in the capital of the Backbone exchangeable for common shares of Bitfarms Israel;

“**Backbone Formation Agreements**” means the series of contracts entered into in 2017 to establish the business of Backbone;

“**Backbone Shares**” means, collectively, the Backbone Class A Shares, the Backbone Class B Shares and the Backbone Exchangeable Shares;

“**Binance Pool**” means the Binance mining pool;

“**Bitfarms**” means the operating business name and trademarked name of Backbone;

“**Bitfarms Canada**” or the “**Company**” means Bitfarms Ltd., a corporation incorporated pursuant to the laws of Canada;

“**Bitfarms Canada Board**” means the board of directors of Bitfarms Canada;

“**Bitfarms Canada Shares**” or “**Common Shares**” means the common shares in the capital of Bitfarms Canada;

“**Bitfarms Israel**” means Bitfarms Ltd., a corporation incorporated pursuant to the laws of Israel;

“**Bitfarms Israel Shares**” means the common shares in the capital of Bitfarms Israel;

“**Bitfarms Israel Board**” means the board of directors of Bitfarms Israel;

“**BlockFills Lease Facility**” has the meaning as provided for in “*Prior Sales*”;

“**botnet**” means a number of Internet-connected devices, each of which is running one or more bots (a computer program that does automated tasks). Botnets can be used to perform distributed denial-of-service attack, steal data, send spam, and allows the attacker to access the device and its connection;

“**CBCA**” means the *Canada Business Corporations Act*;

“**CEO**” means Chief Executive Officer;

“**CFO**” means Chief Financial Officer;

“**cryptocurrency**” means a form of encrypted and decentralized digital currency, transferred directly between peers across the Internet, with transactions being settled, confirmed and recorded in a distributed public ledger through Mining. Cryptocurrency is either newly “minted” through an initial coin/token offering or Mined, which results in a new coin generated as a reward to incentivize miners for verifying transactions on the blockchain;

“**Current Facilities**” means the five operational Mining facilities operated by Backbone in the Province of Québec as of the date of this AIF, namely the facilities at Farnham, Saint-Hyacinthe, Cowansville, Sherbrooke and Magog;

“**Dominion Facility**” has the meaning as provided for in “*GENERAL DEVELOPMENT OF THE BUSINESS – Three Year History – Fiscal 2019 – Debt Financing*”;

“**Exchange Agreement**” means the exchange agreement among Bitfarms Canada, Backbone and each of the Backbone shareholders listed in Schedule A of the Exchange Agreement (the “**Minority Shareholders**”) dated August 12, 2019, pursuant to which Bitfarms Canada acquired all of Backbone Class A Shares owned by the Minority Shareholders;

“**Fiscal 2018**” means the fiscal year ended December 31, 2018.

“**Fiscal 2019**” means the fiscal year ended December 31, 2019.

“**Fiscal 2020**” means the fiscal year ended December 31, 2020.

“**Fiscal 2021**” means the fiscal year ended December 31, 2021.

“**Governance, Nomination and Compensation Committee**” has the meanings as provided in “*DIRECTORS AND OFFICERS – Committees of the Board of Directors – Governance, Nomination and Compensation Committee*”;

“**Hash**” means the output of a hash function, i.e. the output of the fundamental mathematical computation of a particular cryptocurrency’s computer code which Miners execute, and “**Petahash**” or “**PH**” and “**Exahash**” or “**EH**” mean, respectively,  $1 \times 10^{15}$  and  $1 \times 10^{18}$  Hashes;

“**Hydro-Magog**” means the regional public utility company that manages the generation and distribution of electricity in the region of Magog, Québec;

“**Hydro-Québec**” means “Commission hydroélectrique du Québec”, the provincial public utility company that manages the generation and distribution of electricity in the Province of Québec;

“**Hydro-Sherbrooke**” means the regional public utility company that manages the generation and distribution of electricity in the region of Sherbrooke, Québec;

“**Israel**” means the State of Israel;

“**Israeli Companies Law**” means the *Companies Law*, as amended, of Israel;

“**Legacy Options**” means the non-tradeable Bitfarms Israel options granted on January 15, 2018 entitling the holders to acquire up to 300,000 Bitfarms Israel Shares at a price of 3.00 NIS per share for a period of five years;

“**Lender**” or “**Dominion**” means DC BFL SPV, LLC, in the loan agreement (the “**Loan Agreement**”) dated March 14, 2019 between Dominion, as lender and Backbone, as borrower, pursuant to which the Lender provided the Dominion Facility;

“**Lender Warrants**” means the 1,666,667 warrants issued to the Lender for each Loan drawn, pursuant to the Loan Agreement, all of which have been exercised as of the date hereof;

“**Loan**” and “**Loans**” have the meaning as provided for in “*GENERAL DEVELOPMENT OF THE BUSINESS – Three Year History – Fiscal 2019 – Debt Financing*”;

“**Loan Agreement**” has the meaning as provided for in “*GENERAL DEVELOPMENT OF THE BUSINESS – Three Year History – Fiscal 2019 – Debt Financing*”;

“**MD&A**” means management’s discussion and analysis;

“**Miner**” means a computer configured for the purpose of performing blockchain computer operations;

“**Mining**” means the process of using Miners to provide the service of verifying and validating cryptographic blockchain transactions and being rewarded with cryptocurrency in return for such service;

“**NI 52-102**” means National Instrument 52-102 – *Continuous Disclosure Obligations*;

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees*;

“**NEO**” or “**Named Executive Officer**” has the meaning ascribed to that term in Form 51-102F6 *Statement of Executive Compensation – Venture Issuers*;

“**NIS**” means the Israeli new shekel and the official currency of Israel;

“**Onyx**” means Onyx Hosting Inc.;

“**Onyx License Agreement**” has the meaning as provided for in “**MATERIAL CONTRACTS**”;

“**Promoters**” means Emiliano Joel Grodzki and Nicolas Bonta;

“**Prospectus**” means the final long form non-offering prospectus dated June 12, 2019;

“**PSU**” means power supply unit;

“**Régie**”, “**Municipal Electrical Networks**”, “**Preferential Rate**”, “**Phase 1**”, “**Phase 2**” and “**Phase 3**” have the meanings as provided in “*DESCRIPTION OF BUSINESS – Supply of Electrical Power, Electricity Rates, Terms of Service and the Régie de l’Énergie*”;

“**server farms**” means specialized computers often held in large warehouses where the computers, also known as Miners, validate and verify transactions on a public blockchain. Digital coins or tokens are issued by the applicable cryptocurrency network when miners solve hash functions;

“**Sherbrooke Expansion**” means the planned construction of a server farm facility in stages in Sherbrooke, Québec;

“**Stage**” has the meaning as provided for in “*DESCRIPTION OF BUSINESS – Development and Future Growth – Sherbrooke Expansion*”;

“**TASE**” means the Tel Aviv Stock Exchange;

“**TSXV**” or the “**Exchange**” means the TSX Venture Exchange;

“**Share Exchange Agreement**” means the share exchange agreement dated January 10, 2018, as amended April 12, 2018, between Bitfarms Israel, Backbone, and certain founding shareholders of Backbone, which closed on April 12, 2018 (the “**Share Exchange**”) pursuant to which Emiliano Joel Grodzki, Nicolas Bonta and Rodrigo Menendez exchanged 23,124,861 Backbone Shares for 23,124,861 Bitfarms Israel Shares; and

“**Volta**” means 9159-9290 Québec Inc., which also operates under the name Volta Électronique Inc.

## GENERAL

In this annual information form (“AIF”), Bitfarms Ltd., as the context requires, is referred to as the “**Company**” and “**Bitfarms Canada**”. As the Company is a venture issuer, the Company is not required to file an annual information form but is doing so voluntarily with the intention of enhancing its corporate disclosure and improving its access to capital markets. Accordingly, all information contained in this AIF is at March 8, 2021, unless otherwise stated.

Reference is made in this AIF to the Financial Statements and MD&A for Bitfarms Canada for Fiscal 2019, together with the auditor’s report thereon. The Financial Statements and MD&A are available for review on the SEDAR website located at [www.sedar.com](http://www.sedar.com).

All financial information in this AIF for Fiscal 2019 has been prepared in accordance with IFRS.

## STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Certain statements in this AIF are forward-looking statements or information (collectively “**forward-looking statements**”). Bitfarms Canada is providing cautionary statements identifying important factors that could cause the actual results of Bitfarms Canada to differ materially from those projected in these forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases including, but not limited to, and including grammatical tense variations of such words as: “may”, “anticipates”, “is expected to”, “estimates”, “intends”, “plans”, “projection”, “could”, “vision”, “goals”, “objective” and “outlook”) are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. In making these forward-looking statements, the Company has assumed that the current market will continue and grow and that the risks listed below will not adversely impact the Company.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as of the date they are made and are based on information currently available and on the then current expectations and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest;
- the ability to service debt obligations and maintain flexibility in respect of debt covenants;
- economic dependence on regulated terms of service and electricity rates;
- the speculative and competitive nature of the technology sector;
- dependency in continued growth in blockchain and cryptocurrency usage;
- lawsuits and other legal proceedings and challenges;
- conflict of interests with directors and management;
- government regulations;
- other risks described in this AIF and described from time to time in documents filed with Canadian securities regulatory authorities; and
- other factors beyond the Company’s control.

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 include, among others, risks relating to: the Company's limited operating history; future capital needs and uncertainty of additional financing; share price fluctuations; the need for the Company to manage its planned growth and expansion; cybersecurity threats and hacking; possibility of cessation of monetization of cryptocurrencies; limited history of de-centralized financial system; technological obsolescence and difficulty in obtaining hardware; price volatility of cryptocurrencies; the Bitcoin Halving Events; cryptocurrency network difficulty and impact of increased global computing power; economic dependence on regulated terms of service and electricity rates risks; future profits/losses and production revenues/expenses; cryptocurrency exchanges are new and mostly unregulated; discretion regarding by the Company of available funds; political and regulatory risk; permits and licenses; server failures; global financial conditions; tax consequences; environmental regulations; environmental liability; erroneous transactions and human error; the continued development of existing and planned facilities; risks of non-availability of insurance; competition; reliance on key personnel; credit risk; uncertainty of widespread use of cryptocurrency; interest rate risk; fluctuations in currency exchange rates; controlling shareholder risk; and COVID-19 pandemic risk. Particular factors which could impact future results of the business of the Company include but are not limited to: the construction and operation of blockchain infrastructure 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; the volatility of digital currency prices; the anticipated sustainability of hydroelectricity at economical prices for the purposes of cryptocurrency mining in the Province of Québec; the ability to complete current and future financings; any regulations or laws that will prevent the Company from operating its business; historical prices of digital currencies and the ability to mine digital currencies that will be consistent with historical prices.

Further, any forward-looking statement speaks only as of the date on which such statement is made and, except as required by applicable law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the business of the Company or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. See "RISK FACTORS".

#### **CURRENCY AND EXCHANGE RATES**

Unless otherwise indicated, all references to "\$", "USD\$" or "dollars" refer to United States dollars, references to CAD\$ refer to Canadian dollars, and references to NIS refer to Israeli new shekels.

## CORPORATE STRUCTURE

### Name, Address and Incorporation

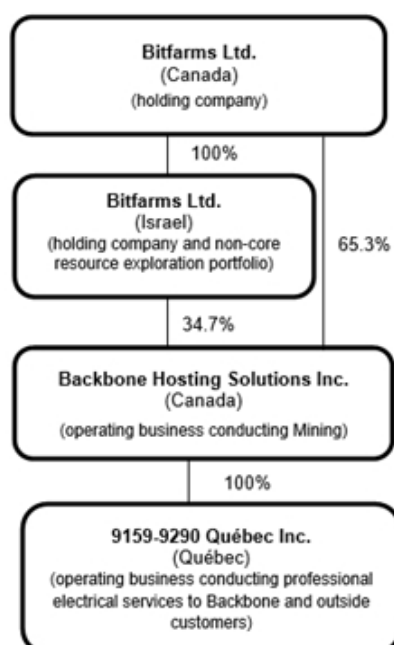
Bitfarms Canada was incorporated under the CBCA on October 11, 2018. Bitfarms Canada has its registered and head office located at 18 King St. E, Suite 902, Toronto, ON M5C 1C4. The Company's common shares are listed under the symbol "BITF" on the TSXV and under "BFARF" on the OTC market in the USA.

### Intercorporate Relationships

Bitfarms Canada has three wholly-controlled subsidiaries, Bitfarms Israel, Backbone, and 9159-9290 Québec Inc. Bitfarms Canada holds 100% of the issued and outstanding ordinary shares of Bitfarms Israel. Bitfarms Israel was incorporated pursuant to the Israeli Companies Law on June 17, 1981. Bitfarms Israel has its registered and head office located at 7 Menachem Begin Road, Tel-Aviv, 5268102, Israel. The provisions of the "Israeli Companies Law" are substantially similar to the CBCA, including provisions relating to shareholder voting rights, dividends, authority to issue shares, amendments to constating documents, appointment of directors and fiduciary duties.

Bitfarms Canada holds 43,541,866 common shares of Backbone directly and it holds the remaining 23,124,861 common shares of Backbone indirectly through Bitfarms Israel, for aggregate control of 100% of the issued and outstanding common shares of Backbone. Backbone was incorporated under the CBCA on June 13, 2017 and commenced operations November 6, 2017. Backbone is also known under its operating name, "Bitfarms". Backbone's registered and head office is located at 9160 Boulevard Leduc Suite 312, Brossard, Québec, J4Y 0E3.

Backbone holds 100% of the issued and outstanding common shares of Volta. Volta was incorporated on September 1, 2005 under the Companies Act (Québec) on September 1, 2005, and now exists under the statute which replaced it, the Business Corporations Act (Québec).



#### Note:

(1) Bitfarms Canada has direct (65.3%) and indirect (34.7%) ownership of an aggregate of 100% of the issued and outstanding Backbone Class A Shares.

## GENERAL DEVELOPMENT OF THE BUSINESS

### Three Year History

#### Fiscal 2017

Backbone was incorporated on June 13, 2017 pending the commencement of operations and remained dormant until November 6, 2017. Backbone undertook a series of strategic steps when its business was established:

- a) Backbone developed a business plan for the operation of server farms that validate cryptocurrency transactions on the blockchain in exchange for rewards from the network protocol as well as transaction fees. Backbone's server farms primarily operate bitcoin mining hardware and are rewarded in bitcoin for its efforts.
- b) Backbone adopted a policy to convert cryptocurrency into fiat currency regularly and reinvest the proceeds to further develop the business.
- c) The Province of Québec was selected as a base of operations due to the availability of secure, reliable and affordable hydro-electric power.
- d) Backbone entered into a series of agreements comprising the Backbone Formation Agreements. On November 6, 2017, Backbone purchased software developed by the founding shareholders which is specialized in the monitoring and operation of cryptocurrency mining equipment. See "DESCRIPTION OF BUSINESS – *Hardware and Software*". The software was acquired in exchange for 40,459,881 Backbone Shares and was necessary to commence business operations of Backbone for an aggregate deemed value of \$5,000,000 (\$0.12358 per share). On the same date, Backbone entered into a trial sale agreement with the minority shareholders to purchase \$15,062,000 of mining and electrical equipment including approximately 8,000 Antminer S9 Miners, which was completed on December 15, 2017. In addition to the equipment received, effective December 15, 2017, the minority shareholders contributed cash of \$2,942,000 in consideration for Backbone Shares. The total consideration paid by Backbone in exchange for the equipment and funds was 26,206,755 Backbone Shares with a value of \$18,000,000 (\$0.68685 per share). A licence agreement was entered into between Onyx (a company controlled by the Backbone Exchangeable Shareholders) and Backbone dated December 15, 2017 pursuant to which Backbone licensed the use of the Farnham and Saint-Hyacinthe facilities in consideration for payment of the underlying leasehold expenses.

#### Fiscal 2018

##### *Development of Operations*

In 2018, Backbone focused on the vertical integration of its mining business. In January of 2018, Backbone completed the purchase of Volta, an electrical contractor with a team of electricians available twenty-four hours a day and seven days a week (as needed) to support the operational expansion of Backbone. In April 2018, Backbone completed the construction of a custom micro-electronics repair facility. This facility has enabled Backbone to maximize operating margins by maintaining leading equipment "up time" and reducing the reliance on manufacturer warranty programs (if available), and long lead times generally associated with equipment repair.

For most of 2018, Backbone participated in Antpool; presently, it participates in Binance Pool and allocates its full mining capacity to this pool.

##### *Incorporation of Bitfarms Canada*

Bitfarms Canada was incorporated under the CBCA on October 11, 2018.

## Fiscal 2019

### *Debt Financing*

Backbone entered into a secured debt financing facility (the “**Dominion Facility**”) for up to \$20.0 million with the Lender on March 14, 2019 (the “**Loan Agreement**”). The debt facility is structured into four separate loans in tranches of \$5.0 million per tranche (each a “**Loan**” and collectively, the “**Loans**”), each such Loan which bears interest at 10% per annum on the full principal balance of each tranche regardless of principal repayments made during the term of the Loan. The term of each Loan is 24 months with a balloon payment for any remaining outstanding balance at the end of the term. A monthly payment equivalent to 10% of the value of cryptocurrencies mined by Backbone during the month is required in repayment of the total Loans drawn. This amount shall be applied to interest and the balance to principal and, in the event that the amount of the cryptocurrency mined is less than the amount of interest owing, such additional amount shall be remitted such that the interest is payable in full. The Loans are fully secured by the assets of Backbone on a first priority basis. In addition to interest, the Company agreed to issue 1,666,667 Lender Warrants for each Loan drawn. An aggregate of 6,666,668 Lender Warrants have been issued for the Loans drawn down. As of the date of this AIF, the Dominion Facility has been repaid in its entirety and all Lender Warrants have been exercised.

### *Prospectus Filings*

On March 27, 2019, a preliminary long form non-offering prospectus of Bitfarms Canada was filed with the Ontario Securities Commission to become a reporting issuer. Subsequently Bitfarms Canada became a reporting issuer upon receipt of the Prospectus filed with the Ontario Securities Commission on June 12, 2019.

### *Arrangement with Bitfarms Israel*

On June 12, 2019, pursuant to Sections 350-351 of the *Israeli Companies Law*, Bitfarms Canada entered into the Arrangement with Bitfarms Israel, pursuant to which, Bitfarms Canada acquired 100% of the issued and outstanding shares of Bitfarms Israel in exchange for 39,739,785 Bitfarms Canada Shares, on a one Bitfarms Israel Share for one Bitfarms Canada Share basis and exchanged the Legacy Options for non-tradeable options of Bitfarms Canada with similar terms.

The Arrangement was approved by Bitfarms Israel shareholders on April 8, 2019 and approved by the District Court of Law (Israel) on May 23, 2019. The Arrangement became effective on June 12, 2019, and on that same date, the Bitfarms Israel Shares were delisted from the TASE. In addition, the Backbone Exchangeable Shares were exchanged for Bitfarms Canada Shares on June 12, 2019.

### *Exchange Agreement*

Bitfarms Canada acquired 100% beneficial ownership of Backbone pursuant to the terms of the agreement entered into by the shareholders of Backbone. Bitfarms acquired an aggregate of 26,295,655 class A voting common shares of Backbone being the remaining 39.3% of the issued and outstanding shares of Backbone not already owned by Bitfarms Canada. The acquisition was completed on August 15, 2019.

### *Acquisition of Operation Equipment*

Aggregate expansion highlights across all five of the Company’s computing centres during Fiscal 2019 were as follows:

- 13,300 new generation miners were purchased for USD\$17.7M;
- Growth of 605PH/s, or 291% increase to computational hash power;
- Increase infrastructure capacity to 64MW from 34MW at the beginning of the year; and
- Overall operational efficiency had improved to approximately 14.3 petahash per MW.



## Fiscal 2020

### Board and Management Changes

In Fiscal 2020, the following changes to the Board and Management were made:

- On March 11, 2020, Wes Fulford resigned as CEO and as a director of the Company and was issued 500,000 common shares in consideration for past services rendered and to satisfy certain historical entitlements. These Common Shares have a deemed value of \$0.54 per share.
- On April 17, 2020, Brian Howlett was appointed as a director of the Company.
- Effective May 15, 2020, Wendi Locke and Sophie Galper-Komet resigned as directors of the Company.
- On May 19, 2020, Geoffrey Morphy was appointed as a director of the Company.
- On June 1, 2020, the Company appointed John Rim as Chief Operating Officer and Nicolas Bonta as Chief Development Officer. Ryan Hornby resigned as Executive Vice President and General Counsel of the Company effective June 1, 2020.
- On August 31, 2020, Geoffrey Morphy was appointed Executive Vice-President – Finance, Administration & Corporate Development. Mr. Morphy resigned his position as a director of the Company to facilitate his role as a senior officer. John Rim resigned as Chief Operating Officer and CFO of the Company. In addition, Andres Finkielstain was appointed as a director of the Company.
- On October 28, 2020, Mauro Ferrara was appointed Interim Chief Financial Officer and Corporate Secretary.
- On December 29, 2020, Nicolas Bonta was appointed Executive Chairman, Brian Howlett was appointed Lead Director, Emiliano Grodzki was appointed Chief Executive Officer, Mathieu Vachon was appointed Chief Information Officer and Geoffrey Morphy was appointed President.

### COVID-19 Updates

In response to COVID-19, the Company has taken temporary steps to reduce staffing in line with government guidance to help combat the spread of COVID-19, the Company has also implemented permanent measures to reduce overhead costs to ensure the Company continues to be well positioned to absorb short term economic changes and maintain long term viability.

### Development of Operations

A summary of the development of computing power in Fiscal 2020 is as follows:

| <b>Announced:</b>                | <b>Installed:</b>   | <b>Equipment:</b>                                                                                         |
|----------------------------------|---------------------|-----------------------------------------------------------------------------------------------------------|
| June, 2020                       | June, 2020          | Purchased: 1,847 MicroBT's WhatsMiner M20S adding 133 PH of computing power                               |
| August, 2020                     | September, 2020     | Leased: 1,000 MicroBT's WhatsMiner M31S <sup>+</sup> adding 82 PH of computing power                      |
| October, 2020                    | November, 2020      | Leased: 2,000 MicroBT's WhatsMiner M31S adding 144 PH of computing power                                  |
| September 2020 and October, 2020 | December, 2020      | Leased: 1,000 MicroBT's WhatsMiner M31S units adding 74 PH of computing power                             |
| December, 2020                   | Q1 2021 (estimated) | Leased: 3,000 MicroBT's WhatsMiner M31S <sup>+</sup> units adding approximately 240 PH of computing power |

On October 26, 2020, the Company announced that it signed a nonbinding memorandum of understanding (“MOU”) with a private energy producer to secure exclusive use of up to 200 MW of electricity in South America at an average price of US 2 cents per kilowatt hour. The Company is presently in discussions with contractors to operationalize the first 60 MW of this 200 MW.

## Debt Financing

In September 2020, the Company entered into an agreement with Dominion to amend its second loan tranche and third loan tranche. The amendment in respect of the second loan tranche of \$5,000,000 resulted in the extension of the maturity date from the original due date of April 17, 2021 to November 1, 2021 (the “**Tranche #2 Restructuring**”). As consideration for the Tranche #2 Restructuring, the Company issued 1 million Common Shares to Dominion, and reduced the term of the 1,666,667 warrants, exercisable at USD\$0.40 from the original expiry date of April 16, 2024 to November 1, 2021.

The amendment in respect of the third loan tranche of \$5,000,000, due June 20, 2021, resulted in this tranche being made convertible, at the option of Dominion, into Common Shares at a fixed conversion of USD\$0.59 per share, a premium of approximately 100% to the current market price of the Common Shares (the “**Tranche #3 Restructuring**”). Further pursuant to the Tranche #3 Restructuring, the previously issued 1,666,667 warrants exercisable at \$0.40 per Common Share, expiring on June 20, 2024 were cancelled and 1,666,667 new warrants were issued, at an exercise price of USD\$0.304 per share, expiring on June 20, 2021.

As of the date of this AIF, the Dominion Facility has been repaid in its entirety and all Lender Warrants have been exercised.

## Fiscal 2021

### Private Placements

On January 7, 2021, the Company closed a private placement (the “**January 7, 2021 Offering**”) for gross proceeds of approximately CAD\$20.0 million, comprised of 8,888,889 Common Shares along with warrants to purchase an aggregate of up to 8,888,889 Common Shares at a purchase price of CAD\$2.25 per Common Share and associated warrant. The warrants have an exercise price of CAD\$2.75 per Common Share and exercise period of three years. The net proceeds of the private placement will be used by the Company principally to acquire additional miners, expand infrastructure, and improve its working capital position. H.C. Wainwright & Co. acted as the agent and received (i) a cash commission equal to 8.0% of the gross proceeds of the January 7, 2021 Offering and (ii) 711,111 broker warrants, with each broker warrant exercisable for one Common Share of the Company at a price of CAD\$2.81 at any time on or before January 8, 2024.

On January 11, the Company received notice from Dominion of its election to convert \$5,000,000, the principal amount of the third loan tranche into equity. The conversion to equity took place in January 2021.

On January 13, 2021, the Company closed a private placement (the “**January 13, 2021 Offering**”) for gross proceeds of approximately CAD\$20.0 million, comprised of 5,586,593 Common Shares along with warrants to purchase an aggregate of up to 5,586,593 Common Shares at a purchase price of CAD\$3.58 per Common Share and associated warrant. The warrants have an exercise price of USD\$3.10 per Common Share and exercise period of three and a half years. The net proceeds of the private placement will be used by the Company principally to acquire additional miners, expand infrastructure, and improve its working capital position. H.C. Wainwright & Co. acted as the agent and received (i) a cash commission equal to 8.0% of the gross proceeds of the January 13, 2021 Offering and (ii) 446,927 broker warrants, with each such broker warrant exercisable for one Common Share of the Company at a price of USD\$3.53 at any time on or before July 15, 2024.

Ten percent of the gross proceeds of the January 7, 2021 Offering and January 13, 2021 Offering were utilized to reduce the amount of the respective outstanding Loans due in March and November 2021.

On February 10, 2021, the Company closed a private placement (the “**February 2021 Offering**”) for gross proceeds of approximately CAD\$40.0 million, comprised of 11,560,695 common shares along with warrants to purchase an aggregate of up to 11,560,695 common shares at a purchase price of CAD\$3.46 per common share and associated warrant. The warrants have an exercise price of USD\$3.01 per common share and exercise period of three and one-half years. The net proceeds of the private placement will be used by the Company principally to acquire additional miners, expand infrastructure, and improve its working capital position. H.C. Wainwright & Co. acted as the agent and received (i) a cash commission equal to 8.0% of the gross proceeds of the February 2021 Offering and (ii) 924,856 broker warrants, with each broker warrant exercisable for one Common Share of the Company at a price of USD\$3.39 at any time on or before August 12, 2024.

### *Development of Operations*

A summary of the development of computing power in Fiscal 2021 is as follows:

| <b>Announced:</b> | <b>Installed:</b>                        | <b>Equipment:</b>                                                                                                                                                    |
|-------------------|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| February 18, 2021 | Q1 2021 (estimated)                      | Acquired: 1,500 MicroBT's WhatsMiner M31S; once deployed, it is expected that these units will add approximately 120 PH of computer power                            |
| March 2, 2021     | January, 2022-December, 2022 (estimated) | Entered into agreements to acquire: 48,000 MicroBT's WhatsMiner units once deployed, it is expected that these units will add approximately 5.0 EH of computer power |

### *Board and Management Changes*

Mathieu Vachon resigned as the Chief Information Officer and Director of the Company on January 14, 2021.

### *Current Computing Power*

The Company's total operating hashrate is approximately 1.2 EH/s as of the date of this AIF.

### *Pilot Bitcoin Retention Program*

In early January 2021, the Company implemented a pilot Bitcoin retention program, pursuant to which the Company has added over 350 Bitcoin to its balance sheet as of the date hereof. See "*Risk Factors – Possibility of Less Frequent or Cessation of Monetization of Cryptocurrencies*".

## **DESCRIPTION OF BUSINESS**

### **Description of the Business**

The Company's primary business is the mining of cryptocurrency coins and tokens. Through Backbone, the Company owns and operates server farms, comprised of computers (each herein referred to as, a "**Miner**") primarily configured for the purpose of validating transactions on cryptocurrency network blockchains, and predominately the Bitcoin network blockchain. Backbone's server farms currently mine Bitcoin and Litecoin, and in the past have also mined Bitcoin Cash, Dash and Ethereum. Income is earned from the transaction fees it receives in return for securing and processing transactions during all hours of the day (herein referred to as, "**Mining**"), and the cryptocurrencies rewarded for validating a "block" of transactions. Backbone exchanges cryptocurrencies mined into U.S. dollars, as needed, through reputable cryptocurrency trading platforms.

The Company operates through two operating corporate subsidiaries and reportable segments: Backbone Hosting Solutions Inc. ("**Backbone**") and 9159-9290 Quebec Inc. ("**Volta**"). Backbone owns and operates server farms, comprised of computers (referred to as a "**Miners**") designed for the purpose of validating transactions, primarily on the Bitcoin 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 Bitcoin network to a Mining Pool from which the Company receives cryptocurrencies in return for contributing its hashrate which the Mining Pool uses to validate transactions (referred to as "**Mining**"). Backbone regularly exchanges cryptocurrencies mined into U.S. dollars through reputable and established cryptocurrency trading platforms.

As of the date of this AIF, Bitfarms Canada operates five server farm facilities in Québec, Canada, with electrical infrastructure capacity of 69 MW for Mining Bitcoin. The Company has contracts securing an aggregate of 160 MW of hydro-electric green energy in Quebec. In addition, Bitfarms owns proprietary software that is used to control, manage, report and secure mining operations. The software scans and reports the location, computing power and temperature of all Miners at regular intervals to allow the Company to monitor performance and maximize up-time.

Volta provides electrician services to both commercial and residential customers in Québec, while assisting Bitfarms Canada in building and maintaining its server farms.

## **Cryptocurrency Background**

Bitcoin Blockchain technology was developed around 2009 by a pseudonymous person or organization known as Satoshi Nakamoto. It is often defined as a distributed ledger or database with decentralized control. The types of databases that could be implemented using blockchain technology are broad and include, among others, databases similar to a bank ledger that record statements of accounts or transactions, or any other digital record of asset ownership, such as an identity system, land registry or even the rights and obligations defined in a contract. In the traditional centralized ledger models, a master version of such ledgers is controlled by a bank, government or a trusted third party. Disputes are resolved by checking the master version, through a manual and often redundant reconciliation process. In the decentralized blockchain model, a master ledger is not stored in one place or controlled by one entity. Every counterparty on the network receives an identical real-time copy of the ledger; the data in the ledger is tamper-proof using cryptography; new states of the ledger are agreed upon by consensus among all parties.

The shared ledger is made tamper-proof using a cryptographic technique called hashing. A hashing algorithm is a mathematical transformation function with two key properties. First, it accepts any alphanumeric dataset as an input and produces a unique 256-bit code as an output. Second, the smallest change in the dataset results in a significant change in the unique code. Any tampering of the dataset can be detected by re-hashing the data and checking for a change in the unique code. Any user that runs the hash algorithm on the same strings will derive the same unique code. Consequently, the data on the distributed ledger can be run through a series of hash algorithms to create a unique code, which ensures the entire ledger is immutable. Whenever a new set or block of transactions is added to the ledger, it is appended with the code from the prior state of the ledger before it is hashed. This chain links both states of the ledger by combining them into a single unique code. Tampering of any historical state of the ledger can be automatically detected by the blockchain network. The historical state of the ledger can be changed if control of more than 50% of the network is obtained; however, in the case of widely held cryptocurrencies with non-trivial valuations, it is likely economically prohibitive for any actor or group of actors acting in concert to obtain the requisite control, being more than 50% of the network.

## **Mining**

The process by which cryptocurrency coins or tokens are created and transactions are verified is called mining. A user or Miner operates a publicly distributed mining client, which turns the user's computer into a "node" on the network that validates blocks. In order to add blocks to the Bitcoin blockchain, a miner must map an input data set (i.e., the blockchain, plus a block of the most recent transactions and an arbitrary number called a "nonce") to a desired output data set of a predetermined length using the SHA256 cryptographic hash algorithm. Each unique block can only be solved and added to the blockchain by one miner. As more miners join the network and its processing power increases, the network adjusts the complexity of the block solving equation to maintain a predetermined pace of adding a new block to the blockchain approximately every ten minutes. The prevailing level of complexity in the context of cryptocurrency mining is often referred to as the "difficulty". See "*DESCRIPTION OF BUSINESS – Principal Market Overview – Mining Pools*" and "*Risk Factors - Cryptocurrency Network Difficulty and Impact of Increased Global Computing Power*".

A miner's proposed block is added to the blockchain once a majority of the nodes on the network confirms the miner's work. Miners that are successful in adding a block to the blockchain are automatically awarded coins or tokens for their effort plus any transaction fees paid by transferors whose transactions are recorded in the block. This reward system is the method by which new coins enter into circulation to the public.

## Principal Market Overview

### *Backbone's Business and Strategy*

Backbone's strategy consists of constructing server farms using sustainable energy sources, ensuring that the computing power supporting Backbone's operations is sourced from clean energy. In support of the strategy, Backbone has sourced electrical power from Hydro-Québec, Hydro-Sherbrooke and Hydro-Magog. Power from these sources is derived from hydro-electricity as opposed to, for instance, coal-fired or gas-fired plants. The Company has also entered into a non-binding MOU with a private energy producer to secure exclusive use of up to 200 MW of electricity in South America. The South American project utilizes natural gas. Hydro-electric power is generated through exploitation of the natural water cycle, which is renewable, sustainable, and abundant owing to the natural geography of the Province of Québec. As a result of these efforts, the management of Backbone has developed a business model utilizing substantially low-cost clean power capacity and a supply of computer hardware from leading manufacturers.

Backbone's server farms are operated with a suite of three pieces of proprietary software owned by Backbone that control, manage, report and secure the operation. The first piece in the suite of software scans and reports the status of Backbone's Miners every 10 seconds. The second piece of software in the suite displays the report from the first software in readable and digestible format that assists operators in identifying machines at issue. The third piece of software in the suite is a cooling management system which autonomously controls exhaust fans to maintain the optimal temperature for the machines at the locations in which they are operated. In addition, the software collects data from various sources in order to check, at any given time, the cryptographic currency that is the most profitable for Backbone to mine. The software is configured to notify operators of profitability conditions, enabling operators to manually optimize margins under different economic conditions. See "*DESCRIPTION OF BUSINESS – Hardware and Software*".

### *Mining Pools*

Miners may organize themselves in "mining pools". A mining pool is created when cryptocurrency miners pool their processing power over a network and mine transactions together. Whereas distributed mining power spread across the Internet results in only a minuscule probability of solving the mathematical problem for any single computer, by pooling mining resources, groups of Miners can increase the likelihood that the group solves the problem as a collective. Rewards are then distributed proportionately to each miner based on the work or the hash power contributed. By extension, the greater the computing power a server farm has, the more likely it is to, as a collective, be the first to validate a block (i.e. solve the mathematical problem) and earn cryptographic currencies. Consequently, there is a direct relationship between the computing power of a farm and the number of cryptographic coins it receives.

By design of the cryptocurrency source code, the difficulty of solving a block is determined automatically as a function of the number of blocks (and in the case of Bitcoin, 2016 blocks in each 14-day period) and the calculation power available in the current network in order to maintain a fixed interval (and in the case of Bitcoin, 10 minutes) on average to "solve" a block on the blockchain network of that particular cryptocurrency. The higher the computational power available (defined by the number of Miners and their individual computational power), the greater the difficulty in solving a block (and, accordingly, the more computing power will be required). After successfully validating a block, the transaction is recorded in a public ledger known as a blockchain (or chain of transactions/blocks). Upon a successfully solved block, the entire process is repeated with the next block in the queue being linked (by a stack) to its predecessor. The place of the blocks is fixed and remains on the public ledger permanently.

Given that collaborating Mining effort permits Miners to share risks and rewards of Mining, most cryptocurrency Miners join pools. As of the date of this AIF, the five largest pools in the world are: BTC.com, F2Pool, AntPool (operated by Bitmain Technologies Inc.), Binance Pool and Poolin.com. F2Pool is known as the largest pool, accounting for about 19% of the total hash power computing power) of Bitcoin.

Backbone presently participates in Binance Pool and allocates its full mining capacity to this pool.

## Current Farming Operations

The following table sets out summary information regarding the five operational farming facilities operated by Backbone as at the date of this AIF.

| Location                        | Facility Size (ft <sup>2</sup> ) | Power Capacity (Megawatts) | Hash-power per second | Property Information | Energy Source |
|---------------------------------|----------------------------------|----------------------------|-----------------------|----------------------|---------------|
| Farnham, Québec, Canada         | 60,000                           | 10.0                       | 195 Petahash          | Leased               | Hydroelectric |
| Saint-Hyacinthe, Québec, Canada | 40,000                           | 15.0                       | 298 Petahash          | Leased               | Hydroelectric |
| Cowansville, Québec, Canada     | 50,000                           | 4.0                        | 88 Petahash           | Leased               | Hydroelectric |
| Magog, Québec, Canada           | 22,000                           | 10.0                       | 155 Petahash          | Leased               | Hydroelectric |
| Sherbrooke 1&2, Québec, Canada  | 78,000                           | 30.0                       | 430 Petahash          | Owned & Leased       | Hydroelectric |

Backbone ceased operations at the Notre-Dame-de-Stanbridge facility at the end of day on November 30, 2018.

## Development and Future Growth

Backbone is planning to establish and operate the following Additional Server Farms.

### Sherbrooke Expansion

On March 8, 2018, Backbone announced a 98.0-megawatt power contract in the municipality of Sherbrooke, Québec for a new server farm facility (herein referred to as, the “**Sherbrooke Expansion**”). These properties in Sherbrooke consisted of a 78,000 sq. foot facility (the “**Sherwood Property**”), and a 36,000 sq. foot facility (the “**Leger Property**”). On February 11, 2019, the Leger Property was sold for CAD\$1,750,000 and as part of the agreement reached with the buyer, a real estate developer, the buyer agreed to construct a purpose-built addition to the building for crypto-mining that would be leased to Bitfarms and allow it to realize net savings in its overall future buildout costs for the Sherbrooke Expansion while also providing immediate working capital from the proceeds of the building sale.

The construction of the Sherbrooke Expansion is anticipated to be completed in six stages (each a “**Stage**”) based on megawatt capacity: Stage 1 – 12MW; Stage 2 – 18MW; Stage 3 – 12 MW; Stage 4 - 18 MW; Stage 5 – 19 MW; and, Stage 6 – 19 MW.

As of the date of this AIF, the Company has successfully completed Stages 1 and 2 and is in the process of optimizing the Miners to reach full capacity. To complete each remaining phase of the Sherbrooke Expansion, Bitfarms Canada will need to incur infrastructure buildout costs including noise and exhaust structures, mining structures, and building modifications, as well as sourcing of mining hardware and electrical components.

The capital cost for the construction of the remaining Stages 3 through 6 is currently estimated to range between \$60.0 million to \$75.0 million, inclusive of Miner purchases based on recent hardware pricing. These costs will be divided between the Sherwood and Leger properties, with the majority being allocated to the Leger Property. The ability to undertake the construction of Stages 3 through 6 of the Sherbrooke Expansion depends, among other things, on the Company’s ability to raise the required financing. As a result, there is no definitive or planned timetable for Stages 3 through 6 of the Sherbrooke Expansion. The Company intends to finance the remainder of the construction of Stages 3 through 6 of the Sherbrooke Expansion by raising additional debt or equity capital or a combination of these means, as well as through the cash flow generated from its operations. There can be no assurance that the remaining Sherbrooke Expansion will be fully funded and undertaken at this time on any particular schedule or at all. In response to both a complaint concerning noise at the Sherwood Property and indications from officials at the municipality of Sherbrooke that they were reviewing applicable regulations, the Company has met with community residents and city officials on several occasions. While the Company believes it is compliant with all applicable regulations, the Company has already constructed a sound barrier wall, at a cost of approximately \$0.3 million, and has hired a sound engineering firm to develop further solutions to address this issue. Implementation and timing of additional remediation measures were discussed with government and city officials in January 2021 with the goal of further reducing ambient sound levels by March 31, 2021.

Backbone estimates that if the construction of the Sherbrooke Expansion is completed and operated at capacity, Backbone's aggregate computing power will substantially increase its current computing power. Furthermore, its workforce in Québec will be expanded. Estimates are based on, among other factors, the size of the facility, the planned capital expenditures associated with the project, the number of Miners which may be configured within the facility, as well as prevailing economic circumstances. In the event that the assumptions used to project the impact of the new server farms prove to be inaccurate or incorrect, there can be no guarantee that the new servers will substantially increase its current computing power. For instance, there can be no guarantee that the Company will be able to obtain a continued supply of electricity to power its new facilities at commercially attractive rates. See "*RISK FACTORS – Economic Dependence on Regulated Terms of Service and Electricity Rates Risks*".

Furthermore, regardless of the size of the facility there can be no assurance that it can be operated on a profitable basis. The foregoing information is forward-looking information for the purposes of applicable securities laws in Canada and readers are cautioned that actual results may vary from those described. See "*STATEMENT REGARDING FORWARD LOOKING STATEMENTS*" and "*RISK FACTORS*".

### ***Saint-Hyacinthe 2***

In 2020, the Company increased its infrastructure in the Saint-Hyacinthe farm by 5 MW at a cost of approximately \$800,000.

### ***Financing***

Since its inception, Backbone has been principally self-funded by the free cash flow generated over time by the sale of cryptographic currencies it mines; however, it has used both short-term (i.e. with a term of less than one year) and long-term financing to acquire new equipment and preserve an adequate working capital position, and may continue to do so in the future.

On March 14, 2019, Backbone entered into the Dominion Facility, composed of a secured debt financing facility for up to \$20.0 million with the Lender, structured into four separate tranches. As of August 2019, all of the Loans were drawn down. See "*GENERAL DEVELOPMENT OF THE BUSINESS – Three Year History – Fiscal 2019 – Debt Financing*".

On September 12, 2020, the Company entered into an agreement with Dominion to effect the Tranche #2 Restructuring and Tranche #3 Restructuring. See "*GENERAL DEVELOPMENT OF THE BUSINESS – Three Year History – Fiscal 2020 – Debt Financing*". On January 11, the Company received notice from Dominion of its election to convert \$5,000,000, the principal amount of the third loan tranche into equity. The conversion to equity took place in January 2021.

As of September 30, 2020, the warrants impacted by the Tranche #2 Restructuring and Tranche #3 Restructuring were classified as equity. Management has reviewed the restructured warrant terms and determined that the removal of a cashless exercise restriction will result in the warrants being classified as a liability as of December 31, 2020, recorded at fair value through profit or loss.

An aggregate of 6,666,668 Lender Warrants have been issued for the Loans drawn down. As of the date of this AIF, the Dominion Facility has been repaid in its entirety and all Lender Warrants have been exercised.

As of the date of this AIF, proceeds from the Loans have been used to complete the buildout of infrastructure for Stage 1 and Stage 2 of the Sherbrooke Expansion and make purchases of new Miners for the Sherbrooke facility and for the other existing facilities.

Upon receipt of additional funds and completion of Stage 3 through to Stage 6, there would be an additional 68.0 megawatts of power capacity. There is no assurance that the Company will be able to raise any additional funds required to accelerate its operational expansion. See “RISK FACTORS”.

On January 7, 2021, the Company closed the January 7, 2021 Offering for gross proceeds of approximately CAD\$20.0 million, composed of the sale of 8,888,889 Common Shares along with warrants to purchase an aggregate of up to 8,888,889 Common Shares at a purchase price of CAD\$2.25 per Common Share and associated warrant. See “*GENERAL DEVELOPMENT OF THE BUSINESS – Three Year History – Fiscal 2021 – Private Placements*”.

On January 13, 2021, the Company closed the January 13, 2021 Offering for gross proceeds of approximately CAD\$20.0 million, composed of the sale of 5,586,593 Common Shares along with warrants to purchase an aggregate of up to 5,586,593 Common Shares at a purchase price of CAD\$3.58 per Common Share and associated warrant. See “*GENERAL DEVELOPMENT OF THE BUSINESS – Three Year History – Fiscal 2021 – Private Placements*”.

On February 10, 2021, the Company closed the February 2021 Offering for gross proceeds of approximately CAD\$40.0 million, composed of the sale of 11,560,695 Common Shares along with warrants to purchase an aggregate of up to 11,560,695 common shares at a purchase price of CAD\$3.46 per common share and associated warrant. See “*GENERAL DEVELOPMENT OF THE BUSINESS – Three Year History – Fiscal 2021 – Private Placements*”.

## **Revenue**

Backbone began its current cryptocurrency mining operations on November 6, 2017. For the period from inception of operations on November 6 to December 31, 2017, Backbone generated revenues of approximately \$8,663,000 from the sale of mined cryptocurrencies, plus an additional \$431,000 cost basis of cryptocurrencies mined but not sold (fair market value of \$3,399,000 as at December 31, 2017). In the twelve-month period ending December 31, 2018, Bitfarms Israel, including the operations of Volta acquired during the period, generated revenues of \$33,805,000 from the sale of mined cryptocurrencies and provision of electrical services, plus an additional \$39,000 of cryptocurrencies mined but not sold, carried at fair market value at December 31, 2018, which was the lower of cost, including amortization, and net realizable value. In the twelve-month period ending December 31, 2019, Bitfarms Canada generated revenues of \$32,421,000 from the sale of mined cryptocurrencies and provision of electrical services and did not hold cryptocurrency inventory as at December 31, 2019.

## **Products and Services**

Backbone provides the service of validating and verifying transactions on the blockchain for various cryptocurrencies, generating cryptocurrency coins and transaction fees through the Mining process, as well as provision of electrical services through Volta.

## **Specialized Skill and Knowledge**

Nicolas Bonta and Emiliano J. Grodzki have been engaged in both small and commercial-scale cryptocurrency mining for several years. See “*DIRECTORS AND OFFICERS*”.

## **Competitive Conditions**

The cryptocurrency mining industry is highly competitive. There are several companies competing in Backbone’s industry, including Hut 8 Mining Corp. (TSX: HUT), HyperBlock Inc. (CSE: HYPR), Hive Blockchain Technologies Ltd. (TSXV: HIVE), Digihost Technology Inc. (TSXV: DGHI), Riot Blockchain, Inc. (NASDAQ: RIOT), Marathon Digital Holdings Inc (NASDAQ: MARA) and MGT Capital Investments Inc. (OTCQB: MGTI).

It is difficult to obtain an accurate estimate of market share. As at the date of the AIF, the hash rate capacity of Backbone’s installed facilities represented an estimated 0.78% of the entire Bitcoin network hash-rate, being approximately 153 Exahash. Estimates of the Bitcoin network hash-rate can be retrieved at [www.blockchain.com/en/charts/hash-rate](http://www.blockchain.com/en/charts/hash-rate). According to internal estimates, management believes that its facilities collectively rank as one of the largest cryptocurrency mining operations in North America by installed energy and hash power.



The Company believes that the vertical integration of its mining business will provide a long-term competitive advantage in the marketplace. In January of 2018, Backbone completed the purchase of Volta, an electrical contractor with a team of electricians available twenty-four hours a day and seven days a week (as needed) to support the operational expansion of Backbone. This acquisition has enabled Backbone to significantly expedite the timelines associated with electrical infrastructure buildout and to reduce the prices paid to infrastructure component vendors. In addition, in April 2018, Backbone completed the construction of a custom micro-electronics repair facility which is believed to be unique in the Canadian marketplace. This facility has enabled Backbone to maximize operating margins by maintaining leading equipment “up time” and reducing the reliance on manufacturer warranty programs (if available), and long lead times generally associated with equipment repair.

## **Hardware and Software**

The main components of Backbone’s cryptocurrency mining operation are specialized computers frequently referred to as “application specific integrated circuit” Miners (an “**ASIC**”) in each of the Backbone server farms (e.g. WhatsMiners), a power supply unit (“**PSU**”), network components, security components, electronic components, cooling components and other hardware.

The hardware is composed primarily of: (i) WhatsMiner M20s, M31s and M31s+, which currently generate most of Backbone’s mining power; and (ii) peripheral computer hardware required to operate the Miners. As the date of this AIF, Backbone owns over 25,000 ASIC Miners.

The majority of Backbone’s currently operating ASIC Miners and those recently secured by purchase order in connection with the expansion plans are primarily manufactured by MicroBT, Bitmain Technologies Inc. and Innosilicon Technology Ltd., each leading suppliers of ASIC Miners for the blockchain and Mining industry. The Miners are typically purchased directly from the manufacturer; however, during elevated demand and pricing conditions, Backbone has made purchases through secondary suppliers on occasion.

Software is used to control and to provide management, reporting and security of cryptographic coin mining systems. Backbone’s software suite consists of three operating programs: (i) a software program that provides a real-time status report and reports problems in near-real time; (ii) a web interface, management software program that displays various events and alerts by sending short message service (“**SMS**”) messages or other alert methods; and, (iii) a software program that enables management and supervision of the cooling equipment (efficient cooling is an essential condition for the operation of the server farm). The software can be configured to manage an unlimited number of ASIC components and sites. The software is regularly updated by Backbone to incorporate new or upgraded features. One feature developed by Backbone is the ability of the software to collect data from various sources in order to check, at any given time, the cryptographic currency that is the most profitable for Backbone to mine. The software is configured to notify operators of profitability conditions, enabling operators to manually optimize margins under different economic conditions.

## **Custody of Crypto Assets**

Backbone’s crypto assets, currently Bitcoin, is mined to multi-signature wallets that Backbone controls. Backbone transfers Bitcoin from its multi-signature wallets to an external third-party custodian on a regular basis.

Regardless of efforts made by the Company to securely store and safeguard assets, there can be no assurance that crypto assets will not be defalcated through hacking or other forms of theft. See “*RISK FACTORS*”.

## Intangible Properties

The Company is presently investing in improvements to its proprietary software. The source code used to operate the farms is owned by Backbone and is in its possession and held in a private account. No patents have been registered on the software and no applications have been made to register or otherwise protect copyrights in the software or its components.

## Supply of Electrical Power, Electricity Rates, Terms of Service and the Régie de l'Énergie

Currently, Backbone sources its energy from Hydro-Québec for certain of the Company's facilities and the Saint-Jean-Sur-Richelieu server farm (one of the Additional Server Farms), and from Hydro-Magog and Hydro-Sherbrooke for the Magog server farm (one of the Current Facilities) and the Sherbrooke Expansion, respectively. The delivery of power by Hydro-Québec is supplied under an obligation to serve power delivery regime. The power agreements (with respect to the Current Facilities and Additional Server Farms) are renewable on a year-to-year basis. Subject to compliance with conditions of service, the agreements are renewed automatically. Modifications to the rates are approved on a yearly basis by a provincial administrative tribunal, the Régie de l'Énergie (the "**Régie**"), on a tariff class basis such that any adjustment would apply equally to all M tariff users or LG tariff users regardless of end use. See "*RISK FACTORS –Economic Dependence on Regulated Terms of Service and Electricity Rates Risks*" and "*MATERIAL CONTRACTS*".

The Company's operations are dependent on its ability to maintain reliable and economical sources of power to run its cryptocurrency mining assets. The Province of Québec mandates electrical service providers to supply their customers under the obligation to serve power delivery regime; consequently, the Company believes these power suppliers are reliable. Any suspension of power or failure of electrical networks, however, could result in a material adverse effect on the Company.

The price of electricity supplied directly by Hydro-Québec is set by the Régie. Electricity supplied by Hydro-Sherbrooke and Hydro-Magog (the "**Municipal Electrical Networks**"), is predominantly sourced from Hydro-Québec, and provided to the Municipal Electrical Networks at a price set by the Régie. The Municipal Electrical Networks in turn supply their customers at prices which they may set. In an effort to encourage investment and development in particular regions, both Hydro-Québec and the Municipal Electrical Networks may offer a discretionary preferential rate ("**Preferential Rate**") to certain customers, such rate being lower than the rate set by the Régie, notwithstanding that Hydro-Québec and the Municipal Electric Networks may suffer a financial loss on the supply of electricity to those customers. As of the date of this AIF, Backbone currently enjoys a Preferential Rate at the Farnham and Cowansville server farms, which are Current Facilities. If a Preferential Rate is changed or no longer available to Backbone, the Company's operations and profitability may experience a material adverse effect. In addition, although power is supplied by the Municipal Networks to Backbone under the long-term power contracts, the rates in those contracts are adjusted in response to tariff changes imposed by the Régie. The cost of electricity to each of Backbone's facilities is calculated using two key components: (i) a onetime monthly capacity charge based on the maximum capacity of such facility during the month (measured in kW), and (ii) an hourly charge of actual consumption (measure in kWh). The two tariff classes applicable to Backbone's pre-existing operations at the Current Facilities and Additional Server Farms are the M tariff and the LG tariff. M tariff applies to an annual contract if the maximum power demand is at least 50 kW and has a capacity charge of CAD\$14.58 per kW of billing demand, plus a variable component of CAD 5.03¢ per kWh for the first 210,000 kWh, and CAD3.73¢ per kWh for the remaining consumption. LG tariff applies to an annual contract whose minimum billing demand is 5,000 kW or more and has capacity charge of CAD\$13.26 per kW of billing demand, plus a single variable component of CAD3.46¢ per kWh. When averaged over all of the Company's operations and adjustments such as the Preferential Rate at the Farnham and Cowansville server farms are applied, the average rate per kWh paid by the Company was USD\$0.04 per kWh as of the date of the AIF.

On June 14, 2018, Hydro-Québec requested the Régie to set rates and service conditions specifically for enterprises involved in cryptocurrency mining as a result of increased electricity demand from cryptocurrency miners. The Company is currently participating in these regulatory proceedings as an intervenor. On July 13, 2018, the Régie provisionally ordered that a new tariff be established for cryptocurrency miners and, on July 19, 2018, the Régie approved a provisional tariff of CAD\$0.15/kWh on cryptocurrency mining facilities built after that date. The provisional tariff constituted the first phase ("**Phase 1**") of three phases of the Régie's regulatory proceedings on establishing a framework for the provision of electricity for cryptocurrency mining in Québec. Hydro-Québec supplies electrical power directly to certain of the Company's facilities and the Saint-Jean-Sur-Richelieu server farm (one of the Additional Server Farms) under the obligation to serve power delivery regime. Hydro-Québec supplies electrical power directly to the Municipal Networks for the Magog server farm and the Sherbrooke Expansion, and the rates under the applicable long-term power contracts between Backbone and the Municipal Contracts are adjusted in response to tariff changes imposed by the Régie. Under Phase 1, the new tariff cannot be applied to any cryptocurrency contracts entered into prior to June 7, 2018 or facilities constructed prior to July 19, 2018. Therefore, Phase 1 has not had an impact on Backbone's operations.

On April 29, 2019, the Régie rendered its decision on the second phase (“**Phase 2**”) of the request filed by Hydro-Québec. The Régie decided to create a new class of energy consumers called *Electricity consumer class for cryptographic use applied to blockchain*. It decided to allocate to this new class an aggregate supply of 300 megawatts of electricity, with the requirement to curtail electricity use during peak hours at Hydro-Québec’s request (up to a maximum of 300 hours a year). Cryptocurrency mining projects will be required to submit tenders to consume electricity from the 300 megawatts block based exclusively on economic development and environmental criteria. The Régie rejected Hydro-Québec’s proposal to launch a tariff auction as part of the call for tenders and determined that the applicable tariff of the energy component, in ¢/kWh, will correspond to the M or LG tariff in force, as the case may be.

In order for the Company to be able to procure electricity for future Quebec expansion projects (excluding those currently planned by the Company such as the Additional Server Farms), it would have been required to participate to the call for tenders process. However, the Régie’s decision also means that all the Company’s pre-existing operations will remain subject to the M or LG tariff in force, as the case may be, and they are exempt from the tender process as well as the provisional tariff of CAD\$0.15/kWh which had been requested by Hydro-Québec. The provisional tariff applies to energy consumption not authorized under cryptocurrency contracts, to those cryptocurrency contracts entered into after June 7, 2018 and to any substitution of use or any increase of capacity for crypto miners not already under authorized cryptocurrency contracts.

On January 28, 2021, the Régie rendered its decision on the third phase (“**Phase 3**”) of the request filed by Hydro-Québec. The Régie decided that the existing subscriptions on the Hydro-Québec network will be subject to non-firm service, starting in Winter 2021-2022. The non-firm service will apply for a maximum of 300 hours/year, without any monetary compensation. In considering the financial consequences of this conclusion the Régie requested that Hydro-Québec implement the non-firm service for existing clients during a three-year period through progressive implementation. The Régie did not provide any guidance to Hydro-Québec on how to proceed. The Régie provided the following reasons to justify this conclusion:

- o Existing clients, such as Bitfarms Canada, have already executed agreements with municipal electricity networks with non-firm service (without financial compensation) for at least 300 hours per year;
- o New clients entering the market through the call for tenders process will be subject to non-firm service, without financial compensation. The treatment of those new clients must be fair and equitable with existing clients; and
- o Load shedding for 300 hours represents only 3.4% of the 8,760 hours in a year. The Régie does not consider this request unreasonable considering the risks that cryptocurrency clients represent for Hydro-Québec.

In accordance with the Phase 3 decision, it is presently anticipated that Bitfarms Canada’s operations will continue on a non-firm service basis for at least 300 hours per year, which will be phased in over three years. Bitfarms Canada has undertaken a challenge to the Phase 3 decision through an administrative review process. See “*Risk Factors - Economic Dependence on Regulated Terms of Service and Electricity Rates Risks*”.

## Employees

As of the date of this AIF, Bitfarms has 73 employees. The following table sets out the employees by department:

| Department                                                         | Number of Employees |
|--------------------------------------------------------------------|---------------------|
| IT & Infrastructure                                                | 3                   |
| Operations - Site & Project Managers                               | 6                   |
| Operations - Technicians                                           | 23                  |
| Business Development, Finance, Administration and Public Relations | 11                  |
| Sub-Total                                                          | 43                  |
| Volta                                                              | 30                  |
| <b>Total</b>                                                       | <b>73</b>           |

## Environmental Policies

The Company's Current Facilities uses renewable, clean energy provided by Hydro-Québec, Hydro-Sherbrooke and Hydro-Magog. To the best of the Company's knowledge, the Company will not incur significant costs or investments in order to comply with provisions relating to environmental protection, besides maintaining the procedures currently applied by it and, the sound reduction charges currently underway in Sherbrooke.

## Bankruptcy Proceedings

There have been no bankruptcies, receiverships, or similar proceedings against Bitfarms Canada, Bitfarms Israel or Backbone or their respective subsidiaries, whether voluntary or otherwise, since incorporation and, to the knowledge of management, there are no such contingent or threatened proceedings.

## RISK FACTORS

An investment in Bitfarms Canada Shares should be considered highly speculative due to the nature of Bitfarms Canada's business and the present stage of development. Where applicable, references in this section to Bitfarms Canada include Backbone and vice versa. An investment in Bitfarms Canada Shares should only be made by knowledgeable and sophisticated investors who are willing to risk and can afford the loss of their entire investment. Potential investors should consult with their professional advisors to assess an investment in Bitfarms Canada. In evaluating Bitfarms Canada and its business, investors should carefully consider, in addition to other information contained in this AIF, the risk factors below. These risk factors are not a definitive list of all risk factors associated with an investment in Bitfarms Canada or in connection with its operations.

The following are certain factors relating to Bitfarms Canada's business which prospective investors should carefully consider before deciding whether to purchase Bitfarms Canada Shares in authorized capital. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this AIF. These risks and uncertainties are not the only ones Bitfarms Canada is facing. Additional risk and uncertainties not presently known to Bitfarms Canada, or that Bitfarms Canada currently deems immaterial, may also impair operations. If any such risks actually occur, the business, financial condition, liquidity and results of operations could be materially adversely affected.

### *Limited Operating History*

The Company has only a limited operating history upon which an evaluation of the Company and its prospects can be based. In particular, the Company has a limited history with its mining operations and remains in the early stage of development. The Company is subject to many risks common to venture enterprises, including under-capitalization, cash shortages, commercially unattractive costs of capital and financing arrangements, limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment or meeting other metrics of success.

The Company is dependent on retained earnings for substantially all of its working capital needs, and there is no assurance that additional funding will be available to it for further development and growth. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable.

The Company incurs substantial expenses in the establishment and operation of its business. A significant portion of the Company's financial resources have been and will continue to be, directed to the development of its business and related activities. The success of the Company will ultimately depend on its ability to generate cash from its business. There is no assurance that the required funds will be available for future expansion of the Company's business. If the Company does not have access to the required funds to continue the operation and development of its business and operational activities, and to the extent that it does not generate cash flow and income, the Company's long-term viability may be materially and adversely affected.

#### *Future Capital Needs, Uncertainty of Additional Financing and Dilution*

The ability of the Company to secure any required financing to sustain operations and expansion plans will depend on part upon prevailing capital market conditions and business success. There can be no assurance that the Company will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to management.

The Company currently anticipates that the internally generated funds will be sufficient for working capital requirements. However, the Company will need to raise additional funds in order to support more rapid expansion, develop new or enhanced services and products, respond to competitive pressures, acquire complementary businesses or technologies or take advantage of unanticipated opportunities. The Company may be required to raise additional funds through public or private financing, strategic relationships or other arrangements. There can be no assurance that such additional funding, if needed, will be available on terms attractive to the Company, or at all. Even if such funding is available, the Company cannot predict the size or price of future issues of Bitfarms Canada Shares or securities convertible into Bitfarms Canada Shares, nor can the Company predict the cost or effect, if any, that future issues and sales of the Bitfarms Canada Shares will have on the price of the Bitfarms Canada Shares.

Furthermore, any additional equity financing may be dilutive to shareholders and debt financing, if available, may involve restrictive covenants. If additional funds are raised through the issuance of equity securities, the percentage ownership of the shareholders of the Company will be reduced, shareholders may experience additional dilution in net book value per share, or such equity securities may have rights, preferences or privileges senior to those of the holders of the common shares. If adequate funds are not available on acceptable terms the Company may be unable to develop or enhance its business, take advantage of future opportunity or respond to competitive pressures, any of which could have a material adverse effect on the Company's business, financial condition and operating results.

#### *Share Price Fluctuations*

In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development stage companies (such as the Company), have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continued fluctuations in price will not occur.

#### *Management of Growth*

The Company has recently experienced, and may continue to experience, rapid growth in the scope of its operations. This growth has resulted in increased responsibilities for the Company's existing personnel, the hiring of additional personnel and, in general, higher levels of operating expenses. In order to manage its current operations and any future growth effectively, the Company will need to continue to implement and improve its operational, internal controls, financial, and management information systems, as well as hire, manage and retain its employees and maintain its corporate culture including technical and customer service standards. There can be no assurance that the Company will be able to manage such growth effectively or that its management, personnel or systems will be adequate to support the Company's operations.

### *Bitfarms Canada's Cryptocurrency Inventory may be exposed to Cybersecurity Threats and Hacking*

Malicious actors may seek to exploit vulnerabilities within cryptocurrency programming codes. Several errors and defects have been found and corrected, including those that disabled some functionality for users and exposed users' information. Discovery of flaws in or exploitations of the source code that allow malicious actors to take or create money occur somewhat regularly. For example, hackers have been able to gain unauthorized access to digital wallets and cryptocurrency exchanges.

The computer network operated by Bitfarms Canada may further be vulnerable to intrusions by hackers who could interfere with and introduce defects to the mining operation. Private keys which enable holders to transfer funds may also be lost or stolen, resulting in irreversible losses of cryptocurrencies.

### *Possibility of Less Frequent or Cessation of Monetization of Cryptocurrencies*

In early January 2021, the Company announced that it had implemented a pilot program pursuant to which the Company would begin retaining some of the Bitcoin it mines. As of March 8, 2021, the Company had retained approximately 350 Bitcoin. While the Company has implemented internal controls and custody arrangements to minimize the risk of loss or theft, ceasing immediate monetization of cryptocurrencies or to monetizing cryptocurrencies less frequently can increase the risk of cryptocurrencies held decreasing in value and the risk of loss or theft of cryptocurrencies. This in turn, may increase the level of audit risk for the Company's auditors in the area of auditing the existence and ownership rights of crypto-asset holdings. If the Company's auditors deem the audit risk too high, there is risk that the current auditors would withdraw from the audit which, in turn, would increase the risk of the Company's ability to comply with the requirement for reporting annual audited financial statements as part of its ongoing continuous disclosure requirements as a publicly listed company.

### *Limited History of De-Centralized Financial System*

Compared with traditional and existing centralized financial systems, the cryptocurrency financial system is relatively new and has only limited history. Online cryptocurrency exchanges and trades therein operate with comparatively little regulation and are particularly liable to platform failures and fraudulent activities, which may have an effect on underlying prices of cryptocurrencies. In fact, many of the largest online cryptocurrency exchanges have been compromised by hackers.

Traditional banks and banking services may limit or refuse the provision of banking services to businesses that supply cryptographic or cryptocurrencies as payment and may refuse to accept money derived from cryptocurrency-related businesses. This may make management of bank accounts held by companies operating in the field difficult.

### *Risk related to technological obsolescence and difficulty in obtaining hardware*

To remain competitive, Bitfarms Canada will continue to monitor the state of the technology available and invest in hardware and equipment required for maintaining Bitfarms Canada's operations. Bitfarms Canada's hardware and software may become obsolete and require substantial capital to replace. There can be no assurance that mining hardware will be readily available when the need is identified.

Moreover, there can be no assurance that new and unforeseeable technology, either hardware-based or software-based, will not disrupt the existing cryptocurrency industry. For example, the arrival of quantum computers, which are capable of solving certain types of mathematical problems fundamental to cryptocurrency more quickly and efficiently than traditional computers may have a significant effect on the cryptocurrency industry.

### *Valuation and Price Volatility of Cryptocurrencies*

The profitability of the Company's operations will be significantly affected by changes in prices of cryptocurrencies. Cryptocurrency prices are highly volatile, can fluctuate substantially and are affected by numerous factors beyond the Company's control, including hacking, demand, inflation and expectations with respect to the rate of inflation, global or regional political or economic events. If cryptocurrency prices should decline and remain at low market levels for a sustained period while network difficulty does not decrease proportionally, the Company could determine that it is not economically feasible to continue activities.

Cryptocurrencies may be subject to momentum pricing, which is typically associated with growth stocks and other assets whose valuation, as determined by the investing public, accounts for anticipated future appreciation in value. Cryptocurrency market prices are determined primarily using data from various exchanges, over-the-counter markets, and derivative platforms. Momentum pricing may have resulted, and may continue to result, in speculation regarding future appreciation in the value of cryptocurrencies, inflating and making their market prices more volatile. As a result, they may be more likely to fluctuate in value due to changing investor confidence in future appreciation (or depreciation) in their market prices, which could adversely affect the value proposition of Bitfarms Canada.

Volatility may have an impact on the value of Backbone's inventory of currencies. Backbone will act to reduce this risk by combining daily sales of cryptographic currencies and converting part of the balance of the excess Backbone profits into U.S. dollars, Canadian dollars, and/or other investment assets, and a number of cryptocurrencies that will ensure coverage of current operating expenses (Opex) and capital expenditures (Capex) in order to hedge the risk of volatility with regard to Backbone expenses.

### *Bitcoin Halving Events*

In May 2020, the Bitcoin Block Reward decreased from 12.5 to 6.25 Bitcoins per block (the **"Bitcoin Halving"**), and consequently the number of new Bitcoin issued to miners has been reduced to approximately 900 per day, excluding transaction fees.

The Bitcoin Halving had a significant impact on the Company's profitability. Given that profitability is required for self-acting agents to perform Mining to continue to support the validation of transactions, the expected impact of the Bitcoin Halving is that market variables of Bitcoin price will adjust over time to ensure that Mining remains profitable. The period of market normalization after the Bitcoin Halving to incentivizing profitability levels is unknown.

Management believes that revenue per Terahash will continue to normalize to levels that would allow Miners with competitive electricity pricing, sufficient scale of efficient Mining operations, recent generation Mining hardware and access to capital to remain profitable. Management has actively responded by reaching an agreement with Dominion to amend loan terms to provide additional time to generate incremental cash flow from operations and provide the opportunity to convert from debt to equity. In addition, Management has secured lease financing of new, more efficient mining hardware to grow operations and is continuing to seek further financing to fill available capacity. If Bitcoin price and difficulty do not maintain or continue their trend of adjusting to pre-Bitcoin Halving profitability levels over time, or the period of market normalization after the Bitcoin Halving to pre-Bitcoin Halving profitability levels is too long, there is a risk that the Bitcoin Halving will render the Company unprofitable for a sustained time period such that it could be unable to continue as a going concern. The next Bitcoin Halving is expected to occur on or around May 2024.

### *Cryptocurrency Network Difficulty and Impact of Increased Global Computing Power*

Network difficulty is a measure of how difficult it is to solve the cryptographic hash that is required to validate a block of transactions and earn a cryptocurrency reward from Mining. If the network difficulty increased at a significantly higher rate than the Company's hashrate and the price of cryptocurrency did not increase at the same rate as network difficulty, then the profitability of the Company's operations would be significantly affected. There can be no assurance that cryptocurrency prices will increase in proportion to the rate of increase of network difficulty as network difficulty is subject to volatility in growth.

The Company's operations are dependent on its ability to maintain reliable and economical sources of power to run its cryptocurrency mining assets. The Company conducts Mining in the Province of Québec. As a result of operations in a single jurisdiction, the Company's current and future operations, anticipated growth, and sustainability of hydroelectricity at economical prices for the purposes of cryptocurrency mining in the Province of Québec poses certain risks. These risks as well as the supply of electrical power, electricity rates, terms of service and regulatory regime in the Province of Québec are described in "DESCRIPTION OF BUSINESS –Supply of Electrical Power, Electricity Rates, Terms of Service and the Régie de l'Énergie". These risks may be summarized as follows:

- Currently Backbone sources its energy from Hydro-Québec, Hydro-Sherbrooke and Hydro-Magog. The Province of Québec mandates electrical service providers to supply their customers under an obligation to serve power delivery regime; consequently, the Company believes these power suppliers are reliable. Any suspension of power or failure of electrical networks, however, could result in a material adverse effect on the Company.
- The price of electricity supplied directly by Hydro-Québec is set by a provincial administrative tribunal, the Régie. Hydro-Québec supplies power to certain of the Company's facilities, and to the Municipal Electrical Networks for the Magog and Sherbrooke server farms, under an obligation to serve power delivery regime. The rates imposed on Hydro-Québec by the Régie are subject to change. There are no long-term arrangements. Although power is supplied by the Municipal Networks to the Company under the long-term power contracts, the rates in those contracts are adjusted in response to tariff changes imposed by the Régie. Accordingly, there is no assurance that future electricity rates will remain stable or economical. Accordingly, there is no assurance that future electricity rates will remain stable or economical. In particular, on June 14, 2018, Hydro-Québec requested the Régie to set rates and service conditions specifically for enterprises involved in cryptocurrency mining as a result of increased electricity demand from cryptocurrency miners. The Régie has undertaken regulatory proceedings to establish a framework for the provision of electricity for cryptocurrency mining in Québec in three Phases:

Phase 1: On July 13, 2018, the Régie provisionally ordered that a new tariff be established for cryptocurrency miners and on July 19, 2018, the Régie approved a provisional tariff of CAD\$0.15/kWh on cryptocurrency mining facilities built after that date. Under Phase 1, the new tariff cannot be applied to any cryptocurrency contracts entered into prior to June 7, 2018 or facilities constructed prior to July 19, 2018. Therefore, Phase 1 is not expected to have an impact on Backbone's pre-existing operations and secures existing rates until the completion of Phase 3.

Phase 2: On April 29, 2019, the Régie rendered its decision on Phase 2 of the request filed by Hydro-Québec. The Régie decided to create a new class of energy consumers called *Electricity consumer class for cryptographic use applied to blockchain*. It decided to allocate to this new class an aggregate supply of 300 megawatts of electricity, with the requirement to curtail electricity use during peak hours at Hydro-Québec's request (up to a maximum of 300 hours a year). Cryptocurrency mining projects will be required to submit tenders to consume electricity from the 300 megawatts block based exclusively on economic development and environmental criteria. The Régie rejected Hydro-Québec's proposal to launch a tariff auction as part of the call for tenders and determined that the applicable tariff of the energy component, in ¢/kWh, will correspond to the M or LG tariff in force, as the case may be. In order for the Company to be able to procure electricity for future Quebec expansion projects (excluding those currently planned by the Company such as the Additional Server Farms), it will be required to participate to the call for tenders process which is expected to launch shortly by Hydro-Québec. However, the Régie's decision also means that the Company's pre-existing operations at the Current Facilities and Additional Server Farms will remain subject to the M or LG tariff in force, as the case may be, and they are exempt from the tender process as well as the provisional tariff of CAD\$0.15/kWh which had been requested by Hydro-Québec. The provisional tariff will apply to energy consumption not authorized under cryptocurrency contracts, to those cryptocurrency contracts entered into after June 7, 2018 and to any substitution of use or any increase of capacity for crypto miners not already under authorized cryptocurrency contracts. The decision of the Régie does impose the potential requirement to curtail electricity use (of up to 95%) during peak hours at Hydro-Québec's request (up to a maximum of 300 hours a year) under all cryptocurrency contracts including those at our pre-existing operations at the Current Facilities and Additional Server Farms. A shut down of 95% of operations for the maximum of 300 hours could result in a revenue decrease of approximately 3.3%.



Phase 3: On January 28, 2021, the Régie rendered a procedural decision on the various On January 28, 2021, the Régie rendered its decision on Phase 3 of the request filed by Hydro-Québec. The Régie decided that the existing subscriptions on the Hydro-Québec network will be subject to non-firm service, starting in Winter 2021-2022. The non-firm service will apply for a maximum of 300 hours/year, without any monetary compensation. In considering the financial consequences of this conclusion the Régie requested that Hydro-Québec implement the non-firm service for existing clients during a three-year period through progressive implementation. The Régie did not provide any guidance to Hydro-Québec on how to proceed. The Régie provided the following reasons to justify this conclusion:

- (a) existing clients, such as Bitfarms Canada, have already executed agreements with municipal electricity networks with non-firm service (without financial compensation) for at least 300 hours per year;
- (b) new clients entering the market through the call for tenders process will be subject to non-firm service, without financial compensation. The treatment of those new clients must be fair and equitable with existing clients; and
- (c) load shedding for 300 hours represents only 3.4% of the 8760 hours in a year. The Régie does not consider this request unreasonable considering the risks that cryptocurrency clients represent for Hydro-Québec.

In accordance with the Phase 3 decision, it is presently anticipated that Bitfarms Canada's operations will continue on a non-firm service basis for at least 300 hours per year. Bitfarms Canada has undertaken a challenge to the Phase 3 decision through an administrative review process.

- Electricity supplied by Hydro-Québec and the Municipal Electrical Networks may be set at Preferential Rates in an effort to encourage investment and development in particular regions. Hydro-Québec and Municipal Electrical Networks may offer a discretionary Preferential Rate to certain customers, such rate being lower than the rate set by the Régie, notwithstanding that the Hydro-Québec and the Municipal Electric Networks may suffer a financial loss on the supply of electricity to those customers. If a Preferential Rate is changed or no longer available to Backbone, the Company's operations and profitability may experience a material adverse effect. In addition, although power is supplied by the Municipal Networks to Backbone under the long-term power contracts, the rates in those contracts are adjusted in response to tariff changes imposed by the Régie.

#### *Future Profits/Losses and Production Revenues/Expenses*

Further development and acquisitions of server farms and the ongoing operation of the existing Mining farms will require additional capital and monthly expenses. Backbone's operating expenses and capital expenditures may increase in subsequent years as needed consultants, personnel and equipment associated with the maintenance of the Mining farms and any other Mining farms the Company may acquire are added. There is no assurance that the Company will be successful in obtaining the required financing for these or other purposes, including for general working capital.

The amount and timing of expenditures will depend on the progress of ongoing development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, and other factors, many of which are beyond the Company's control. The Company's management tested and studied the cryptocurrency marketplace before developing its financial projections. The Company's forecasts are built upon data available on the profitability of cryptocurrency, a new and unstable field. Despite the Company's confidence in achieving its projections, it may fail to meet the performance forecasts set out in this AIF.

*Cryptocurrency exchanges and other trading venues are relatively new and, in most cases, largely unregulated and may therefore be more exposed to fraud and failure*

To the extent that cryptocurrency exchanges or other trading venues are involved in fraud or experience security failures or other operational issues, this could result in a reduction in cryptocurrency prices.

Cryptocurrency market prices depend, directly or indirectly, on the prices set on exchanges and other trading venues, which are new and, in most cases, largely unregulated as compared to established, regulated exchanges for securities, derivatives and other currencies. In the past four years, a number of cryptocurrency exchanges have been closed due to fraud, business failure or security breaches. In many of these instances, the customers of the closed exchanges were not compensated or made whole for the partial or complete losses of their account balances in such exchanges. While smaller exchanges are less likely to have the infrastructure and capitalization that provide larger exchanges with additional stability, larger exchanges may be more likely to be appealing targets for hackers and "malware" (i.e., software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems) and may be more likely to be targets of regulatory enforcement action.

#### *Discretion Regarding Use by Company of Available Funds*

The Company's management will have discretion in the application of available funds. The Company may elect to allocate available funds differently than as described herein if the Company believes it would be in the Company's best interests to do so. The failure by the Company's management to apply these funds effectively could have a material adverse effect on the Company, its business or its financial performance. The Company will not pay cash dividends in the foreseeable future, as any earnings are expected to be retained for use in developing and expanding operations. The actual amount of any future dividends, if any, received from the Company will remain subject to the discretion of the board of directors and will depend on results of operations, cash requirements and future prospects of the Company.

#### *Political and Regulatory Risk*

The Company's primary properties will be located in Québec and will be subject to changes in political conditions and regulations within the Province of Québec and in Canada. Changes, if any, in Mining or investment policies or shifts in political attitude could adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on price controls, currency remittance, income taxes, foreign investment, maintenance of claims, environmental legislation, land use, electricity use and safety. For example, cryptocurrency mining involves considerable computing power, which is likely to increase. This computing power necessitates a high consumption of energy. Although the energy costs used by Backbone are determined and controlled by a regulator, there is no certainty that this factor will not raise energy tariffs, which may reduce the profitability of mining cryptographic currencies.

On-going and future regulatory changes or actions may alter the nature of an investment in the Company or restrict the use of cryptocurrencies in a manner that adversely affects the Company's operations. The effect of any future regulatory change on the Company or any cryptocurrency that the Company may mine is impossible to predict, but such change could be substantial and adverse to the Company. Canada may in the future curtail or outlaw, the acquisition, use or redemption of cryptocurrencies.

Governments may also take regulatory action that may increase the cost and/or subject cryptocurrency companies to additional regulation or prohibit or severely restrict the right to acquire, own, hold, sell, use or trade cryptocurrencies or to exchange cryptocurrencies for fiat currency. By extension, similar actions by other governments, may result in the restriction of the acquisition, ownership, holding, selling, use or trading in the Company's common shares. Such a restriction could result in the Company liquidating its cryptocurrency inventory at unfavorable prices and may adversely affect the Company's shareholders.

The Company's material property will be located in the province of Québec and as such are subject to the jurisdiction of the laws of Québec and Canada. The Company believes the present attitude to foreign investment and to the mining industry is favourable, but conditions may change. Operations may be affected in varying degrees by government regulation with respect to restrictions on production, price controls, export controls, foreign exchange controls, income taxes, and environmental legislation.

#### *Permits and Licences*

The operations of the Company may require licences and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licences and permits that may be required.

#### *Server Failures*

There is a risk of serious malfunctions in servers or central processing units and/or their collapse. Backbone works diligently to reduce this risk by employing a team of experts with many years of experience in building and managing data centers. Backbone also employs a "hardware" team, which focuses, among other things, on chip repair and daily evaluation of the technical condition of the server farms that Backbone operates. Backbone owns software (developed by its management) that enables, among other things, control, management and reporting of malfunctions in real time, which enables ongoing control over the operation of the equipment, including its cooling. While malfunctions in central servers, or central processing units can only occur on a specific server farm or part of it or for short periods of time, such server crashes or failures may cause significant economic damage to the Company.

#### *Global Financial Conditions*

Global financial conditions over the last few years have been characterized by volatility and the bankruptcy of several financial institutions or the rescue thereof by governmental authorities. These factors may affect the ability of the Company to obtain equity or debt financing in the future on terms favourable to it. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such levels of volatility and market turmoil continue, the operations of the Company may suffer adverse impact and the price of the Common Shares may be adversely affected.

#### *Tax Consequences*

The transactions described herein may have tax consequences in Canada or another jurisdiction, depending on each particular existing or prospective shareholder's specific circumstances. Such tax consequences are not described herein, and this AIF is not intended to be, nor should it be construed to be, legal or tax advice to any particular shareholder. Existing and prospective shareholders should consult their own tax advisors with respect to any such tax considerations.

#### *Environmental Regulations*

All of the Company's operations will be subject to environmental regulations, which can make operations expensive or prohibitive. The continued evolution of environmental regulations may lead to the imposition of stricter standards, more diligent enforcement, and heavier fines and penalties for non-compliance. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations or cause delays in the development of mining projects.

### *Environmental Liability*

The Company may be subject to potential risks and liabilities associated with pollution of the environment through its use of electricity to Mine cryptocurrencies. In addition, environmental hazards may exist on a property in which the Company directly or indirectly holds an interest which are unknown to the Company at present which have been caused by previous or existing owners or operators of the property which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties.

To the extent the Company is subject to environmental liabilities, the payment of such liabilities or the costs that it may incur to remedy environmental pollution would reduce funds otherwise available to it and could have a material adverse effect on the Company. If the Company is unable to fully remedy an environmental problem, it might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy. The potential exposure may be significant and could have a material adverse effect on the Company.

The current or future operations of the Company, including development activities and Mining on its properties, may require permits from various federal, provincial or territorial and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, exports, taxes, labour standards, occupational health, and other matters. There can be no assurance, however, that all permits which the Company may require for its operations will be obtained on reasonable terms, on a timely basis, or at all or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake.

The Company intends to fully comply with all environmental regulations in every country in which it is active.

### *Erroneous Transactions and Human Error*

Cryptocurrency transactions are irreversible. Improper or compromised transfers will generally be irreversible and irrevocable. Such errors may be the result of computer or human error despite internal controls the Company has adopted to mitigate this risk. To the extent that the Company is unable to seek a corrective transaction with the third party or is incapable of identifying the third party that has received the Company's cryptocurrencies through error or theft, the Company will be unable to revert or otherwise recover incorrectly transferred cryptocurrencies. The Company will also be unable to convert or recover cryptocurrencies transferred to uncontrolled accounts.

The further development and acceptance of the cryptographic and algorithmic protocols governing the issuance of and transactions in cryptocurrencies is subject to a variety of factors that are difficult to evaluate.

The use of cryptocurrencies to, among other things, buy and sell goods and services and complete other transactions, is part of a new and rapidly evolving industry that employs digital assets based upon a computer-generated mathematical and/or cryptographic protocol. The growth of this industry in general, and the use of cryptocurrencies in particular, is subject to a high degree of uncertainty, and the slowing or stopping of the development or acceptance of developing protocols may adversely affect Bitfarms Canada's operations. The factors affecting the further development of the industry, include, but are not limited to:

- Continued worldwide growth in the adoption and use of cryptocurrencies;
- Governmental and quasi-governmental regulation of cryptocurrencies and their use, or restrictions on or regulation of access to and operation of the network or similar cryptocurrency systems;
- Changes in consumer demographics and public tastes and preferences;
- The maintenance and development of the open-source software protocol of the network;
- The availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- General economic conditions and the regulatory environment relating to digital assets; and
- Negative consumer sentiment and perception of Bitcoin specifically and cryptocurrencies generally.

### *Facility Developments*

The continued development of existing and planned facilities is subject to various factors and may be delayed or adversely affected by such factors beyond the Company's control, including delays in the delivery or installation of equipment by suppliers, difficulties in integrating new equipment into existing infrastructure, shortages in materials or labour, defects in design or construction, diversion of management resources, insufficient funding, or other resource constraints. Actual costs for development may exceed the Company's planned budget. Delays, cost overruns, changes in market circumstances and other factors may result in different outcomes than those intended.

### *Risks of Non-Availability of Insurance*

Where considered practical to do so, the Company will maintain insurance against risks in the operation of its business and in amounts that it believes to be reasonable. Such insurance, however, will contain exclusions and limitations on coverage. There can be no assurance that such insurance will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any resulting liability. The novelty of the industry may impair the ability of the Company to acquire adequate insurance coverage for risks associated with its operations. The occurrence of an event that is not covered, in full or in part, by insurance may cause substantial economic damage to the Company. In some cases, such as with respect to environmental risks, coverage is not available or considered too expensive relative to the perceived risk.

### *Competition*

The Company's business is intensely competitive, and the Company will compete with other mining companies, many of which have greater resources and experience. A fundamental property of mining associated with many cryptocurrencies is that the computational complexity of the mining algorithm increases over time. This factor along with new industry entrants and price volatility may make certain cryptocurrencies relatively unprofitable to mine compared to others.

Regulation of cryptocurrency outside of Canada has led some mining companies to consider Canada as a jurisdiction in which to operate. This may increase competition to Backbone; however, the Company believes that only a few competitors exist that can compete with the speed and cost effectiveness of Backbone's current operations and buildout capabilities. Nevertheless, the Company's assumptions with respect to its competitors could be inaccurate and the Company may face unexpected competition in the form of a new entrant in the marketplace. Such competition could erode the Company's expected market share and could adversely impact the Company's profitability. Increased competition could result in increased network computing resources and consequently increased hash difficulty.

If the award of coins for solving blocks and transaction fees are not sufficiently high, miners may not have an adequate incentive to continue Mining and may cease their Mining operations.

As the number of coins awarded for solving a block in the blockchain decreases, the incentive for miners to continue to contribute processing power to the network may transition from a set reward to transaction fees. Either the requirement from miners of higher transaction fees in exchange for recording transactions in the blockchain, or a software upgrade that automatically charges fees for all transactions, may decrease demand for the relevant coins and prevent the expansion of the network to retail merchants and commercial businesses, resulting in a reduction in the price of the relevant cryptocurrency that could adversely impact the Company's cryptocurrency inventory and investments.

In order to incentivize miners to continue to contribute processing power to the network, the network may either formally or informally transition from a set reward to transaction fees earned upon solving for a block. This transition could be accomplished either by miners independently electing to record on the blockchains they solve only those transactions that include payment of a transaction fee or by the network adopting software upgrades that require the payment of a minimum transaction fee for all transactions. If transaction fees paid for the recording of transactions in the blockchain become too high, the marketplace may be reluctant to accept the network as a means of payment and existing users may be motivated to switch between cryptocurrencies or back to fiat currency. Decreased use and demand for coins may adversely affect their value and result in a reduction in the market price of coins.

If the award of coins for solving blocks and transaction fees for recording transactions are not sufficiently high to incentivize miners, miners may cease expending processing power to solve blocks and confirmations of transactions on the blockchain could be slowed temporarily. A reduction in the processing power expended by miners could increase the likelihood of a malicious actor or botnet obtaining control in excess of 50 percent of the processing power active on the blockchain, potentially permitting such actor or botnet to manipulate the blockchain in a manner that adversely affects the Company's mining activities.

If the award of coins for solving blocks and transaction fees are not sufficiently high, miners may not have an adequate incentive to continue Mining and may cease their Mining operations. Miners ceasing operations would reduce collective processing power, which would adversely affect the confirmation process for transactions (i.e., decreasing the speed at which blocks are added to the blockchain until the next scheduled adjustment in difficulty for blockchain solutions) and make the network more vulnerable to a malicious actor or botnet obtaining control in excess of 50 percent of the processing power. Any reduction in confidence in the confirmation process or processing power of the network may adversely impact the Company's Mining activities, inventory of coins, and future investment strategies.

#### *Loss of Key Employees*

The Company will depend on a number of key employees, the loss of any one of whom could have an adverse effect on the Company. The Company will not have and is not expected to purchase key person insurance on such individuals, which insurance would provide the Company with insurance proceeds in the event of their death. Without key person insurance, the Company may not have the financial resources to develop or maintain its business until it replaces the individual. The development of the business of the Company will be dependent on its ability to attract and retain highly qualified management and mining personnel. The Company will face competition for personnel from other employers. If the Company is unable to attract or retain qualified personnel as required, it may not be able to adequately manage and implement its business plan.

#### *Credit risk*

Credit risk is the risk of an unexpected loss if a party to its financial instruments fails to meet its contractual obligations. The Company's financial assets exposed to credit risk will be primarily composed of cash and amounts receivable. While the Company will attempt to mitigate its exposure to credit risk, there can be no assurance that unexpected losses will not occur. Such unexpected losses could adversely affect the Company.

#### *Acceptance and/or widespread use of cryptocurrency is uncertain*

Currently, cryptocurrencies are used relatively rarely in the retail and commercial marketplaces in comparison to purchases of overall cryptocurrencies worldwide. Cryptocurrency payment methods have not been widely adopted as a means of a payment for goods and services by major retail and commercial outlets. A significant portion of cryptocurrency demand may be attributable to speculation.

The failure of retail and commercial marketplaces to adopt cryptocurrency payment methods may result in increased volatility and/or a reduction in market prices, either of which may adversely impact the Company's operations and profitability.

#### *Interest rate risk*

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has not entered into any derivative contracts to manage this risk.

The Company will be exposed to interest rate changes on its investments that are expected to pay interest, and any credit facilities it may have that bear interest at a floating rate. Changes in the prime lending rate would affect earnings and could adversely affect the Company's profitability.

### *Currency Exchange Risk*

The Company is exposed to fluctuations in currency exchange rates, which could negatively affect our financial condition and results of operations. In particular, 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 are incurred principally in Canadian dollars. The appreciation of non-U.S. dollar currencies against the U.S. dollar could increase the cost of Mining in U.S. dollar terms. In addition, the Company holds cash balances in both U.S. dollars and Canadian dollars the values of which are impacted by fluctuations in currency exchange rates.

### *Controlling Shareholder Risk*

Promoters of the Company beneficially own 23,031,478 of the issued and outstanding Bitfarms Canada Shares representing approximately 16.72% of the issued and outstanding Bitfarms Canada Shares. See "*PROMOTERS*". By virtue of their status as the principal shareholders of the Company, and by being directors and officers of the Company, the Promoters have the power to exercise significant influence over all matters requiring shareholder approval, including the election of directors, amendments to the Company's articles and by-laws, mergers, business combinations and the sale of substantially all of the Company's assets. As a result, the Company could be prevented from entering into transactions that could be beneficial to the Company or its other shareholders. Also, third parties could be discouraged from making a take-over bid. As well, sales by the Promoters of a substantial number of Bitfarms Canada Shares could cause the market price of the Bitfarms Canada Shares to decline.

### *COVID-19 Pandemic Risk*

In March 2020, the World Health Organization declared COVID-19 a pandemic. The global response to the pandemic is constantly evolving, including various measures implemented at the global, national, provincial and local levels. The major impacts that COVID-19 are expected to have on the Backbone operating segment include potential increases in cryptocurrency price volatility, difficulty obtaining new financing due to a global economic slowdown, and delays in receiving future orders of mining hardware and parts sourced from overseas. The Backbone operating segment has been, and is expected to, continue operating throughout the pandemic.

Volta's services are considered to be essential by government authorities and have been, and are expected to continue, operating throughout the pandemic. The impacts of COVID-19 on the Volta operating segment have reduced revenues by \$0.6 million or 25% from the sale of electrician services and parts for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, as well as having resulted in longer collection periods for outstanding trade receivables. There is a potential for increased bad debts resulting from the economic impact of COVID-19 on existing customers. The Company has benefited from the Canada Emergency Wage Subsidy ("*CEWS*") in the amount of approximately \$625 and will continue to monitor its eligibility to claim the CEWS. There can be no assurance that the Group will continue to be eligible for the CEWS as future changes to revenues as well as modification to the eligibility criteria may render the Group ineligible.

The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government interventions. It is not possible to reliably estimate the length and severity of these developments as well as the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

### *Forward Looking Statements*

Statements contained in this AIF that are not historical facts, but rather are forward looking statements involve risks and uncertainties. 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. Without limiting the generality of the foregoing, such risks and uncertainties include interpretation of results and geology, results of pre-feasibility and feasibility studies, recovery, accidents, equipment breakdowns, labour disputes or other unanticipated difficulties with or interruptions in production, delays in exploration or development activities, political risks, the inherent uncertainty or production fluctuations and failure to obtain adequate financing on a timely basis.

## PRIOR SALES

On June 20, 2019, the Board of Directors approved a stock option plan (the “**Plan**”) which includes a maximum of 11,414,975 options to purchase 11,414,975 shares in the Company, exercisable within 5 years of the grant date. The plan that was approved June 20, 2019 included the grant of 7,555,000 options to purchase 7,555,000 shares which were separated into three separate tranches. Two additional grants for a total of 810,000 options were approved during the twelve months ended December 31, 2019. The exercise price of the three aforementioned option grants ranged from CAD \$0.99 to CAD \$1.25.

In connection with the restructuring of the Company in 2019 and listing of the Common Shares of the Company on the TSXV on July 16, 2019, the Plan also approved the modification of the 500,000 options to purchase 500,000 shares in Backbone and 100,000 restricted shares in Backbone previously granted to certain officers of the Company. The modification resulted in the options and shares previously granted to such officers by Backbone to be replaced with the option to purchase 500,000 shares in Bitfarms Canada without a change in the exercise price, and 100,000 restricted shares, respectively, in Bitfarms Canada.

On June 28, 2020 the Board of Directors approved a stock option grant of 2,600,000 options to directors, officers and employees to purchase 2,600,000 Common Shares at an exercise price of CAD\$0.36 per share with a term of five years from the date of the grant.

On August 31, 2020, the Board of Directors approved a stock option grant of 1,200,000 options to directors, officers and employees to purchase 1,200,000 Common Shares at an exercise price of CAD\$0.43 per share with a term of five years from the date of the grant.

In September 2020, the Company signed a non-binding LOI with BlockFills to secure additional future lease financing (the “**BlockFills Lease Facility**”). In connection with the BlockFills Lease Facility, BlockFills would be provided with up to 1,000,000 warrants (the “**Warrants**”) in Bitfarms Ltd. at a strike price of USD\$0.40 per warrant for at term of two years. Each Warrant would provide the right to acquire one common share of the Company. The number of Warrants will be issued on a pro-rata basis based on a minimum \$12,000,000 purchase price of equipment leased to Bitfarms Canada. For example, if only \$9,000,000 in lease financing is provided, BlockFills would receive 75% of total Warrants, or 750,000 Warrants. In accordance with the BlockFills Lease Facility, in November 2020 the Company issued 336,250 Warrants to BlockFills at a price of USD\$0.40 per warrant expiring two years from the date of the grant.

On September 12, 2020, 1,000,000 Common Shares were issued to and in the name of Dominion Capital LLC. See “**MATERIAL CONTRACTS – Corporate Agreements.**”

On September 21, 2020, the Board of Directors approved a stock option grant of 400,000 options to employees to purchase 400,000 Common Shares at an exercise price of CAD\$0.35 per share with a term of five years from the date of the grant.

On December 22, 2020, the Board of Directors approved a stock option grant of 1,024,600 options to directors, officers and employees to purchase 1,024,600 Common Shares at an exercise price of CAD\$1.76 per share with a term of five years from the date of the grant.

On January 7, 2021, the Company closed the January 7, 2021 Offering for gross proceeds of approximately CAD\$20.0 million, composed of the sale of 8,888,889 Common Shares along with warrants to purchase an aggregate of up to 8,888,889 Common Shares at a purchase price of CAD\$2.25 per Common Share and associated warrant. See “*GENERAL DEVELOPMENT OF THE BUSINESS – Three Year History – Fiscal 2021 – Private Placements*”.

On January 13, 2021, the Company closed the January 13, 2021 Offering for gross proceeds of approximately CAD\$20.0 million, composed of the sale of 5,586,593 Common Shares along with warrants to purchase an aggregate of up to 5,586,593 Common Shares at a purchase price of CAD\$3.58 per Common Share and associated warrant. See “*GENERAL DEVELOPMENT OF THE BUSINESS – Three Year History – Fiscal 2021 – Private Placements*”.

On February 10, 2021, the Company closed the February 2021 Offering for gross proceeds of approximately CAD\$40.0 million, composed of the sale of 11,560,695 Common Shares along with warrants to purchase an aggregate of up to 11,560,695 common shares at a purchase price of CAD\$3.46 per common share and associated warrant. See “*GENERAL DEVELOPMENT OF THE BUSINESS – Three Year History – Fiscal 2021 – Private Placements*”.



## DIVIDENDS

Bitfarms Canada has neither declared nor paid any dividends on its common shares since incorporation. Pursuant to the terms of the Loans, Bitfarms Canada is prohibited from paying dividends or distributions. Upon payment of the Loans in full, there are no restrictions that could prevent Bitfarms Canada from paying dividends or distributions. When permitted to do so, the Bitfarms Canada Board may declare dividends at its discretion but does not anticipate paying dividends in the near future. The Bitfarms Canada Board will determine if, and when, to declare and pay dividends in the future from funds properly applicable to the payment of dividends based on Bitfarms Canada's financial position at the relevant time. The Bitfarms Canada Board expects to retain earnings to finance future growth of Bitfarms Canada and its subsidiaries. All of the Bitfarms Canada Shares are entitled to an equal share in any dividends declared and paid on a per share basis.

## DESCRIPTION OF CAPITAL STRUCTURE

Bitfarms Canada's authorized share capital consists of an unlimited number of Bitfarms Canada Shares. As of the date of this AIF there are 137,738,360 issued and outstanding Bitfarms Canada Shares. Each Bitfarms Canada Share entitles the holder to one vote per Bitfarms Canada Share and to receive equally any dividends declared by Bitfarms Canada and the remaining property and assets of Bitfarms Canada in the event Bitfarms Canada undergoes a liquidation, dissolution, or winding up.

On February 4, 2020, shareholders approved an amendment to the articles of incorporation of the Company to authorize the issuance of class A preferred shares. As of the date of this AIF there were nil preferred shares outstanding.

## MARKET FOR SECURITIES

### Trading Price and Volume

The Bitfarms Canada Shares are listed and posted for trading on the TSXV under the symbol "BITF."

The following table sets out the price range and aggregate volumes traded or quoted on a monthly basis on the TSXV from July 16, 2019 to March 5, 2021.

| Month           | High (CAD) | Low (CAD) | Volume     |
|-----------------|------------|-----------|------------|
| March 1-5, 2021 | \$ 7.42    | \$ 4.61   | 13,342,400 |
| February 2021   | \$ 9.34    | \$ 3.05   | 64,291,100 |
| January 2021    | \$ 5.18    | \$ 2.26   | 67,244,700 |
| December 2020   | \$ 3.66    | \$ 0.61   | 38,119,004 |
| November 2020   | \$ 0.93    | \$ 0.50   | 9,778,752  |
| October 2020    | \$ 0.55    | \$ 0.28   | 2,855,512  |
| September 2020  | \$ 0.475   | \$ 0.30   | 2,154,611  |
| August 2020     | \$ 0.53    | \$ 0.39   | 3,384,971  |
| July 2020       | \$ 0.49    | \$ 0.33   | 3,237,161  |
| June 2020       | \$ 0.54    | \$ 0.35   | 2,665,759  |
| May 2020        | \$ 0.75    | \$ 0.45   | 3,918,413  |
| April 2020      | \$ 0.62    | \$ 0.38   | 1,286,526  |
| March 2020      | \$ 0.62    | \$ 0.31   | 1,682,577  |
| February 2020   | \$ 1.05    | \$ 0.54   | 4,668,763  |
| January 2020    | \$ 0.73    | \$ 0.49   | 3,188,713  |
| December 2019   | \$ 0.68    | \$ 0.48   | 1,963,100  |
| November 2019   | \$ 0.82    | \$ 0.475  | 2,606,600  |
| October 2019    | \$ 1.15    | \$ 0.50   | 2,794,200  |
| September 2019  | \$ 1.55    | \$ 0.76   | 2,579,400  |
| August 2019     | \$ 1.80    | \$ 1.11   | 2,245,500  |
| July 2019       | \$ 4.20    | \$ 0.80   | 9,919,600  |

The Bitfarms Canada Shares are also listed and posted for trading on the OTCBB under the symbol “BFARF.”

The following table sets out the price range and aggregate volumes traded or quoted on a monthly basis on the OTCBB from August 16, 2019 to March 5, 2021.

| Month           | High (USD) | Low (USD) | Volume     |
|-----------------|------------|-----------|------------|
| March 1-5, 2021 | \$ 5.89    | \$ 3.63   | 8,657,800  |
| February 2021   | \$ 8.50    | \$ 2.37   | 41,816,100 |
| January 2021    | \$ 4.59    | \$ 1.78   | 34,651,982 |
| December 2020   | \$ 3.66    | \$ 0.61   | 5,948,997  |
| November 2020   | \$ 10.00   | \$ 0.4714 | 606,462    |
| October 2020    | \$ 0.3765  | \$ 0.2135 | 253,868    |
| September 2020  | \$ 0.35    | \$ 0.2191 | 315,022    |
| August 2020     | \$ 0.403   | \$ 0.314  | 566,139    |
| July 2020       | \$ 0.3646  | \$ 0.1484 | 59,828     |
| June 2020       | \$ 0.4052  | \$ 0.0017 | 86,390     |
| May 2020        | \$ 0.5374  | \$ 0.3265 | 106,390    |
| April 2020      | \$ 0.391   | \$ 0.2621 | 60,198     |
| March 2020      | \$ 0.4514  | \$ 0.2545 | 204,779    |
| February 2020   | \$ 0.773   | \$ 0.40   | 289,173    |
| January 2020    | \$ 0.533   | \$ 0.3818 | 358,103    |
| December 2019   | \$ 0.5003  | \$ 0.3818 | 37,428     |
| November 2019   | \$ 1.01    | \$ 0.3958 | 54,633     |
| October 2019    | \$ 0.8071  | \$ 0.39   | 40,133     |
| September 2019  | \$ 1.071   | \$ 0.649  | 77,647     |
| August 2019     | \$ 1.27    | \$ 0.905  | 22,123     |

## ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

### Securities Subject to Escrow

The following table sets forth the number of securities of each class of securities of Bitfarms Canada, to the knowledge of Bitfarms Canada, in escrow or that are subject to a contractual restriction on transfer and the percentage that number represents of the outstanding securities of that class as at the date of this AIF.

| Designation of Class   | Number of Securities Held in Escrow or that are Subject to a Contractual Restriction on Transfer <sup>(1)</sup> | Percentage of Class <sup>(2)</sup> |
|------------------------|-----------------------------------------------------------------------------------------------------------------|------------------------------------|
| Bitfarms Canada Shares | 28,259,712 Bitfarms Canada Shares                                                                               | 20.52%                             |

**Notes:**

- (1) 40,371,018 Bitfarms Canada Shares representing 70.7% of the then issued and outstanding Common Shares, were held in escrow pursuant to an escrow agreement dated June 12, 2019 with TSX Trust Company, as escrow agent.
- (2) A total of 137,738,360 Bitfarms Canada Shares are issued and outstanding.

The escrowed securities are scheduled to be released according to the following schedule:

| Date                                                                                          | Number of Escrowed Securities <sup>(1)</sup> |
|-----------------------------------------------------------------------------------------------|----------------------------------------------|
| On the date on which the Common Shares are listed on a Canadian exchange (the "Listing Date") | 1/20 of the escrowed securities              |
| 6 months after the Listing Date                                                               | 1/19 of the escrowed securities              |
| 12 months after the Listing Date                                                              | 1/9 of the escrowed securities               |
| 18 months after the Listing Date                                                              | 1/8 of the escrowed securities               |
| 24 months after the Listing Date                                                              | 3/14 of the escrowed securities              |
| 30 months after the Listing Date                                                              | 3/11 of the escrowed securities              |
| 36 months after the Listing Date                                                              | the remaining escrowed securities            |

**Notes:**

- (1) In the simplest case, where there are no changes to the escrow securities initially deposited and no additional escrow securities, the release schedule outlined above results in the escrow securities being released in tranches of 5%, 5%, 10%, 10%, 15%, 15%, and 40%, beginning on the listing date.

## DIRECTORS AND OFFICERS

The following table sets out the name of each director and officer, province or state of residence, position held with each corporation, current principal occupation, and the number and percentage of securities beneficially owned, directly or indirectly as at the date of this AIF.

| <b>Name, and Province and Country of Residence</b>                   | <b>Principal Occupation During the Last Five Years<sup>(1)</sup></b>                                                                                                                                                                                                                                                                                                                                                                                      | <b>Director or Officer Since</b> | <b>Common Shares Owned or Controlled<sup>(1)</sup></b> |
|----------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|--------------------------------------------------------|
| Emiliano Joel Grodzki<br><i>Buenos Aires, Argentina</i>              | CEO, Founder and Director of the Company (2018 – present); Consultant in the cryptocurrency sector; Founder and Director of crypto247 (2018 – present); Founder and Commercial Director of My Urban Foods (2012 – 2015).                                                                                                                                                                                                                                  | October 11, 2018                 | 11,820,772                                             |
| Nicolas Bonta<br><i>Buenos Aires, Argentina</i>                      | Executive Chairman of the Board and Founder of the Company (2018 – present); Founder and CEO of Own Hotels (2006 – present).                                                                                                                                                                                                                                                                                                                              | October 11, 2018                 | 11,210,706                                             |
| Brian Howlett <sup>(2)</sup><br><i>Ontario, Canada</i>               | Lead Director of the Company (2020 – present); President and CEO of Hemlo Explorers Inc. (2020 – present); President and CEO of Voyageur Mineral Explorers Corp. (2020 – present); Director of Nighthawk Gold Corp. (2016 – present); President and CEO of Dundee Sustainable Technologies Inc. (2015 – 2020); Director of Stone Gold Inc. (2014 – present).                                                                                              | April 17, 2020                   | nil                                                    |
| Pierre Seccareccia <sup>(2)</sup><br><i>Québec, Canada</i>           | Director of the Company (2019 – present); Full-time independent director for several public companies (2003 – present); Director of Groupe Ivanhoé Cambridge Inc., a real estate subsidiary of la Caisse de dépôt et placement du Québec (2010 – present).                                                                                                                                                                                                | June 12, 2019                    | nil                                                    |
| L. Geoffrey Morphy <sup>(1)</sup><br><i>Ontario, Canada</i>          | President of the Company (2020 – present); Director of the Company (2020 – 2020); Trustee of R&R Real Estate Investment Trust (2021 – present); Co-CEO of Dundee Sarea Fund (2017 – 2019); director of Android Industries, LLC (2016 – present); Vice-President Corporate Development of Dundee Corporation (2016 – 2019); Managing Director, Corporate Financing, Transactions & Valuations and Vice-President of Farber Financial Group (2008 – 2016);. | May 19, 2020                     | 45,300                                                 |
| Andres Finkielstain <sup>(2)</sup><br><i>Buenos Aires, Argentina</i> | Director of the Company (2020 – present); Founding managing partner of FinkWald LLC (2011 – present); Director of Goldmoney Inc. (TSX: XAU) (2018 – present).                                                                                                                                                                                                                                                                                             | August 31, 2020                  | nil                                                    |
| Mauro Ferrara<br><i>Québec, Canada</i>                               | Interim CFO and Corporate Secretary of the Company (2020 – Present); CFO of Savaria Inc. (TSX: SIS) (2019 – 2020); Senior Director, Financial Reporting at WSP Global Inc. (TSX: WSP) (2013 – 2019).                                                                                                                                                                                                                                                      | October 28, 2020                 | nil                                                    |

### Notes:

- (1) Information about principal occupation, business or employment, not being within the knowledge of the Corporation, has been furnished by respective persons set forth above. The information with respect to the Common Shares beneficially owned, controlled or directed is not within the direct knowledge of the Corporation and has been obtained from SEDI or furnished by the respective individuals. This table does not include Common Shares underlying unexercised stock options and warrants.
- (2) Member of the Audit Committee.

As at the date hereof, the directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 23,031,478 Common Shares, representing 16.72% of the total number of Common Shares outstanding before giving effect to the exercise of rights, options, or warrants to purchase or otherwise receive Common Shares held by such directors and executive officers. The statement as to the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by the directors and executive officers of the Company as a group is based upon information furnished by the directors and executive officers.

### *Emiliano Joel Grodzki*

Emiliano Joel Grodzki serves as the Chief Executive Officer and is a Director of the Corporation. Mr. Grodzki is an Argentinian entrepreneur, businessman and a founder of the Corporation. He has been a business builder and innovator since his early teens, founding, incubating, and exiting interdisciplinary ventures in the design, food, and construction industries. In 2016, he entered the space of cryptocurrencies and began to invest in and mine cryptocurrencies from Argentina. Mr. Grodzki has a construction degree from ORT in Buenos Aires.

#### *Nicolas Bonta*

Nicolas Bonta serves as the Executive Chairman of the Board. Mr. Bonta is an Argentinian hotelier, real estate investor and a founder of the Corporation. In 1998, he founded one of the first boutique hotel companies in Argentina named “Own Hotels” which has grown to six locations in the cities of Buenos Aires and Montevideo, Uruguay. Mr. Bonta has a bachelor’s degree in hospitality from Glion Institute of Higher Education in Switzerland.

#### *Brian Howlett*

Brian Howlett serves as the Lead Director of the Corporation. Mr. Howlett is a seasoned professional with over thirty years of senior management experience. Mr. Howlett is currently the President, Chief Executive Officer and Director of Hemlo Explorers Inc. and Voyageur Mineral Explorers Inc.. Mr. Howlett also serves on the Board for several junior mining companies. Mr. Howlett recently served as the President, Chief Executive Officer and a Director of Dundee Sustainable Technologies Inc. He also formerly served as the President and Chief Financial Officer of Superior Copper Corporation. Prior to that, Mr. Howlett spent twelve years with ELI Eco Logic Inc., including six years as Chief Financial Officer. Mr. Howlett graduated in 1982 with a B. Comm. in finance from Concordia University and received his CMA designation in 1989.

#### *Pierre Seccareccia*

Pierre Seccareccia serves as a Director of the Corporation. He has extensive experience in financial consulting and management. A Partner of the Coopers & Lybrand accounting firm from 1976 to 1998, he acted as Managing Partner for its Montreal south shore office from 1987 to 1989, for its Montreal central office from 1992 to 1996, and for its offices in the Province of Quebec from 1996 to 1998. Following the merger in 1998 of Coopers & Lybrand with Price Waterhouse, he acted as the Managing Partner for the Montreal office of PricewaterhouseCoopers LLP from 1998 to 2001. Since 2003, Mr. Seccareccia has acted as a full-time independent corporate director for various public and private entities. He is a Fellow CPA, CPA, and a lifetime member of the Ordre des comptables professionnels agréés du Québec. He is also a member of the Institute of Corporate Directors (Canada). He graduated from the École des hautes études commerciales de Montréal with a degree in Accounting.

#### *L. Geoffrey Morphy*

L. Geoffrey Morphy serves as the President of the Corporation. He was Co-CEO of Dundee Sarea Fund, a Canadian-based turn-around fund with an investment in Italy from December 2017 to November 2019. He was Vice-President, Corporate Development of Dundee Corporation (TSE: DC.A) from April 2016 to October 2019. In that capacity, he was part of the senior management team responsible for strategy, new investments and portfolio management. Since August 2016, Mr. Morphy is a director of Android Industries, L.L.C, a Michigan-based Tier One auto parts manufacturing company with global operations. In February 2021, he became a Trustee of R&R Real Estate Investment Trust (TSXV: RRR.UN). Mr. Morphy is a past director of Parq-Vancouver, Blue Goose Capital Corporation, and was previously Chairman of Montreal based Dundee Sustainable Technologies Inc. (CSE: DST) and Dundee Sarea Fund. Mr. Morphy has more than thirty years in cross-border and international commercial and corporate structuring and finance experience. He has occupied positions as Managing Director and Vice-President of a financial advisory firm and banks, such as the Farber Financial Group between 2008 and 2016, ABN Amro Bank N.V. and LaSalle Bank between 2005 and 2008, as well as Comerica Bank, between 2000 and 2005. Mr. Morphy holds a Bachelor of Commerce from Dalhousie University and in 2012 earned the designation of Certified Exit Planning Adviser from Chicago-based Exit Planning Institute, in 2015 became an exempt market dealer representative, and in 2019 was granted the designation of ICD.D from the Institute of Canadian Directors.

#### *Andres Finkielsztain*

Andres Finkielsztain serves as a Director of the Corporation. Mr. Finkielsztain is the Founding Managing Partner of FinkWald LLC, a private investment office specializing in private equity, real estate, media, and technology. He is also the co-head of the Special Situations division at Banco Industrial in Argentina, where he analyzes and provides financing solutions to Argentinean-based companies and institutions. Mr. Finkielsztain previously served as a financial advisor for Soros Brothers Investments (“SBI”), a private investment office founded in 2011 by Alexander and Gregory Soros, and as an analyst for Emerging Markets at Soros Fund Management LLC. Mr. Finkielsztain also worked at J.P. Morgan for over 10 years in various capacities within Asset Management, including the role of Global Investment Opportunity and Emerging Markets Specialist. Mr. Finkielsztain graduated with a BA in Economics from Bard College where he served as the President of a Latin American organization.

Mauro Ferrara serves as the Interim Chief Financial Officer and Corporate Secretary of the Corporation. Prior to joining Bitfarms, Mr. Ferrara served as the Chief Financial Officer of Savaria Inc. (TSX: SIS) (“**Savaria**”), a company traded on the TSX serving the accessibility industry. In this position, he was responsible for management accounting, financial budgeting, and preparation and presentation of all consolidated external public company financial disclosure documents to the Corporation’s Audit Committee and Board of Directors. Prior to his responsibilities at Savaria, Mr. Ferrara served for six-years as the Senior Director, Financial Reporting at WSP Global Inc. (TSX: WSP) (“**WSP**”). In this role, he focused on external financial reporting and cost management to improve EBITDA. Headquartered in Montreal, WSP is a Canadian multi-billion-dollar global engineering services company with over 50,000 employees. Mr. Ferrara is a CPA-CA and McGill University alumni.

#### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

Other than as set out below, no director or executive officer of the Company, is or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company that:

- (a) while that person was acting in that capacity, was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; or
- (b) while that person was acting in that capacity, was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days.

No director or executive officer of the Company and no shareholder holding a sufficient number of securities of your company to affect materially the control of the Company is, as at the date of the AIF, or has been within the 10 years before the date of the AIF:

- (a) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- (b) become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder; or
- (c) has been subject to:
  - (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority since December 31, 2000 or before December 31, 2000 the disclosure of which would likely be important to a reasonable security holder in making an investment decision; or
  - (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in making an investment decision

#### **Committees of the Board of Directors**

The Bitfarms Canada Board currently has an Audit Committee.

## Audit Committee

The current members of the Audit Committee are Pierre Seccareccia, Brian Howlett, and Andres Finkielsztain. All of the members are considered “independent” directors as defined in NI 52-110. Each member of the Audit Committee is considered to be “financially literate” within the meaning of NI 52-110, which includes the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the Corporation’s financial statements. The full text of the charter of the Audit Committee (the “**Audit Committee Charter**”) is attached as Appendix “A”.

## Relevant Education and Experience

The relevant education and experience of each of the members of the Audit Committee is as follows:

| Name of Member               | Education                                                                                                                                                  | Experience                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Pierre Seccareccia           | Accounting degree from École des hautes études commerciales de Montréal (1969). Fellow of the Ordre des comptables professionnels agréés du Québec (1970). | Mr. Seccareccia has extensive experience in financial consulting and management. A Partner of the Coopers & Lybrand accounting firm from 1976 to 1998, he acted as Managing Partner for its Montreal south shore office from 1987 to 1989, for its Montreal central office from 1992 to 1996, and for its offices in the Province of Quebec from 1996 to 1998. Following the merger in 1998 of Coopers & Lybrand with Price Waterhouse, he acted as Managing Partner for the Montreal office of PricewaterhouseCoopers LLP from 1998 to 2001. Since 2003, Mr. Seccareccia has acted as a full-time independent corporate director for various public and private entities.                                                                                                                                                                                                                                                          |
| Brian Howlett <sup>(1)</sup> | Bachelor of Commerce from Concordia University (1982). CMA designation (1989).                                                                             | Mr. Howlett is currently the President, Chief Executive Officer and Director of Hemlo Explorers Inc., and Voyageur Mineral Explorers Inc. Mr. Howlett also serves on the Board for several junior mining companies. Mr. Howlett recently served as the President, Chief Executive Officer and a Director of Dundee Sustainable Technologies Inc. He also formerly served as the President and Chief Financial Officer of Superior Copper Corporation. Prior to that, Mr. Howlett spent twelve years with ELI Eco Logic Inc., including six years as Chief Financial Officer.                                                                                                                                                                                                                                                                                                                                                        |
| Andres Finkielsztain         | Bachelor of Economics from Bard College, New York (1999)                                                                                                   | Mr. Finkielsztain is the Founding Managing Partner of FinkWald LLC, a private investment office specializing in private equity, real estate, media, and technology. He is also the co-head of the Special Situations division at Banco Industrial in Argentina, where he analyzes and provides financing solutions to Argentinean-based companies and institutions. Mr. Finkielsztain previously served as a financial advisor for SBI, a private investment office founded in 2011 by Alexander and Gregory Soros, and as an analyst for Emerging Markets at Soros Fund Management LLC. Mr. Finkielsztain also worked at J.P. Morgan for over 10 years in various capacities within Asset Management, including the role of Global Investment Opportunity and Emerging Markets Specialist. Mr. Finkielsztain graduated with a BA in Economics from Bard College where he served as the President of a Latin American organization. |

### Notes:

(1) Chair of the Audit Committee.

## Audit Committee Oversight

Since the commencement of the Corporation’s most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Board.

### ***Pre-Approval Policies and Procedures***

The Audit Committee is required to pre-approve all audit and non-audit services not prohibited by law to be provided by the independent auditors of the Corporation.

### ***External Auditor Service Fees***

The following table provides details in respect of audit, audit related, tax and other fees billed by the Corporation's external auditor during the fiscal years ended December 31, 2019 and December 31, 2018.

|                                   | <b>Year Ended<br/>December 31,<br/>2019</b> | <b>Year Ended<br/>December 31,<br/>2018</b> |
|-----------------------------------|---------------------------------------------|---------------------------------------------|
| Audit Fees <sup>(1)</sup>         | \$ 240,000                                  | \$ 472,000                                  |
| Audit Related Fees <sup>(2)</sup> | \$ 250,000                                  | \$ 16,000                                   |
| Tax Fees <sup>(3)</sup>           | \$ 15,000                                   | \$ 39,000                                   |
| All Other Fees <sup>(4)</sup>     | \$ 80,000                                   | nil                                         |
| <b>Total</b>                      | <b>\$ 585,000</b>                           | <b>\$ 527,000</b>                           |

#### **Notes:**

- (1) Aggregate fees billed for professional services rendered by the auditor for the audit of the Corporation's annual financial statements.
- (2) Aggregate fees billed for professional services rendered by the auditor and consisted primarily of file quality review fees and fees for the review of quarterly financial statements and related documents.
- (3) Aggregate fees billed for tax compliance, tax advice and tax planning professional services. These services included reviewing tax returns and assisting in responses to government tax authorities.
- (4) Aggregate fees billed for services other than those mentioned above consist primarily of services related to the Corporation's filing of its final prospectus dated June 12, 2019.

### ***Exemption***

The Company is not relying on any exemptions of NI 52-110.

### **Governance, Nomination and Compensation Committee**

The Company does not presently maintain a governance, nomination and compensation committee of the Bitfarms Canada Board ("**Governance, Nomination and Compensation Committee**"). The customary functions of a Governance, Nomination and Compensation Committee are presently carried out by the Bitfarms Canada Board.

The Bitfarms Canada Board is responsible for ensuring that Bitfarms Canada has in place an appropriate plan for executive compensation and for making recommendations with respect to the compensation of Bitfarms Canada's executive officers. The Bitfarms Canada Board will ensure that total compensation paid to all NEOs is fair, reasonable, and consistent with Bitfarms Canada's compensation philosophy.

From time to time the Bitfarms Canada Board reviews and may approve, recommendations regarding compensation to executive officers and directors. A combination of fixed and variable compensation is used to motivate executive officers to achieve overall corporate goals. The two basic components of Bitfarms Canada's executive officer compensation program are:

- base salary;
- annual incentive (bonus) payments; and
- option-based compensation.



## Conflicts of Interest

The directors of Bitfarms Canada are required by law to act honestly and in good faith with a view to the best interests of Bitfarms Canada and to disclose any interests which they may have in any project or opportunity outside of Bitfarms Canada. If a conflict of interest arises, any director in a conflict will disclose his interest and abstain from voting on such matter at a meeting of the Bitfarms Canada Board of Directors. To the best of Bitfarms Canada's knowledge, and other than as disclosed in this AIF, there are no known existing or potential conflicts of interest among Bitfarms Canada, its promoters, directors and officers or other members of management of Bitfarms Canada or any proposed promoter, director, officer or other member of management as a result of their outside business interests, except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to Bitfarms Canada and their duties as a director or officer of such other companies.

## PROMOTERS

The following table sets forth the Promoters of Bitfarms Canada:

| Name                                 | Class of Securities Owned | Quantity of Securities Owned | % of Class <sup>(3)</sup> |
|--------------------------------------|---------------------------|------------------------------|---------------------------|
| Emiliano Joel Grodzki <sup>(1)</sup> | Bitfarms Canada Shares    | 11,820,772                   | 8.58%                     |
| Nicolas Bonta <sup>(2)</sup>         | Bitfarms Canada Shares    | 11,210,706                   | 8.14%                     |
| <b>Total</b>                         |                           | <b>23,031,478</b>            | <b>16.72%</b>             |

### Notes:

- (1) In addition to the Bitfarms Canada Shares noted in the table above, Mr. Grodzki holds 154,900 options to purchase Bitfarms Canada Shares at a price of CAD\$1.76 per Bitfarms Canada Share. See "Prior Sales".
- (2) In addition to the Bitfarms Canada Shares noted in the table above, Mr. Bonta holds 154,900 options to purchase Bitfarms Canada Shares at a price of CAD\$1.76 per Bitfarms Canada Share. See "Prior Sales".
- (3) A total of 137,738,360 Bitfarms Canada Shares are issued and outstanding.

Certain Promoters have entered into certain non-arm's length transactions with Backbone. See "INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS - Transactions with Related Parties".

No Promoter was within the 10 years before the date of this AIF a director, CEO, or CFO of a person or company that was subject to an order while or after that Promoter was acting in that capacity.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed herein and elsewhere in this AIF, no directors, officers, principal shareholders of Backbone, nor any Associate or Affiliate of the foregoing, have had any material interest, direct or indirect, in any transactions in which Backbone has participated prior to the date of this AIF that has materially affected or is reasonably expected to materially affect Backbone or a subsidiary of Backbone.

### Transactions with Related Parties

There have been no transactions with related parties other than as disclosed below.

1. Backbone is charged for telecommunication expenses by GloboTech Communications Inc., a company controlled by Pierre-Luc Quimper. These charges relate to Internet hosting, data management and server support for all of the Mining operations of Backbone. Mr. Quimper resigned as Officer and Director of the company on October 3, 2019.
2. Backbone was charged rent expense pursuant to a lease agreement with 9930272 Canada Inc. (a company controlled by the Backbone Exchangeable Shareholders) regarding the facilities at Cowansville, Québec. As of August 2019, the Cowansville building was sold to an arms length party and a new lease agreement was signed. The sale of the Cowansville building will result in a reduction in monthly rent paid to related parties in the amount of \$14,400. Bitfarms Canada made rent payments totaling approximately \$108,000 for the three months ended March 31, 2020 (three months ended March 31, 2019 - \$151,000) to companies controlled by a director and officer, Emiliano Grodzki and a former director and officer, Mathieu Vachon and a former director, Pierre-Luc Quimper. For the three and six month periods ended June 30, 2020, rent payments totaling approximately \$109,000 and \$217,000 were made (three and six months ended June 30, 2019 - \$144,000 and \$294,000). For the three and nine month periods ended September 30, 2020 rent payments totaling approximately \$111,000 and \$328,000 were made (three and nine months ended September 30, 2019 - \$125,000 and \$447,000). See "MATERIAL CONTRACTS – Lease Agreements".

3. Backbone entered into consulting agreements with two of the directors, Emiliano Joel Grodzki and Nicolas Bonta. The consulting fees charged by directors totaled approximately \$60,000 for the three months ended March 31, 2020 (three months ended March 31, 2019 - \$100,000). For the three and six month periods ended June 30, 2020 the consulting fees charged by directors totaled approximately \$103,000 and \$203,000 (three and six month periods ended June 30, 2019 - \$100,000 and \$200,000). For the three and nine month periods ended September 30, 2020 the consulting fees charged by directors totaled approximately \$88,000 and \$288,000 (three and nine month periods ended September 30, 2019 - \$100,000 and \$300,000).
4. Effective June 12, 2019, the Put Call Agreement was terminated, and each Backbone Exchangeable Share was exchanged for one Bitfarms Canada Share resulting in the issuance of 17,335,090 Bitfarms Canada Shares. See “*PRIOR SALES*” and “*MATERIAL CONTRACTS – Corporate Agreements*”.
5. Backbone sold 627 Bitcoin for the twelve-month period ended December 31, 2019 (3,346 Bitcoin and 1,790 Bitcoin cash for the twelve months ended December 31, 2018) to a company which, at the time of such sales, had a director, Roy Sebag, who was also a shareholder of Bitfarms Ltd. (Israel) for \$2,283,000 (\$28,323,000 for the twelve month period ended December 31, 2018). The company Backbone sold Bitcoin to ceased operating in the cryptocurrency industry as of March 11, 2019, and since that date Bitfarms has not transacted with this company.
6. Volta rendered electrical services to a former director, Pierre-Luc Quimper in the amount of \$0 and \$12,000 for the three and twelve month periods ended December 31, 2019, respectively (year ended December 31, 2018 - \$nil)

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

Other than as set forth in this AIF, the management of Bitfarms Canada is not aware of any material interest, direct or indirect, of any director, executive officer, any Person or Company beneficially owning, controlling or directing, directly or indirectly, more than ten (10%) percent of Bitfarms Canada’s outstanding voting securities, or any Associate or Affiliate of the foregoing Persons, in any transaction in which Bitfarms Canada has participated within the three years before the date of this AIF, that has materially affected or is reasonably expected to materially affect Bitfarms Canada.

## **LEGAL PROCEEDINGS**

### **Legal Proceedings**

There are no pending legal proceedings to which the Company is or was party to, or that any of its property is or was the subject of, and Bitfarms Canada is not aware of any such proceedings known to be contemplated.

### **Regulatory Actions**

No penalties or sanctions were imposed against the Company by a court relating to provincial and territorial securities legislation or by a securities regulatory authority since incorporation. No other penalties or sanctions have been imposed by a court or regulatory body against the Company necessary for this AIF to contain full, true and plain disclosure of all material facts. The Company has not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority since incorporation.

## TRANSFER AGENT AND REGISTRAR

Bitfarms Canada's registrar and transfer agent is TSX Trust Company, located at 100 Adelaide Street West, Suite 301, Toronto, Ontario M5H 4H1.

## MATERIAL CONTRACTS

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into by Backbone, Bitfarms Israel and Bitfarms Canada which are currently in effect and considered to be material.

### Lease Agreements

1. Lease agreement between 9078-2822 Québec Inc. as lessor and Backbone as lessee, dated June 4, 2019, pursuant to which the property designated as lot no. 3799452 of Missisquoi, Québec, located at 135 Dean Street in Cowansville, Québec, J2K 3Y2, is leased to Backbone for a term of ten years and for rent of CAD\$262,500 per year subject to annual consumer price index increases.
2. Lease agreement between Développement Olymbec Inc. as lessor and Onyx (a company controlled by the Backbone Exchangeable Shareholders) as lessee, dated July 25, 2017, pursuant to which the property located at 1144, boulevard Magenta Est, bureau 130, Farnham, Québec, J2N 1C1, is leased to Onyx for a term of five years and two months and for rent of CAD\$276,216 in years 1 and 2, CAD\$294,364 in years 3 and 4, and CAD\$308,653 in year 5. Backbone and Onyx entered into the Onyx License Agreement pursuant to which Onyx licensed the use of the Farnham facilities to Backbone. This property has since been sold to Cannara Biotech Inc. but the lease agreement remains in place.
3. Lease agreement between Développement Olymbec Inc. as lessor and Onyx (a company controlled by the Backbone Exchangeable Shareholders) as lessee, dated August 11, 2017, pursuant to which the property located at 2805 Vanier, Saint-Hyacinthe, Québec, J2S 1L5, is leased to Onyx for a term of five years and for rent of CAD\$283,992 in years 1 and 2, CAD\$294,914 in years 3 and 4, and CAD\$305,837 in year 5. Backbone and Onyx entered into the Onyx License Agreement pursuant to which Onyx licensed the use of the Saint-Hyacinthe facilities to Backbone. This property has since been sold to Groupe Quint but the lease agreement remains in place.
4. Lease agreement between 9078-2822 Québec Inc. as lessor and Backbone as lessee, dated June 4, 2019, pursuant to which the property designated as lot no. 5064158 of Magog, Québec, located at 1350 Boulevard Industriel Street, Magog, Québec, J1X 4Y6, is leased to Backbone for a term of five years and for rent of CAD\$138,750 per year with a 2% annual increase and a purchase option of CAD\$1,200,000.
5. Lease agreement between Jean-Luc Gagnon as lessor and Backbone as lessee, dated November 1, 2017, pursuant to which the property located at 939, rte 235, Notre-Dame-de-Stanbridge, Québec, J0J 1M0, is leased to Backbone for a term of two years and for rent of CAD\$1,850 per month.
6. Lease agreement between 9118-5108 Québec Inc. as lessor and Backbone as lessee, dated November 1, 2017, pursuant to which the property located at 360 Boul. Séminaire, St-Jean-Sur-Richelieu, Québec, J3B 5L1, is leased to Backbone for rent of CAD\$14,847 per month, for a term of five years and two months.
7. Lease agreement between 9078-2822 Québec Inc. as lessor and Backbone as lessee, dated November 28, 2018, pursuant to which the property located at 290 rue Léger, Sherbrooke, Québec, J1L 1Y5, is leased to Backbone for rent of CAD\$1,000 per month, for a term of five years, until completion of a new building, at which time the rent will be \$6.80/square foot or \$136,000 per year subject to annual consumer price index increases. The new building will be constructed with a minimum size of 20,000 square feet to be constructed within five months' notice from Backbone.

## EXPERTS

### Names of Experts

The auditor of Bitfarms Canada is PricewaterhouseCoopers LLP, PwC Centre, 354 Davis Road, Suite 600, Oakville, Ontario, Canada L6J 0C5 as of June 18, 2020.

Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, located at 144 Menachem Begin Road, Building A, Tel-Aviv 6492102, Israel, is the former auditor of the Company and has prepared the Independent Auditors Report and audited the financial statements of Backbone for the period from incorporation (June 13, 2017) until November 5, 2017, and Bitfarms Israel for the twelve-months ended December 31, 2018 and Bitfarms Canada for the twelve months ended December 31, 2019 incorporated by reference herein.

### Interests of Experts

The consolidated financial statements of the Company for the year ended December 31, 2019 have been audited by Kost, Forer, Gabbay & Kaiserer, a Member of Ernst & Young Global. As at December 31, 2019, Kost, Forer, Gabbay & Kaiserer have advised the Company that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants.

Other than the Company's former auditors, whose independence is described above in accordance with the Rules of Professional Conduct of the Institute of Chartered Professional Accountants, no person or company whose profession or business gives authority to a report, valuation, statement or opinion and who is named as having prepared or certified a part of this AIF or as having prepared or certified a report or valuation described or included in this AIF holds or is to hold any beneficial or registered interest, direct or indirect, in any securities or property of Bitfarms Canada, Backbone, Bitfarms Israel or any associate or affiliate of Bitfarms Canada, Backbone or Bitfarms Israel.

## ADDITIONAL INFORMATION

Additional information relating to the Company, including financial information in the Company's Financial Statements and MD&A for Fiscal 2019, is available on SEDAR at [www.sedar.com](http://www.sedar.com). Moreover, additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's information circular for its most recent annual meeting of securityholders.

**SCHEDULE A**

**AUDIT COMMITTEE CHARTER**

*[Please see attached.]*

**BITFARMS LTD.**  
**AUDIT COMMITTEE CHARTER**

This charter (the “**Charter**”) sets forth the purpose, composition, responsibilities and authority of the Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of Bitfarms Ltd. (“**Bitfarms Canada**” or the “**Company**”).

**1.0 Mandate**

The Committee shall:

- (a) assist the Board in its oversight role with respect to the quality and integrity of the financial information;
- (b) assess the effectiveness of the Company’s risk management and compliance practices;
- (c) assess the independent auditor’s performance, qualifications and independence;
- (d) assess the performance of the Company’s internal audit function;
- (e) ensure the Company’s compliance with legal and regulatory requirements; and
- (f) prepare such reports of the Committee required to be included in any Management Information Circular in accordance with applicable laws or the rules of applicable securities regulatory authorities.

**2.0 Composition and Membership**

The committee shall be composed of not less than three members, each of whom shall be a director of the Company. A majority of the members of the Committee shall not be an officer or employee of the Company. All members shall satisfy the applicable independence and experience requirements of the laws governing the Company, the applicable stock exchanges on which the Company’s securities are listed and applicable securities regulatory authorities.

Each member of the Committee shall be financially literate as such qualification is interpreted by the Board of Directors in its business judgment.

Members of the Committee shall be appointed or reappointed at the annual meeting of the Company and in the normal course of business will serve a minimum of three years. Each member shall continue to be a member of the Committee until a successor is appointed, unless the member resigns, is removed or ceases to be a Director. The Board of Directors may fill a vacancy that occurs in the Committee at any time.

The Board of Directors or, in the event of its failure to do so, the members of the Committee, shall appoint or reappoint, at the annual meeting of the Company a Chair among their number. The Chair shall not be a former Officer of the Company. Such Chair shall serve as a liaison between members and senior management.

The time and place of meetings of the Committee and the procedure at such meetings shall be determined from time to time by the members therefore provided that:

- (a) a quorum for meetings shall be at least three members;

- (b) the Committee shall meet at least quarterly;
- (c) notice of the time and place of every meeting shall be given in writing or by telephone, facsimile, email or other electronic communication to each member of the Committee at least 24 hours in advance of such meeting;
- (d) a resolution in writing signed by all directors entitled to vote on that resolution at a meeting of the Committee is as valid as if it had been passed at a meeting of the Committee.

The Committee shall report to the Board of Directors on its activities after each of its meetings. The Committee shall review and assess the adequacy of this Charter annually and, where necessary, will recommend changes to the Board of Directors for its approval. The Committee shall undertake and review with the Board of Directors an annual performance evaluation of the Committee, which shall compare the performance of the Committee with the requirements of this charter and set forth the goals and objectives of the Committee for the upcoming year. The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate. The report to the Board of Directors may take the form of an oral report by the chairperson of the Committee or any other designated member of the Committee.

#### **4.0 Duties and Responsibilities**

##### ***4.1 Oversight of the Independent Auditor***

- (a) Sole authority to appoint or replace the independent auditor (subject to shareholder ratification) and responsibility for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between Management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Committee.
- (b) Sole authority to pre-approve all audit services as well as non-audit services (including the fees, terms and conditions for the performance of such services) to be performed by the independent auditor.
- (c) Evaluate the qualifications, performance and independence of the independent auditor, including (i) reviewing and evaluating the lead partner on the independent auditor's engagement with the Company, and (ii) considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence.
- (d) Obtain and review a report from the independent auditor at least annually regarding: the independent auditor's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm; any steps taken to deal with any such issues; and all relationships between the independent auditor and the Company.
- (e) Review and discuss with Management and the independent auditor prior to the annual audit the scope, planning and staffing of the annual audit.
- (f) Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law.
- (g) Review as necessary policies for the Company's hiring of partners, employees or former partners and employees of the independent auditor.

## 4.2 Financial Reporting

- (a) Review and discuss with Management and the independent auditor the annual audited financial statements prior to the publication of earnings.
- (b) Review and discuss with Management the Company's annual and quarterly disclosures made in Management's Discussion and Analysis. The Committee shall approve any reports for inclusion in the Company's Annual Report, as required by applicable legislation.
- (c) Review and discuss with Management and the independent auditor management's report on its assessment of internal controls over financial reporting and the independent auditor's attestation report on management's assessment.
- (d) Review and discuss with Management the Company's quarterly financial statements prior to the publication of earnings.
- (e) Review and discuss with Management and the independent auditor at least annually significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies.
- (f) Review and discuss with Management and the independent auditor at least annually reports from the independent auditors on: critical accounting policies and practices to be used; significant financial reporting issues, estimates and judgments made in connection with the preparation of the financial statements; alternative treatments of financial information within generally accepted accounting principles that have been discussed with Management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and other material written communications between the independent auditor and Management, such as any management letter or schedule of unadjusted differences.
- (g) Discuss with the independent auditor at least annually any "Management" or "internal control" letters issued or proposed to be issued by the independent auditor to the Company.
- (h) Review and discuss with Management and the independent auditor at least annually any significant changes to the Company's accounting principles and practices suggested by the independent auditor, internal audit personnel or Management.
- (i) Discuss with Management the Company's earnings press releases, including the use of "*pro forma*" or "adjusted" non-GAAP information, as well as financial information and earnings guidance (if any) provided to analysts and rating agencies.
- (j) Review and discuss with Management and the independent auditor at least annually the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.



- (k) Review and discuss with the Chief Executive Officer and the Chief Financial Officer the procedures undertaken in connection with the Chief Executive Officer and Chief Financial Officer certifications for the annual filings with applicable securities regulatory authorities.
- (l) Review disclosures made by the Company's Chief Executive Officer and Chief Financial Officer during their certification process for the annual filing with applicable securities regulatory authorities about any significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data or any material weaknesses in the internal controls, and any fraud involving Management or other employees who have a significant role in the Company's internal controls.
- (m) Discuss with the Company's external corporate counsel at least annually any legal matters that may have a material impact on the financial statements, operations, assets or compliance policies and any material reports or inquiries received by the Company or any of its subsidiaries from regulators or governmental agencies.

#### **4.3 Oversight of Risk Management**

- (a) Review and approve periodically Management's risk philosophy and risk management policies.
- (b) Review with Management at least annually reports demonstrating compliance with risk management policies.
- (c) Review with Management the quality and competence of Management appointed to administer risk management policies.
- (d) Review reports from the independent auditor at least annually relating to the adequacy of the Company's risk management practices together with Management's responses.
- (e) Discuss with Management at least annually the Company's major financial risk exposures and the steps Management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

#### **4.4 Oversight of Regulatory Compliance**

- (a) Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- (b) Discuss with Management and the independent auditor at least annually any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting.
- (c) Meet with the Company's regulators, according to applicable law.
- (d) Exercise such other powers and perform such other duties and responsibilities as are incidental to the purposes, duties and responsibilities specified herein and as may from time to time be delegated to the Committee by the Board of Directors.

## **5.0 Funding for the Independent Auditor and Retention of Other Independent Advisors**

The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditor for the purpose of issuing an audit report and to any advisors retained by the Committee. The Committee shall also have the authority to retain and, at Bitfarms Canada's expense, to set and pay the compensation for such other independent counsel and other advisors as it may from time to time deem necessary or advisable for its purposes. The Committee also has the authority to communicate directly with internal and external auditors.

## **6.0 Procedures for Receipt of Complaints and Submissions Relating to Accounting Matters**

1. The Company shall inform employees on the Company's intranet, if there is one, or via a newsletter or e-mail that is disseminated to all employees at least annually, of the officer (the "**Complaints Officer**") designated from time to time by the Committee to whom complaints and submissions can be made regarding accounting, internal accounting controls or auditing matters or issues of concern regarding questionable accounting or auditing matters.
2. The Complaints Officer shall be informed that any complaints or submissions so received must be kept confidential and that the identity of employees making complaints or submissions shall be kept confidential and shall only be communicated to the Committee or the Chair of the Committee.
3. The Complaints Officer shall be informed that he or she must report to the Committee as frequently as such Complaints Officer deems appropriate, but in any event no less frequently than on a quarterly basis prior to the quarterly meeting of the Committee called to approve interim and annual financial statements of the Company.
4. Upon receipt of a report from the Complaints Officer, the Committee shall discuss the report and take such steps as the Committee may deem appropriate.
5. The Complaints Officer shall retain a record of a complaint or submission received for a period of six years following resolution of the complaint or submission.

## **7.0 Procedures for Approval of Non-Audit Services**

1. The Company's external auditors shall be prohibited from performing for the Company the following categories of non-audit services:
  - (a) bookkeeping or other services related to the Company's accounting records or financial statements;
  - (b) financial information systems design and implementation;
  - (c) appraisal or valuation services, fairness opinion or contributions-in-kind reports;
  - (d) actuarial services;
  - (e) internal audit outsourcing services;
  - (f) management functions;

- (g) human resources;
  - (h) broker or dealer, investment adviser or investment banking services;
  - (i) legal services;
  - (j) expert services unrelated to the audit; and
  - (k) any other service that the Canadian Public Accountability Board determines is impermissible.
2. In the event that the Company wishes to retain the services of the Company's external auditors for tax compliance, tax advice or tax planning, the Chief Financial Officer of the Company shall consult with the Chair of the Committee, who shall have the authority to approve or disapprove on behalf of the Committee, such non-audit services. All other non-audit services shall be approved or disapproved by the Committee as a whole.
3. The Chief Financial Officer of the Company shall maintain a record of non-audit services approved by the Chair of the Committee or the Committee for each fiscal year and provide a report to the Committee no less frequently than on a quarterly basis.

## **8.0 Reporting**

The Chair will report to the Board at each Board meeting on the Committee's activities since the last Board meeting. The Committee will annually review and approve the Committee's report for inclusion in the Annual Information Form. The secretary will circulate the minutes of each meeting of the Committee to the members of the Board.

## **9.0 Access to Information and Authority**

The Committee will be granted unrestricted access to all information regarding Bitfarms Canada that is necessary or desirable to fulfill its duties and all directors, officers and employees will be directed to cooperate as requested by Members.

## **10.0 Review of Charter**

The Committee will annually review and assess the adequacy of this Charter and recommend any proposed changes to the Board for consideration.

Dated: February 11, 2020  
Approved by: Board of Directors

**FORM 52-109F1 – AIF**  
**CERTIFICATION OF ANNUAL FILINGS**  
**IN CONNECTION WITH VOLUNTARILY FILED AIF**

This certificate is being filed on the same date that **Bitfarms Ltd.** (the “**issuer**”) has voluntarily filed an annual information form (“**AIF**”) for the financial year ended **December 31, 2019**.

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

1. **Review:** I have reviewed the AIF, annual financial statements and annual MD&A, including for greater certainty all documents and information that are incorporated by reference in the AIF (together, the “**annual filings**”) of the issuer for the financial year ended **December 31, 2019**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual 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, for the period covered by the annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual 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 annual filings.

Date: March 8, 2021

“*Emiliano Joel Grodzki*”

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**Emiliano Joel Grodzki**  
**Chief Executive Officer**

**NOTE TO READER**

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process 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.

The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

**FORM 52-109F1 – AIF**  
**CERTIFICATION OF ANNUAL FILINGS**  
**IN CONNECTION WITH VOLUNTARILY FILED AIF**

This certificate is being filed on the same date that **Bitfarms Ltd.** (the “**issuer**”) has voluntarily filed an annual information form (“**AIF**”) for the financial year ended **December 31, 2019**.

I, **Mauro Ferrara**, Chief Financial Officer of Bitfarms Ltd., certify the following:

1. **Review:** I have reviewed the AIF, annual financial statements and annual MD&A, including for greater certainty all documents and information that are incorporated by reference in the AIF (together, the “**annual filings**”) of the issuer for the financial year ended **December 31, 2019**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual 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, for the period covered by the annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual 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 annual filings.

Date: March 8, 2021

“*Mauro Ferrara*”

**Mauro Ferrara**  
**Chief Financial Officer**

**NOTE TO READER**

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process 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.

The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

**FORM 51-102F3 MATERIAL  
CHANGE REPORT****Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
18 King St. E, Suite 902  
Toronto, Ontario M5C 1C4

**Item 2 Date of Material Change**

March 12, 2021.

**Item 3 News Release**

The press release attached as Schedule “A” was disseminated on March 12, 2021.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Nicolas Bonta  
Executive Chairman & Director  
Bitfarms Ltd.  
nbonta@bitfarms.com

**Item 9 Date of Report**

March 12, 2021.

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## **Bitfarms Ltd. Engages CORE IR for Investor Relations, Public Relations and Shareholder Communications Services**

TORONTO, March 12, 2021 (GLOBE NEWSWIRE) – Bitfarms Ltd. (“Bitfarms” or the “Company”) (TSXV: BTF / OTC: BFARF), one of the largest, oldest and most cost- effective publicly traded bitcoin mining operations in the world, today announces it has retained CORE IR, a leading investor relations, public relations and strategic advisory firm, to assist the Company with investor relations, public relations and shareholder communications services.

CORE IR will focus on expanding market awareness for Bitfarms and conveying the Company’s business model and growth strategies to the institutional and retail investment communities. CORE IR, a boutique investor and public relations strategic advisory firm based in New York and other U.S. financial districts, specializes in leveraging the most effective investment, growth, and exposure strategies for small to mid-sized companies through an integrated approach to relationship development and corporate communications.

“Recognizing CORE IR’s high level capital markets experience and investor network reach in the U.S., we believe CORE IR is a perfect fit for our company at this exciting time of shareholder value creation and growth potential,” said Bitfarms CEO Emiliano Grodzki.

“CORE IR is a great fit for Bitfarms and we are very pleased to have the opportunity to work with management in executing our comprehensive approach to help the Company expand its outreach and engagement strategies. We look forward assisting the Company in achieving its corporate goals,” added CORE IR President and Co-Founder Scott Gordon.

CORE IR has been engaged at a rate of US\$15,000 per month for an initial term of twelve months and thereafter may be extended by mutual agreement or terminated earlier by a party with 30 days written notice after 6 months of service. CORE IR has also agreed to a one-time grant of 15,000 incentive stock options (the “Options”) exercisable at a price of C\$6.35 per share for a period of two years. The Options will be subject to the terms of the Company’s stock option plan and will vest as to 25% on each three-month anniversary of the Effective Date. The options due and issuable pursuant to this agreement are subject to the approval of the TSX Venture Exchange. Other than the options, neither CORE IR nor any of its directors, officers or employees have any interest, directly or indirectly, in Bitfarms or its securities, or any right or intent to acquire such an interest.

### **Issuance of Shares**

The Company further announces it has issued 6,221 common shares at a price of \$0.69 per common share to a certain shareholder as a result of an issuance deficiency noted in connection with the 2018 merger between Blockchain Mining Ltd. (a predecessor to the Company) and Backbone Hosting Solutions Inc. (the Company’s operating subsidiary).

### **About Bitfarms Ltd.**

Founded in 2017 Bitfarms is one of the one of the largest, oldest, and most cost- effective public bitcoin mining operations in the world. Bitfarms run vertically integrated mining operations with onsite technical repair, data analytics and engineers to deliver high performance and uptime of operations.

Having demonstrated rapid growth and stellar operations, Bitfarms became the first Bitcoin mining company to complete its long form prospectus with the Ontario Securities Commission and started trading on the TSX-V in July 2019. Bitfarms is currently listed as a Rising Star by the TSX-V.

Bitfarms has a diversified production platform with five industrial scale facilities located in Quebec. Each facility is 100% powered with environmentally friendly hydro power and secured with long-term power contracts. Bitfarms is currently the only publicly traded pure-play mining company audited by a Big Four audit firm.

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/>

## **About CORE IR**

Headquartered in Garden City, New York, CORE IR is comprised of senior market leaders with expertise in institutional and retail investor relations, integrated corporate communications, and capital markets advisory services. CORE IR provides proprietary integrated investor and public relations solutions that yield targeted exposure for small to mid-sized companies. For more information, please visit [www.coreir.com](http://www.coreir.com).

## **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 TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

## **Forward-Looking Statements**

*This news release contains certain "forward-looking information" within the meaning of applicable Canadian securities laws that are based on expectations, estimates and projections as at the date of this news release. The information in this release about future plans and objectives of the Company, are forward-looking information. Other forward-looking information includes but is not limited to information concerning: the delivery of new miners on schedule and otherwise in accordance with the contract terms; 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 resulting significant negative impact on the Company's operations, the construction and operation of expanded blockchain infrastructure as currently planned, and the regulatory environment of cryptocurrency in the Provinces of Canada.*

*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 reasonable assumptions and estimates of management of the Company at the time it was 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; 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; 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; and volatile securities markets impacting security pricing unrelated to operating performance. In addition, particular factors which could impact future results of the business of Bitfarms include but are not limited to: successful delivery of the new miners on the agreed schedule in accordance with the contract terms and the potential for further improvements to profitability and efficiency across mining operations; the construction and operation of blockchain infrastructure 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 Province of Québec, 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 there will be no regulation or law that will prevent Bitfarms from operating its business. The Company has also assumed that no significant events occur outside of the Bitfarms' normal course of business. Although the Company has attempted to identify important factors that could cause actual results to differ materially, 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 forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.*

#### Contacts

##### **For corporate inquiries:**

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gmorphy@bitfarms.com

##### **For media inquiries**

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Jules Abraham  
Director of Public Relations  
CORE IR  
917-885-7378  
julesa@coreir.com

##### **Investor Relations Contact:**

CORE IR  
Tristan Traywick  
Managing Director  
516 22 2560  
tt@coreir.com



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CORE IR will focus on expanding market awareness for Bitfarms and conveying the Company's business model and growth strategies to the institutional and retail investment communities. CORE IR, a boutique investor and public relations strategic advisory firm based in New York and other U.S. financial districts, specializes in leveraging the most effective investment, growth, and exposure strategies for small to mid-sized companies through an integrated approach to relationship development and corporate communications.

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"CORE IR is a great fit for Bitfarms and we are very pleased to have the opportunity to work with management in executing our comprehensive approach to help the Company expand its outreach and engagement strategies. We look forward assisting the Company in achieving its corporate goals," added CORE IR President and Co-Founder Scott Gordon.

CORE IR has been engaged at a rate of US\$15,000 per month for an initial term of twelve months and thereafter may be extended by mutual agreement or terminated earlier by a party with 30 days written notice after 6 months of service. CORE IR has also agreed to a one-time grant of 15,000 incentive stock options (the "Options") exercisable at a price of C\$6.35 per share for a period of two years. The Options will be subject to the terms of the Company's stock option plan and will vest as to 25% on each three-month anniversary of the Effective Date. The options due and issuable pursuant to this agreement are subject to the approval of the TSX Venture Exchange. Other than the options, neither CORE IR nor any of its directors, officers or employees have any interest, directly or indirectly, in Bitfarms or its securities, or any right or intent to acquire such an interest.

### Issuance of Shares

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

### About CORE IR

Headquartered in Garden City, New York, CORE IR is comprised of senior market leaders with expertise in institutional and retail investor relations, integrated corporate communications, and capital markets advisory services. CORE IR provides proprietary integrated investor and public relations solutions that yield targeted exposure for small to mid-sized companies. For more information, please visit [www.coreir.com](http://www.coreir.com).

### 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 TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

## **Forward-Looking Statements**

*This news release contains certain “forward-looking information” within the meaning of applicable Canadian securities laws that are based on expectations, estimates and projections as at the date of this news release. The information in this release about future plans and objectives of the Company, are forward-looking information. Other forward-looking information includes but is not limited to information concerning: the delivery of new miners on schedule and otherwise in accordance with the contract terms; 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 resulting significant negative impact on the Company’s operations, the construction and operation of expanded blockchain infrastructure as currently planned, and the regulatory environment of cryptocurrency in the Provinces of Canada.*

*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 reasonable assumptions and estimates of management of the Company at the time it was 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; 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; 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; and volatile securities markets impacting security pricing unrelated to operating performance. In addition, particular factors which could impact future results of the business of Bitfarms include but are not limited to: successful delivery of the new miners on the agreed schedule in accordance with the contract terms and the potential for further improvements to profitability and efficiency across mining operations; the construction and operation of blockchain infrastructure 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 Province of Québec, 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 there will be no regulation or law that will prevent Bitfarms from operating its business. The Company has also assumed that no significant events occur outside of the Bitfarms’ normal course of business. Although the Company has attempted to identify important factors that could cause actual results to differ materially, 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 forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.*

## **Contacts**

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*A copy of this preliminary short form base shelf prospectus has been filed with the securities regulatory authorities in each of the provinces and territories of Canada, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form base shelf prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the final short form base shelf prospectus is obtained from the securities regulatory authorities.*

*This preliminary short form prospectus is a base shelf prospectus. This preliminary short form base shelf prospectus has been filed under legislation in each of the provinces and territories of Canada, that permits certain information about these securities to be determined after this short form base shelf prospectus has become final and that permits the omission from this short form base shelf prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities, except in respect of any sales pursuant to an "at-the-market" distribution as contemplated by National Instrument 44-102 – Shelf Distributions.*

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This preliminary short form base shelf prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.*

*The securities offered under this preliminary short form prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold within the United States of America or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the U.S. Securities Act) unless exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws are available. This preliminary short form prospectus does not constitute an offer to sell or a solicitation or an offer to buy any of the securities offered hereby within the United States or to, or for the benefit of, U.S. persons. See "Plan of Distribution".*

*Information contained herein is subject to completion or amendment. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.*

*Information has been incorporated by reference in this preliminary short form base shelf prospectus from documents filed with the securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Bitfarms Ltd. at 18 King St. E, Suite 902, Toronto, ON M5C 1C4 (Telephone 647 259-1790), and are also available electronically at [www.sedar.com](http://www.sedar.com).*

## PRELIMINARY SHORT FORM BASE SHELF PROSPECTUS

New Issue

March 12, 2021

BITFARMS LTD.



US\$250,000,000

Common Shares  
Warrants  
Subscription Receipts  
Units

Debt Securities  
Share Purchase Contracts

This preliminary short form base shelf prospectus relates to the offering for sale from time to time, during the 25-month period that this prospectus, including any amendments hereto, remains effective, of the securities of Bitfarms Ltd. (the "Company", "Bitfarms", "we" or "our") listed above in one or more series or issuances, with a total offering price of such securities, in the aggregate, of up to **US\$250,000,000** (or the equivalent thereof in Canadian dollars or one or more foreign currencies or composite currencies). The securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of the sale and set forth in an accompanying prospectus supplement.

In addition, the securities may be offered and issued in consideration for the acquisition of other businesses, assets or securities by the Company or a subsidiary of the Company. The consideration for any such acquisition may consist of any of the securities separately, a combination of securities or any combination of, among other things, securities, cash and the assumption of liabilities.

The common shares of the Company (“**Common Shares**”) are listed for trading on the TSX Venture Exchange (the “**TSXV**”) under the trading symbol “**BITF**” as well as on the OTC under “**BFARF**”. On March 11, 2021, being the last complete trading day prior to the date hereof, the closing price of the Common Shares on the TSXV was C\$6.35.

Unless otherwise specified in an applicable prospectus supplement, debt securities, subscription receipts, units, warrants and share purchase contracts will not be listed on any securities or stock exchange or on any automated dealer quotation system. **There is currently no market through which the Company’s securities, other than the Common Shares, may be sold and purchasers may not be able to resell such securities purchased under this short form prospectus. This may affect the pricing of the Company’s securities, other than the Common Shares, in the secondary market, the transparency and availability of trading prices, the liquidity of the Company’s securities and the extent of issuer regulation. See “Risk Factors”.**

**Acquiring the Company’s securities may subject you to tax consequences in Canada. This prospectus or any applicable prospectus supplement may not describe these tax consequences fully. You should read the tax discussion in any applicable prospectus supplement with respect to any particular offering and consult your own tax advisor with respect to your own particular circumstances.**

**No underwriter has been involved in the preparation of this prospectus or performed any review of the contents of this prospectus.**

This prospectus constitutes a public offering of the securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell the securities in such jurisdiction. All applicable information permitted under securities legislation to be omitted from this prospectus that has been so omitted will be contained in one or more prospectus supplements that will, except in respect of any sales pursuant to an “at-the-market” distribution as contemplated by National Instrument 44-102 – Shelf Distributions (“**NI 44-102**”), be delivered to purchasers together with this prospectus. Each prospectus supplement will be incorporated by reference into this prospectus for the purposes of securities legislation as of the date of the prospectus supplement and only for the purposes of the distribution of the securities to which the prospectus supplement pertains. You should read this prospectus and any applicable prospectus supplement carefully before you invest in any securities issued pursuant to this prospectus. The Company’s securities may be sold pursuant to this prospectus through underwriters or dealers or directly or through agents designated from time to time at amounts and prices and other terms determined by us.

The sale of Common Shares may be effected from time to time in one or more transactions at non-fixed prices pursuant to transactions that are deemed to be an “at-the-market” distributions as contemplated by 44-102 and as permitted by applicable law, including sales made directly on the TSXV or other existing trading markets for the Securities, and as set forth in a prospectus supplement for such purpose. See “*Plan of Distribution*”.

A prospectus supplement will set out the names of any underwriters, dealers or agents involved in the sale of the Company’s securities, the amounts, if any, to be purchased by underwriters, the plan of distribution for such securities, including the net proceeds we expect to receive from the sale of such securities, if any, the amounts and prices at which such securities are sold and the compensation of such underwriters, dealers or agents.

**Investment in the securities being offered is highly speculative and involves significant risks that you should consider before purchasing such securities. You should carefully review the risks outlined in this prospectus (including any prospectus supplement) and in the documents incorporated by reference as well as the information under the heading “Cautionary Note Regarding Forward-Looking Statements” and consider such risks and information in connection with an investment in the securities. See “Risk Factors”.**

The specific terms of the securities with respect to a particular offering will be set out in one or more prospectus supplements and may include, where applicable: (i) in the case of Common Shares, the number of Common Shares offered, the offering price and any other specific terms; (ii) in the case of warrants, the offering price, the designation, number and terms of the Common Shares or debt securities issuable upon exercise of the warrants, any procedures that will result in the adjustment of these numbers, the exercise price, dates and periods of exercise, the currency in which the warrants are issued and any other specific terms; (iii) in the case of subscription receipts, the number of subscription receipts being offered, the offering price, the procedures for the exchange of the subscription receipts for Common Shares, debt securities or warrants, as the case may be, and any other specific terms; (iv) in the case of debt securities, the specific designation, the aggregate principal amount, the currency or the currency unit for the debt securities being offered, the maturity, the interest provisions, the authorized denominations, the offering price, the covenants, the events of default, any terms for redemption or retraction, any exchange or conversion terms, whether the debt securities are secured, affiliate-guaranteed, senior or subordinated and any other terms specific to the debt securities being offered; (v) in the case of units, the designation, number and terms of the Common Shares, warrants, subscription receipts, share purchase contracts or debt securities comprising the units; and (vi) in the case of share purchase contracts, whether the share purchase contracts obligate the holder to purchase or sell or both purchase and sell Common Shares, whether the share purchase contracts are to be prepaid or not or paid in instalments, any conditions upon which the purchase or sale will be contingent and the consequences if such conditions are not satisfied, whether the share purchase contracts are to be settled by delivery, any provisions relating to the settlement of the share purchase contracts, the date or dates on which the sale or purchase must be made, whether the share purchase contracts will be issued in fully registered or global form and the material income tax consequences of owning, holding and disposing of the share purchase contracts. Where required by statute, regulation or policy, and where securities are offered in currencies other than Canadian dollars, appropriate disclosure of foreign exchange rates applicable to the securities will be included in the prospectus supplement describing the securities.

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process. One of the Company's subsidiaries, namely Bitfarms Ltd. (Israel), is incorporated under the laws of Israel and some of the Company's directors, namely: Emiliano Joel Grodzki, Nicolas Bonta, and Andres Finkielstain reside outside of Canada and have appointed the Company at its registered office set forth below as their agent for service of process in Canada.

The Company's registered office is located at 18 King St. E, Suite 902, Toronto, ON M5C 1C4.

Investors should rely only on the information contained in or incorporated by reference into this prospectus and any applicable prospectus supplement. We have not authorized anyone to provide investors with different information. Information contained on the Company's website shall not be deemed to be a part of this prospectus (including any applicable prospectus supplement) or incorporated by reference herein and should not be relied upon by prospective investors for the purpose of determining whether to invest in the securities. We will not make an offer of these securities in any jurisdiction where the offer or sale is not permitted. Investors should not assume that the information contained in this prospectus is accurate as of any date other than the date on the face page of this prospectus, the date of any applicable prospectus supplement or the date of any documents incorporated by reference herein.

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## ABOUT THIS PROSPECTUS

You should rely only on the information contained or incorporated by reference in this prospectus and any applicable prospectus supplement. We have not authorized anyone to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. We are not making an offer to sell or seeking an offer to buy the securities offered pursuant to this prospectus in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this prospectus and any applicable prospectus supplement is accurate only as of the date on the front of such document and that information contained in any document incorporated by reference is accurate only as of the date of that document, regardless of the time of delivery of this prospectus or any applicable prospectus supplement or of any sale of the Company's securities pursuant thereto. The Company's business, financial condition, results of operations and prospects may have changed since those dates.

Market data and certain industry forecasts used in this prospectus and any applicable prospectus supplement, and the documents incorporated by reference in this prospectus and any applicable prospectus supplement, were obtained from market research, publicly available information and industry publications. We believe that these sources are generally reliable, but the accuracy and completeness of this information is not guaranteed. We have not independently verified such information, and we do not make any representation as to the accuracy of such information.

In this prospectus and any prospectus supplement, unless otherwise indicated, all dollar amounts and references to "US\$" or "\$" are to U.S. dollars and references to "C\$" are to Canadian dollars. This prospectus and the documents incorporated by reference contain translations of certain US dollar amounts into Canadian dollars solely for your convenience. See "Currency Presentation and Exchange Rate Information".

In this prospectus and in any prospectus supplement, unless the context otherwise requires, references to "we", "us", "our" or similar terms, as well as references to "Bitfarms" or the "Company", refer to Bitfarms Ltd. together, where context requires, with its subsidiaries and affiliates.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements and other information contained in this prospectus constitute forward-looking information under Canadian Securities Laws (collectively "forward-looking statements"). Such forward-looking statements include, but are not limited to:

- the future price of cryptocurrencies, such as Bitcoin and the other types of digital assets which Bitfarms and its subsidiaries mine, hold and trade;
- the Company's intended use of net proceeds from the sale of its securities;
- the number of securities the Company intends to issue;
- the future pricing for services and solutions in the businesses of the Company and its subsidiaries;
- the liquidity and market price of the Common Shares;
- the Company's expectations regarding the sufficiency of its capital resources and requirements for additional capital;
- litigation risks;
- currency fluctuations;
- risks related to debt securities being secured;
- risks related to the decrease of the market price of the Common Shares if the Company's shareholders sell substantial amounts of Common Shares;
- risks related to future sales or issuances of equity securities diluting voting power and reducing future earnings per share;



- the absence of a market through which the Company’s securities, other than Common Shares, may be sold;
- changes to governmental laws and regulations; and
- effects of the novel coronavirus (“COVID-19”) outbreak as a global pandemic.

These forward-looking statements relate to future events or future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe”, “future”, “continue” or similar expressions or the negatives thereof.

By their very nature, forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this prospectus should not be unduly relied upon. These statements speak only as of the date of this prospectus.

The forward-looking statements in this document are based on what the Company currently believes are reasonable assumptions, including the material assumptions set out in the management discussion and analysis and press releases of the Company (such documents are available under the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com)). Other material factors or assumptions that were applied in formulating the forward-looking statements contained herein include or relate to the following:

- the business and economic conditions affecting the Company’s operations in their current state, including, general levels of economic activity, regulations, taxes and interest rates;
- the Company’s ability to profitably generate cryptocurrencies;
- the Company’s ability to successfully acquire and maintain required regulatory licenses and qualifications;
- historical prices of cryptocurrencies;
- the emerging cryptocurrency and blockchain markets and sectors;
- the Company’s ability to maintain good business relationships;
- the Company’s ability to manage and integrate acquisitions;
- the Company’s ability to identify, hire and retain key personnel;
- the Company’s ability to raise sufficient debt or equity financing to support the Company’s continued growth;
- economic dependence on regulated terms of service and electricity rates;
- the technology, proprietary and non-proprietary software, data and intellectual property of the Company and third parties in the cryptocurrencies and digital asset sector is able to be relied upon to conduct the Company’s business;
- the Company does not suffer a material impact or disruption from a cybersecurity incident, cyber-attack or theft of digital assets;
- continued maintenance and development of cryptocurrency mining facilities;
- continued growth in usage and in the blockchain for various applications;
- continued development of a stable public infrastructure, with the necessary speed, data capacity and security required to operate blockchain networks;
- the absence of adverse regulation or law; and
- the absence of material changes in the legislative, regulatory or operating framework for the Company’s existing and anticipated business.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Some of the risks that could cause outcomes and results to differ materially from those expressed in the forward-looking statements include:

- The Company's limited operating history.
- Future capital needs and uncertainty of additional financing.
- Share price fluctuations.
- The need for the Company to manage its planned growth and expansion.
- Cybersecurity threats and hacking.
- Possibility of cessation of monetization of cryptocurrencies.
- Limited history of de-centralized financial system.
- Technological obsolescence and difficulty in obtaining hardware.
- Price volatility of cryptocurrencies.
- The Bitcoin Halving Events.
- Cryptocurrency network difficulty and impact of increased global computing power.
- Economic dependence on regulated terms of service and electricity rates risks.
- Future profits/losses and production revenues/expenses.
- Cryptocurrency exchanges are new and mostly unregulated.
- Discretion regarding by the Company of available funds.
- Political and regulatory risk.
- Permits and licenses.
- Server failures.
- Global financial conditions.
- Tax consequences.
- Environmental regulations.
- Environmental liability.
- Erroneous transactions and human error.
- The continued development of existing and planned facilities.
- Risks of non-availability of insurance.
- Competition.
- Reliance on key personnel.
- Credit risk.
- Uncertainty of widespread use of cryptocurrency.
- Interest rate risk.
- Fluctuations in currency exchange rates.
- Controlling shareholder risk.
- COVID-19 pandemic risk.

- Forward looking statements.
- Discretion over use of proceeds.
- Absence of a public market for certain of the securities.
- Unsecured debt securities.
- Effect of changes in interest rates on debt securities.
- Effect of fluctuations in foreign currency markets on debt securities.
- Trading price of Common Shares and volatility.

Additional information on these and other factors is discussed under the heading “*RISK FACTORS*” in this prospectus and in the documents incorporated by reference herein including in the 2019 MD&A (as defined herein) under the headings “Financial Instruments and Risks” and “Other Risks” and in the 2019 AIF (as defined herein) under the heading “Risk Factors”, as may be modified or superseded by other subsequently filed documents that are also incorporated or deemed to be incorporated by reference in this prospectus.

The forward-looking statements contained in this prospectus are expressly qualified by this cautionary statement. Except as required by law, the Company does not undertake any obligation to publicly update or revise any forward- looking statements.

### DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in this preliminary short form base shelf prospectus from documents filed with the securities commissions or similar authorities in Canada.**

Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Bitfarms at 18 King St. E, Suite 902, Toronto, ON M5C 1C4 (Telephone 647 259-1790) Attn: Chief Financial Officer or by accessing the disclosure documents through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (“SEDAR”), at [www.sedar.com](http://www.sedar.com).

The following documents, filed with the securities commissions or similar regulatory authorities in each of the provinces and territories of Canada, are specifically incorporated by reference into, and form an integral part of, this preliminary short form base shelf prospectus:

- the Company’s annual information form for the year ended December 31, 2019, dated as at March 8, 2021 and filed on March 8, 2021 (the “**2019 AIF**”);
- the Company’s unaudited interim consolidated financial statements for the three and nine months ended September 30, 2020, and 2019 and filed on November 26, 2020;
- the Company’s management’s discussion and analysis for the three and nine months ended September 30, 2020, and 2019 and filed on November 26, 2020 (the “**Interim MD&A**”);
- the Company’s audited consolidated financial statements for the year ended December 31, 2019 and 2018 the notes thereto and the independent auditor’s report thereon, filed on April 29, 2020;
- the Company’s annual management’s discussion and analysis for the year ended December 31, 2019 and 2018, dated as at April 29, 2020 and filed on April 29, 2020 (the “**2019 MD&A**”);
- the information circular dated August 13, 2019 with respect to a special meeting of the Company’s shareholders (“**Shareholders**”) held on September 16, 2019, filed on August 19, 2019;
- the information circular dated January 2, 2020 with respect to a special meeting of Shareholders held on February 4, 2020, filed on January 13, 2020;
- the information circular dated May 20, 2020 with respect to the annual meeting of Shareholders held on June 29, 2020, filed on June 8, 2020;
- the material change report dated March 21, 2020 relating to the resignation of Wes Fulford as Chief Executive Officer and Director of the Company and filed on March 23, 2020;

- the material change report dated June 1, 2020 relating to the acquisition of cryptocurrency mining equipment;
- the material change report dated June 19, 2020 relating to the change of auditors of the Company;
- the material change report dated June 24, 2020 relating to the corporate update of the Company in respect of its first quarter of the financial year ending December 31, 2020;
- the material change report dated June 29, 2020 relating to the installation of cryptocurrency mining equipment and option grants under the Company's stock option plan (the "**Plan**");
- the material change report dated August 20, 2020 relating to the lease of cryptocurrency mining equipment and restructuring agreement to amend existing notes (the "**Restructuring Agreement**");
- the material change report dated August 28, 2020 relating to the corporate update of the Company in respect of its second quarter of the financial year ending December 31, 2020;
- the material change report dated August 31, 2020 relating to the changes in management and the board of directors (the "**Board**");
- the material change report dated September 14, 2020 relating to further updates on the Restructuring Agreement and an operational update on the cryptocurrency mining equipment;
- the material change report dated September 21, 2020 relating to the lease of cryptocurrency mining equipment and the completion of the Restructuring Agreement;
- the material change report dated October 13, 2020 relating to the lease of cryptocurrency mining equipment;
- the material change report dated October 26, 2020 relating to the signing of a non-binding memorandum of understanding to secure electricity in South America;
- the material change report dated October 28, 2020 relating to the appointment of Mauro Ferrara as Interim Chief Financial Officer and Corporate Secretary;
- the material change report dated November 9, 2020 relating to the installation of cryptocurrency mining equipment;
- the material change report dated November 26, 2020 relating to the corporate update of the Company in respect of its third quarter of the financial year ending December 31, 2020;
- the material change report dated December 22, 2020 relating to the deployment of cryptocurrency mining equipment and option grants under the Plan;
- the material change report dated December 29, 2020 relating to the changes in management and the Board;
- the material change report dated January 4, 2021 relating to the announcement of a brokered private placement in the United States for aggregate gross proceeds of C\$20,000,000;
- the material change report dated January 7, 2021 relating to the closing of a brokered private placement in the United States for aggregate gross proceeds of C\$20,000,000;
- the material change report dated January 11, 2021 relating to the announcement of a brokered private placement in the United States for aggregate gross proceeds of C\$20,000,000;
- the material change report dated January 14, 2021 relating to the closing of a brokered private placement in the United States for aggregate gross proceeds of C\$20,000,000;
- the material change report dated January 14, 2021 relating to the resignation of Mathieu Vachon as Chief Information Officer and a Director of the Company;
- the material change report dated February 4, 2021 relating to the corporate update of the Company's computing power expansion and other activity;

- the material change report dated February 8, 2021 relating to the announcement of a brokered private placement in the United States for aggregate gross proceeds of C\$40,000,000;
- the material change report dated February 10, 2021 relating to the closing of a brokered private placement in the United States for aggregate gross proceeds of C\$40,000,000;
- the material change report dated February 18, 2021 relating to the installation of cryptocurrency mining equipment;
- the material change report dated February 23, 2021 relating to the update of the Company's operating hash rate and full repayment of term loan;
- the material change report dated March 2, 2021 relating to the purchase of cryptocurrency mining equipment; and
- the material change report dated March 12, 2021 relating to the entering into a marketing and consulting agreement with CORE IR.

Any documents of the type described in Section 11.1 of Form 44-101F1 Short Form Prospectuses filed by the Company with a securities commission or similar authority in any province or territory of Canada subsequent to the date of this preliminary short form base shelf prospectus and prior to the expiry of this prospectus, or the completion of the issuance of securities pursuant hereto, will be deemed to be incorporated by reference into this prospectus.

A prospectus supplement containing the specific terms of any offering of the Company's securities will be delivered to purchasers of the Company's securities together with this prospectus and will be deemed to be incorporated by reference in this prospectus as of the date of the prospectus supplement and only for the purposes of the offering of the Company's securities to which that prospectus supplement pertains.

**Any statement contained in this prospectus or in a document incorporated or deemed to be incorporated by reference in this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein, in any prospectus supplement hereto or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not to be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.**

Upon the Company's filing of a new annual information form and the related annual financial statements and management's discussion and analysis with applicable securities regulatory authorities during the currency of this prospectus, the previous annual information form, the previous annual financial statements and management's discussion and analysis and all interim financial statements, material change reports and information circulars filed prior to the commencement of the Company's financial year in which the new annual information form is filed will be deemed no longer to be incorporated into this prospectus for purposes of future offers and sales of the Company's securities under this prospectus. Upon interim consolidated financial statements and the accompanying management's discussion and analysis being filed by us with the applicable securities regulatory authorities during the duration of this prospectus, all interim consolidated financial statements and the accompanying management's discussion and analysis filed prior to the new interim consolidated financial statements shall be deemed no longer to be incorporated into this prospectus for purposes of future offers and sales of securities under this prospectus. Upon a new annual information form being filed by us with the applicable securities regulatory authorities during the term of this prospectus for which the related annual comparative consolidated financial statements include at least nine months of financial results of an acquired business for which a business acquisition report was filed by us and incorporated by reference into this prospectus, such business acquisition report shall no longer be deemed to be incorporated into this prospectus for the purpose of future offers and sales of the securities hereunder. Upon a new information circular of the Company prepared in connection with an annual general meeting of the Company being filed with the applicable securities regulatory authorities during the currency of this Prospectus, the previous information circular of the Company, if prepared in connection with solely an annual general meeting of the Company, shall be deemed no longer to be incorporated by reference into this Prospectus for purposes of future offers and sales of Securities hereunder.

References to the Company's website in any documents that are incorporated by reference into this prospectus do not incorporate by reference the information on such website into this prospectus, and we disclaim any such incorporation by reference.

## CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

The high, low, average and closing rates for the US dollar in terms of Canadian dollars for each of the financial periods indicated below, as quoted by the Bank of Canada, were as follows:

|         | Nine months<br>ended<br>September 30,<br>2020 | Nine months<br>ended<br>September 30,<br>2019 | Year ended<br>December 31,<br>2020 | Year ended<br>December 31,<br>2019 |
|---------|-----------------------------------------------|-----------------------------------------------|------------------------------------|------------------------------------|
|         | (expressed in Canadian dollars)               |                                               |                                    |                                    |
| High    | 1.4496                                        | 1.3600                                        | 1.4496                             | 1.3600                             |
| Low     | 1.2970                                        | 1.3038                                        | 1.2718                             | 1.2988                             |
| Average | 1.3541                                        | 1.3292                                        | 1.3415                             | 1.3269                             |
| Closing | 1.3339                                        | 1.3243                                        | 1.2732                             | 1.2988                             |

On March 11, 2021, the daily exchange rate for the US dollar in terms of Canadian dollars, as quoted by the Bank of Canada, was \$1.00 = C\$1.2561.

## THE COMPANY

*The following description of the Company is, in some instances, derived from selected information about us contained in the documents incorporated by reference into this prospectus. This description does not contain all of the information about us and our business that you should consider before investing in any securities. You should carefully read the entire prospectus and the applicable prospectus supplement, including the section entitled "Risk Factors", as well as the documents incorporated by reference into this prospectus and the applicable prospectus supplement, before making an investment decision.*

### Name, Address and Incorporation

The Company was incorporated under the *Canada Business Corporations Act* on October 11, 2018.

The Company has its registered and head office located at 18 King St. E, Suite 902, Toronto, ON M5C 1C4.

The Company's Common Shares are listed for trading on the TSX Venture Exchange (the "TSXV") under the trading symbol "BITF" as well as on the OTC under "BFARF".

### Subsidiaries

The table below lists the principal subsidiaries of the Company as of the date hereof.

| Name                            | Jurisdiction | Assets Held                                                                                        |
|---------------------------------|--------------|----------------------------------------------------------------------------------------------------|
| Bitfarms Ltd.                   | Israel       | Holding company                                                                                    |
| Backbone Hosting Solutions Inc. | Canada       | Computer equipment                                                                                 |
| 9159-9290 Québec Inc.           | Quebec       | Provides professional electrical services to Backbone Hosting Solutions Inc. and outside customers |

## Summary Description of the Business

The Company's primary business is the mining of cryptocurrency coins and tokens. Backbone Hosting Solutions Inc. ("**Backbone**") owns and operates server farms, comprised of computers (each herein referred to as, a "**Miner**") primarily configured for the purpose of validating transactions on cryptocurrency network blockchains, and predominately the Bitcoin network blockchain. Backbone's server farms currently mine Bitcoin and in the past have also mined Litecoin, Bitcoin Cash, Dash and Ethereum. Income is earned from the transaction fees it receives in return for securing and processing transactions during all hours of the day (herein referred to as, "**Mining**"), and the cryptocurrencies rewarded for validating a "block" of transactions. Backbone exchanges cryptocurrencies mined into U.S. dollars, as needed, through reputable cryptocurrency trading platforms. In the description of the business of the Company in this preliminary short form base shelf prospectus:

"**Bitcoin**" shall refer to 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 Bitcoin 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. Bitcoin is created when the Bitcoin network issues Block Rewards through the Mining process;

"**Block Reward**" shall refer to the new bitcoins that are awarded by the Blockchain network to eligible cryptocurrency miners for each block they successfully mine. The current block reward is 6.25 Bitcoin per block;

"**Blockchain**" shall refer to 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;

"**Hash**" shall refer to 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 Bitcoin transactions is the SHA-256 algorithm.

"**Hashrate**" shall refer to the number of hash operations performed per second and is a measure of computing power in Mining cryptocurrency;

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

"**MW**" shall refer to a megawatt, which 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.

The Company operates through two operating corporate subsidiaries and reportable segments: Backbone and 9159-9290 Quebec Inc. (Volta Electrique, "**Volta**"). Backbone owns and operates server farms, comprised of Miners designed for the purpose of validating transactions, primarily on the Bitcoin 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 Bitcoin network to a Mining Pool from which the Company receives cryptocurrencies in return for contributing its hashrate which the Mining Pool uses to validate transactions (referred to as "**Mining**").

The Company operates five server farm facilities in Québec, Canada, with electrical infrastructure capacity of 69 MW for Mining Bitcoin. The Company has contracts securing an aggregate of 160 MW of hydro-electric green energy in Quebec. In addition, Bitfarms owns proprietary software that is used to control, manage, report and secure mining operations. The software scans and reports the location, computing power and temperature of all Miners at regular intervals to allow the Company to monitor performance and ensure Miners are operating at maximum capacity and up-time.

Volta assists the Company in building and maintaining its server farms, while also providing electrician services to both commercial and residential customers in Québec.

The Company's operating and maintenance expenses are comprised of electricity to power its computing equipment as well as cooling and lighting and other aspects of operating computer equipment. Other site expenses include leasing costs for the facilities, personnel salaries, internet access, equipment maintenance and software optimization, and facility security, maintenance and management.

The Company's facilities are strategically located in geographical locations where electricity costs are low due to an abundance of green energy such as hydro power.

More detailed information regarding the business of the Company as well as its mining operations can be found in the 2019 AIF under the heading "DESCRIPTION OF THE BUSINESS – Description of the Business", the 2019 MD&A and the Interim MD&A, all of which are incorporated by reference herein.

## **RISK FACTORS**

*Investing in the Company's securities is speculative and involves a high degree of risk due to the nature of the Company's business and the present stage of its development. The following risk factors, as well as risks currently unknown to us, could materially and adversely affect the Company's future business, operations and financial condition and could cause them to differ materially from the estimates described in forward-looking statements relating to the Company, or its business or financial results, each of which could cause purchasers of the Company's securities to lose part or all of their investment. The risks set out below are not the only risks we face; risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect the Company's business, financial condition, results of operations and prospects. You should also refer to the other information set forth or incorporated by reference in this prospectus or any applicable prospectus supplement, including the Company's 2019 AIF and the 2019 MD&A and annual financial statements, and the related notes. A prospective investor should carefully consider the risk factors set out below along with the other matters set out or incorporated by reference in this prospectus.*

Discussions of certain risks affecting the Company in connection with the Company's business are provided in our annual and interim disclosure documents filed with the various securities regulatory authorities which are incorporated by reference in this prospectus.

### **Risks Related to the Offering of Securities**

#### ***Discretion over use of proceeds.***

The Company intends to allocate the net proceeds it will receive from an offering as described under "Use of Proceeds" in this prospectus and the applicable prospectus supplement; however, the Company will have discretion in the actual application of the net proceeds. The Company may elect to allocate the net proceeds differently from that described in "Use of Proceeds" in this prospectus and the applicable prospectus supplement if the Company believes it would be in the Company's best interests to do so. The Company's investors may not agree with the manner in which the Company chooses to allocate and spend the net proceeds from an offering. The failure by the Company to apply these funds effectively could have a material adverse effect on the business of the Company.

#### ***Absence of a public market for certain of the securities.***

There is no public market for the debt securities, warrants, subscription receipts, securities purchase contracts or units and, unless otherwise specified in the applicable prospectus supplement, the Company does not intend to apply for listing of the debt securities, warrants, subscription receipts, securities purchase contracts or units on any securities exchanges. If the debt securities, warrants, subscription receipts, securities purchase contracts or units are traded after their initial issuance, they may trade at a discount from their initial offering prices depending on prevailing interest rates (as applicable), the market for similar securities and other factors, including general economic conditions and the Company's financial condition. There can be no assurance as to the liquidity of the trading market for the debt securities, warrants, subscription receipts, share purchase contracts or units, or that a trading market for these securities will develop at all.



***Unsecured debt securities.***

The Company carries on its business through corporate subsidiaries, and the majority of its assets are held in corporate subsidiaries. The Company's results of operations and ability to service indebtedness, including the debt securities, are dependent upon the results of operations of these subsidiaries and the payment of funds by these subsidiaries to the Company in the form of loans, dividends or otherwise. Unless otherwise indicated in the applicable prospectus supplement, the Company's subsidiaries will not have an obligation to pay amounts due pursuant to any debt securities or to make any funds available for payment on debt securities, whether by dividends, interest, loans, advances or other payments. In addition, the payment of dividends and the making of loans, advances and other payments to the Company by its subsidiaries may be subject to statutory or contractual restrictions. Unless otherwise indicated in the applicable prospectus supplement, the indenture governing the Company's debt securities is not expected to limit the Company's ability or the ability of its subsidiaries to incur indebtedness. Unless otherwise indicated in the applicable prospectus supplement, such indebtedness of the Company's subsidiaries would be structurally senior to the debt securities. As such, in the event of the liquidation of any subsidiary, the assets of the subsidiary would be used first to repay the obligations of the subsidiary, including indebtedness and trade payables, prior to being used by the Company to pay its indebtedness, including any debt securities. See "Description of Debt Securities".

***Effect of changes in interest rates on debt securities.***

Prevailing interest rates will affect the market price or value of any debt securities. The market price or value of any debt securities may decline as prevailing interest rates for comparable debt instruments rise, and increase as prevailing interest rates for comparable debt instruments decline.

***Effect of fluctuations in foreign currency markets on debt securities.***

Debt securities denominated or payable in foreign currencies may entail significant risk. These risks include, without limitation, the possibility of significant fluctuations in the foreign currency markets, the imposition or modification of foreign exchange controls and potential liquidity restrictions in the secondary market. These risks will vary depending upon the currency or currencies involved and will be more fully described in the applicable prospectus supplement.

***Trading price of Common Shares and volatility.***

In recent years, the securities markets in the United States and Canada, have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur, and the trading price of the Company's shares may be subject to large fluctuations and may decline below the price at which an investor acquired its shares. The trading price may increase or decrease in response to a number of events and factors, which may not be within the Company's control nor be a reflection of the Company's actual operating performance, underlying asset values or prospects. Accordingly, investors may not be able to sell their securities at or above their acquisition cost.

***Forward looking statements.***

Some statements contained in this prospectus are not historical facts, but rather are forward looking statements that involve risks and uncertainties. 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. Without limiting the generality of the foregoing, such risks and uncertainties include interpretation of results, accidents, equipment breakdowns, labour disputes or other unanticipated difficulties with or interruptions in production, delays in development activities, political risks, the inherent uncertainty or production fluctuations and failure to obtain adequate financing on a timely basis.

## USE OF PROCEEDS

Unless we otherwise indicate in a prospectus supplement relating to a particular offering, we currently intend to use the net proceeds from the sale of our securities for general corporate and working capital requirements, including to fund ongoing operations and/or working capital requirements, to repay indebtedness outstanding from time to time, to complete future acquisitions or for other corporate purposes as set forth in the prospectus supplement relating to the offering of the securities.

More detailed information regarding the use of proceeds from the sale of securities, including any determinable milestones at the applicable time, will be described in a prospectus supplement. We may also, from time to time, issue securities otherwise than pursuant to a prospectus supplement to this prospectus. All expenses relating to an offering of securities and any compensation paid to underwriters, dealers or agents, as the case may be, will be paid out of the proceeds from the sale of such securities, unless otherwise stated in the applicable prospectus supplement.

During the 2019 financial year, the Company had positive annual cash flow from operations. However, the Company expects cash flow from operations to potentially be unstable due to the volatile nature of the cryptocurrency markets. The Company's cash flow from operations may be affected in the future by the investment it is making to continue to develop its products and services. In the event that Company experiences negative operating cash flow, among other things (i) the Company may reduce expenses, or (ii) the Company may sell some of its assets to generate sufficient cash to meet its and the Company's obligations as they come due.

In addition, the operations of the Company may be adversely impacted by COVID-19 and the Company may exercise its discretion in the use of proceeds. In particular, COVID-19 has reduced the availability of and affected the timing of delivery of mining equipment. It has also reduced the mobility of the Company's technical personnel and access to the Company's data centres. Further, when mining equipment does become available, the Company anticipates that it may be subject to increased equipment costs and increased shipping costs, in each case attributable to supply chain disruption caused by COVID-19. See "*Risk Factors – Risks Related to the Offering of Securities – Discretion over use of proceeds.*"

### Business Objectives and Milestones

The Company's business objectives are to increase shareholder value and continue its operations as one of the largest publicly traded cryptocurrency mining and data centre companies in the world.

#### *Custody of Crypto Assets*

The Company's crypto assets, currently Bitcoin, is mined to multi-signature wallets that Backbone controls. Backbone transfers Bitcoin from its multi-signature wallets to an external third-party custodian on a regular basis.

Regardless of efforts made by the Company to securely store and safeguard assets, there can be no assurance that crypto assets will not be defalcated through hacking or other forms of theft.

The following are the milestones set out by the Company as of the date hereof:

- Obtain the Company's target of having 3.0 Exahash of computing power by the end of 2021;
- Complete the buildout of an additional 30 MW of electrical infrastructure in Quebec in the second half of 2021 at an estimated cost of approximately \$5,000,000;
- Maintain the Company's previously stated pilot Bitcoin retention program to grow the quantity of Bitcoin maintained on the Company's balance sheet;
- Perform studies in the first half of 2021 to explore the costs and feasibility of exploiting the 200 MW non-binding memorandum of understanding entered into with a South American energy producer at \$0.02/KWh; and
- Engage with the Quebec government to locate a site capable of housing a 50MW or larger mining facility and engage with Hydro Quebec to negotiate a larger electricity supply contract.

## CONSOLIDATED CAPITALIZATION

Subsequent to the date of the Company's unaudited condensed interim consolidated financial statements as at and for the three and nine months ended September 30, 2020, the Company has entered into three private placements for total gross proceeds of \$80,000,000 CAD in exchange for the issuance of 26,036,177 Common Shares and 26,036,177 warrants to purchase Common Shares. Further details to these transactions can be found in the material change reports dated January 7, 2021, January 14, 2021 and February 10, 2021 as well as the Company's 2019 AIF incorporated by reference. In addition, in January 2021 Dominion Capital exercised their option to convert \$5,000,000 of debt into 8,474,576 Common Shares. As of the date of this Prospectus, all of the Company's term loan indebtedness has been retired and all warrants issued to Dominion Capital have been exercised.

There have been no material changes to the Company's consolidated capitalization since the date of the Company's unaudited condensed interim consolidated financial statements as at and for the three and nine months ended September 30, 2020 which have not been disclosed in this Prospectus or the documents incorporated by reference. The applicable prospectus supplement will describe any material changes, and the effect of such material changes on the share and loan capitalization of the Company that will result from the issuance of Securities pursuant to each prospectus supplement.

## PRIOR SALES

Information in respect of the Company's Common Shares that we issued within the previous twelve month period, including Common Shares that we issued upon the exercise of stock options of the Company ("**Options**") will be provided as required in a prospectus supplement with respect to the issuance of securities pursuant to such prospectus supplement.

## TRADING PRICE AND VOLUME

The Common Shares are listed and posted for trading on the TSXV under the symbol "**BITF**". Trading price and volume information for the Company's securities will be provided as required in each prospectus supplement to this prospectus. The Common Shares are also listed and posted for trading on the OTC Bulletin Board under the symbol "BFARF."

## EARNINGS COVERAGE

If the Company offers debt securities having a term to maturity in excess of one year under this prospectus and any applicable prospectus supplement, the applicable prospectus supplement will include earnings coverage ratios giving effect to the issuance of such securities.

## DESCRIPTION OF SHARE CAPITAL

### Overview

The authorized capital of the Company consists of an unlimited number of Common Shares without par value and an unlimited number of preferred shares without par value. As of the date hereof, there are 138,787,710 Common Shares and no preferred shares issued and outstanding.

As of September 30, 2020, the warrants impacted by the Tranche #2 Restructuring and Tranche #3 Restructuring (as those terms are described in the 2019 AIF) were classified as equity. Management has reviewed the restructured warrant terms and determined that the removal of a cashless exercise restriction will result in the warrants being classified as a liability as of December 31, 2020, recorded at fair value through profit or loss.

In addition, as of the date of this Prospectus, there were: (i) 7,562,847 Common Shares issuable upon the exercise of outstanding stock options of the Company ("**Options**") at a weighted average exercise price of C\$1.10 and (ii) 19,251,321 Common Shares reserved for issuance on exercise of 19,251,321 issued and outstanding Common Share purchase warrants of the Company with a weighted average exercise price of USD\$2.99, for a total of 26,814,168 Common Shares on a fully-diluted basis.

## Common Shares

All of the Common Shares rank equally as to voting rights, participation in a distribution of the assets of the Company on a liquidation, dissolution or winding-up of the Company and entitlement to any dividends declared by the Company. The holders of the Common Shares are entitled to receive notice of, and to attend and vote at, all meetings of shareholders (other than meetings at which only holders of another class or series of shares are entitled to vote).

Each Common Share carries the right to one vote. Subject to the rights, privileges, restrictions and conditions attached to the preferred shares of the Company, in the event of the liquidation, dissolution or winding-up of the Company, or upon any distribution of the assets of the Company among shareholders being made (other than by way of dividend out of monies properly applicable to the payment of dividends) the holders of the Common Shares are entitled to share equally.

Subject to the rights, privileges, restrictions and conditions attached to the preferred shares of the Company, the holders of the Common Shares are entitled to receive any dividends declared by the Company in respect of the Common Shares.

Any alteration of the rights attached to our Common Shares must be approved by at least two-thirds of the Common Shares voted at a meeting of our shareholders. Provisions as to the modification, amendment or variation of such rights or provisions are contained in the Company's articles and in the *Canada Business Corporations Act*.

## Preferred Shares

Preferred shares of the Company do not give the holders any right to receive notice of or vote at general or special meetings of the Company. As of the date of this Prospectus, no preferred shares were issued and outstanding.

## DESCRIPTION OF DEBT SECURITIES

In this section describing the debt securities, the terms "Company" and "Bitfarms" refer only to Bitfarms Ltd. without any of its subsidiaries.

The following description of the terms of debt securities sets forth certain general terms and provisions of debt securities in respect of which a prospectus supplement may be filed. The particular terms and provisions of debt securities offered by any prospectus supplement, and the extent to which the general terms and provisions described below may apply thereto, will be described in the prospectus supplement filed in respect of such debt securities. Prospective investors should rely on information in the applicable prospectus supplement if it is different from the following information.

Debt securities may be offered separately or in combination with one or more other securities of the Company. The Company may, from time to time, issue debt securities and incur additional indebtedness other than through the issue of debt securities pursuant to this prospectus. Convertible debt securities offered under this prospectus may only be convertible into other securities of the Company.

The Company will deliver, along with this prospectus, an undertaking to the securities regulatory authority in each province and territory of Canada that the Company will, if any debt securities are distributed under this prospectus and for so long as such debt securities are issued and outstanding, file the periodic and timely disclosure of any credit supporter similar to the disclosure required under Section 12.1 of Form 44-101F1.

Any prospectus supplement offering guaranteed debt securities will comply with the requirements of Item 12 of Form 44-101F1 or the conditions for an exemption from those requirements and will include a certificate from each credit supporter as required by section 21.1 of Form 44-101F1 and section 5.12 of NI 41-101.

The debt securities will be issued under one or more indentures (each, a "**Trust Indenture**"), in each case between the Company and a financial institution or trust company organized under the laws of Canada or any province thereof and authorized to carry on business as a trustee (each, a "**Trustee**").

The following description sets forth certain general terms and provisions of the debt securities and is not intended to be complete. The particular terms and provisions of the debt securities and a description of how the general terms and provisions described below may apply to the debt securities will be included in the applicable prospectus supplement. The following description is subject to the detailed provisions of the applicable Trust Indenture. Accordingly, reference should also be made to the applicable Trust Indenture, a copy of which will be filed by the Company with the securities commissions or similar regulatory authorities in applicable Canadian offering jurisdictions, after it has been entered into, and will be available electronically at [www.sedar.com](http://www.sedar.com).

### **General**

The applicable Trust Indenture will not limit the aggregate principal amount of debt securities that may be issued under such Trust Indenture and will not limit the amount of other indebtedness that the Company may incur. The applicable Trust Indenture will provide that the Company may issue debt securities from time to time in one or more series and may be denominated and payable in U.S. dollars, Canadian dollars or any foreign currency. Unless otherwise indicated in the applicable prospectus supplement, the debt securities will be unsecured obligations of the Company.

The Company may specify a maximum aggregate principal amount for the debt securities of any series and, unless otherwise provided in the applicable prospectus supplement, a series of debt securities may be reopened for issuance of additional debt securities of such series. The applicable Trust Indenture will also permit the Company to increase the principal amount of any series of the debt securities previously issued and to issue that increased principal amount.

Any prospectus supplement for debt securities supplementing this prospectus will contain the specific terms and other information with respect to the debt securities being offered thereby, including, but not limited to, the following:

- the designation, aggregate principal amount and authorized denominations of such debt securities;
- the percentage of principal amount at which the debt securities will be issued;
- whether payment on the debt securities will be senior or subordinated to other liabilities or obligations of the Company;
- the date or dates, or the methods by which such dates will be determined or extended, on which the Company may issue the debt securities and the date or dates, or the methods by which such dates will be determined or extended, on which the Company will pay the principal and any premium on the debt securities and the portion (if less than the principal amount) of debt securities to be payable upon a declaration of acceleration of maturity;
- whether the debt securities will bear interest, the interest rate (whether fixed or variable) or the method of determining the interest rate, the date from which interest will accrue, the dates on which the Company will pay interest and the record dates for interest payments, or the methods by which such dates will be determined or extended;
- the place or places the Company will pay principal, premium, if any, and interest, if any, and the place or places where debt securities can be presented for registration of transfer or exchange;
- whether and under what circumstances the Company will be required to pay any additional amounts for withholding or deduction for Canadian taxes with respect to the debt securities, and whether and on what terms the Company will have the option to redeem the debt securities rather than pay the additional amounts;
- whether the Company will be obligated to redeem or repurchase the debt securities pursuant to any sinking or purchase fund or other provisions, or at the option of a holder, and the terms and conditions of such redemption;
- whether the Company may redeem the debt securities at its option and the terms and conditions of any such redemption;
- the denominations in which the Company will issue any registered and unregistered debt securities;
- the currency or currency units for which debt securities may be purchased and the currency or currency units in which the principal and any interest is payable (in either case, if other than Canadian dollars) or if payments on the debt securities will be made by delivery of Common Shares or other property;

- whether payments on the debt securities will be payable with reference to any index or formula;
- if applicable, the ability of the Company to satisfy all or a portion of any redemption of the debt securities, any payment of any interest on such debt securities or any repayment of the principal owing upon the maturity of such debt securities through the issuance of securities of the Company or of any other entity, and any restriction(s) on the persons to whom such securities may be issued;
- whether the debt securities will be issued as global securities (defined below) and, if so, the identity of the depositary (defined below) for the global securities;
- whether the debt securities will be issued as unregistered securities (with or without coupons), registered securities or both;
- the periods within which and the terms and conditions, if any, upon which the Company may redeem the debt securities prior to maturity and the price or prices of which, and the currency or currency units in which, the debt securities are payable;
- any events of default or covenants applicable to the debt securities;
- any terms under which debt securities may be defeased, whether at or prior to maturity;
- whether the holders of any series of debt securities have special rights if specified events occur;
- any mandatory or optional redemption or sinking fund or analogous provisions;
- the terms, if any, for any conversion or exchange of the debt securities for any other securities of the Company;
- if applicable, any transfer restrictions in respect of Disqualified Holders or otherwise;
- rights, if any, on a change of control;
- provisions as to modification, amendment or variation of any rights or terms attaching to the debt securities;
- the Trustee under the Trust Indenture pursuant to which the debt securities are to be issued; whether the Company will undertake to list the debt securities of the series on any securities exchange or automated interdealer quotation system; and
- any other terms, conditions, rights and preferences (or limitations on such rights and preferences) including covenants and events of default which apply solely to a particular series of the debt securities being offered which do not apply generally to other debt securities, or any covenants or events of default generally applicable to the debt securities which do not apply to a particular series of the debt securities.

The Company reserves the right to include in a prospectus supplement specific terms pertaining to the debt securities which are not within the options and parameters set forth in this prospectus. In addition, to the extent that any particular terms of the debt securities described in a prospectus supplement differ from any of the terms described in this prospectus, the description of such terms set forth in this prospectus shall be deemed to have been superseded by the description of such differing terms set forth in such prospectus supplement with respect to such debt securities.

Unless stated otherwise in the applicable prospectus supplement, no holder of debt securities will have the right to require the Company to repurchase the debt securities and there will be no increase in the interest rate if the Company becomes involved in a highly leveraged transaction or has a change of control.

The Company may issue debt securities bearing no interest or interest at a rate below the prevailing market rate at the time of issuance, and offer and sell these securities at a discount below their stated principal amount. The Company may also sell any of the debt securities for a foreign currency or currency unit, and payments on the debt securities may be payable in a foreign currency or currency unit. In any of these cases, the Company will describe certain Canadian federal income tax consequences and other special considerations in the applicable prospectus supplement.

Unless otherwise indicated in the applicable prospectus supplement, the Company may issue debt securities with terms different from those of debt securities previously issued and, without the consent of the holders thereof, reopen a previous issue of a series of debt securities and issue additional debt securities of such series.

Original purchasers of debt securities which are convertible into or exchangeable for other securities of the Company will be granted a contractual right of rescission against the Company in respect of the purchase and conversion or exchange of such debt security. The contractual right of rescission will entitle such original purchasers to receive the amount paid on original purchase of the debt security and the amount paid upon conversion or exchange, upon surrender of the underlying securities gained thereby, in the event that this prospectus (as supplemented or amended) contains a misrepresentation, provided that: (i) the conversion or exchange takes place within 180 days of the date of the purchase of the convertible or exchangeable security under this prospectus; and (ii) the right of rescission is exercised within 180 days of the date of the purchase of the convertible or exchangeable security under this prospectus. This contractual right of rescission will be consistent with the statutory right of rescission described under section 130 of the *Securities Act* (Ontario), and is in addition to any other right or remedy available to original purchasers under section 130 of the *Securities Act* (Ontario) or otherwise at law.

### ***Ranking and Other Indebtedness***

Unless otherwise indicated in an applicable prospectus supplement, the debt securities will be direct unsecured obligations of the Company. The debt securities will be senior or subordinated indebtedness of the Company as described in the applicable prospectus supplement. If the debt securities are senior indebtedness, they will rank equally and rateably with all other unsecured indebtedness of the Company from time to time issued and outstanding which is not subordinated. If the debt securities are subordinated indebtedness, they will be subordinated to senior indebtedness of the Company as described in the applicable prospectus supplement, and they will rank equally and rateably with other subordinated indebtedness of the Company from time to time issued and outstanding as described in the applicable prospectus supplement. The Company reserves the right to specify in a prospectus supplement whether a particular series of subordinated debt securities is subordinated to any other series of subordinated debt securities.

The Board may establish the extent and manner, if any, to which payment on or in respect of a series of debt securities will be senior or will be subordinated to the prior payment of the Company's other liabilities and obligations and whether the payment of principal, premium, if any, and interest, if any, will be guaranteed and the nature and priority of any security.

### ***Registration of Debt Securities***

#### ***Debt Securities in Book Entry Form***

Unless otherwise indicated in an applicable prospectus supplement, debt securities of any series may be issued in whole or in part in the form of one or more global securities ("**Global Securities**") registered in the name of a designated clearing agency (a "**Depository**") or its nominee and held by or on behalf of the Depository in accordance with the terms of the applicable Trust Indenture. The specific terms of the depositary arrangement with respect to any portion of a series of debt securities to be represented by a Global Security will, to the extent not described herein, be described in the prospectus supplement relating to such series. The Company anticipates that the provisions described in this section will apply to all depositary arrangements.

Upon the issuance of a Global Security, the Depository or its nominee will credit, in its book-entry and registration system, the respective principal amounts of the debt securities represented by the Global Security to the accounts of such participants that have accounts with the Depository or its nominee ("**Participants**"). Such accounts are typically designated by the underwriters, dealers or agents participating in the distribution of the debt securities or by the Company if such debt securities are offered and sold directly by the Company. Ownership of beneficial interests in a Global Security will be limited to Participants or persons that may hold beneficial interests through Participants. With respect to the interests of Participants, ownership of beneficial interests in a Global Security will be shown on, and the transfer of that ownership will be effected only through records maintained by the Depository or its nominee. With respect to the interests of persons other than Participants, ownership of beneficial interests in a Global Security will be shown on, and the transfer of that ownership will be effected only through records maintained by Participants or persons that hold through Participants.

So long as the Depositary for a Global Security, or its nominee, is the registered owner of such Global Security, such Depositary or such nominee, as the case may be, will be considered the sole owner or holder of the debt securities represented by such Global Security for all purposes under the applicable Trust Indenture and payments of principal, premium, if any, and interest, if any, on the debt securities represented by a Global Security will be made by the Company to the Depositary or its nominee. The Company expects that the Depositary or its nominee, upon receipt of any payment of principal, premium, if any, or interest, if any, will credit Participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Security as shown on the records of such Depositary or its nominee. The Company also expects that payments by Participants to owners of beneficial interests in a Global Security held through such Participants will be governed by standing instructions and customary practices and will be the responsibility of such Participants.

Conveyance of notices and other communications by the Depositary to direct Participants, by direct Participants to indirect Participants and by direct and indirect Participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial owners of debt securities may wish to take certain steps to augment transmission to them of notices of significant events with respect to the debt securities, such as redemptions, tenders, defaults and proposed amendments to the Trust Indenture.

Owners of beneficial interests in a Global Security will not be entitled to have the debt securities represented by such Global Security registered in their names, will not receive or be entitled to receive physical delivery of such debt securities in certificated non-book-entry form, and will not be considered the owners or holders thereof under the applicable Trust Indenture, and the ability of a holder to pledge a debt security or otherwise take action with respect to such holder's interest in a debt security (other than through a Participant) may be limited due to the lack of a physical certificate.

No Global Security may be exchanged in whole or in part for debt securities registered, and no transfer of a Global Security in whole or in part may be registered, in the name of any person other than the Depositary for such Global Security or any nominee of such Depositary unless: (i) the Depositary is no longer willing or able to discharge properly its responsibilities as Depositary and the Company is unable to locate a qualified successor; (ii) the Company at its option elects, or is required by law, to terminate the book-entry system through the Depositary or the book-entry system ceases to exist; or (iii) if provided for in the Trust Indenture, after the occurrence of an event of default thereunder (provided the Trustee has not waived the event of default in accordance with the terms of the Trust Indenture), Participants acting on behalf of beneficial holders representing, in aggregate, a threshold percentage of the aggregate principal amount of the debt securities then outstanding advise the Depositary in writing that the continuation of a book-entry system through the Depositary is no longer in their best interest.

If one of the foregoing events occurs, such Global Security shall be exchanged for certificated non-book-entry debt securities of the same series in an aggregate principal amount equal to the principal amount of such Global Security and registered in such names and denominations as the Depositary may direct.

The Company, any underwriters, dealers or agents and any Trustee identified in an accompanying prospectus supplement, as applicable, will not have any liability or responsibility for (i) records maintained by the Depositary relating to beneficial ownership interests in the debt securities held by the Depositary or the book-entry accounts maintained by the Depositary, (ii) maintaining, supervising or reviewing any records relating to any such beneficial ownership interests, or (iii) any advice or representation made by or with respect to the Depositary and contained in this prospectus or in any prospectus supplement or Trust Indenture with respect to the rules and regulations of the Depositary or at the direction of Participants.

Unless otherwise stated in the applicable prospectus supplement, CDS Clearing and Depositary Services Inc. or its successor will act as Depositary for any debt securities represented by a Global Security.



### Debt Securities in Certificated Form

A series of the debt securities may be issued in definitive form, solely as registered securities, solely as unregistered securities or as both registered securities and unregistered securities. Unless otherwise indicated in the applicable prospectus supplement, unregistered securities will have interest coupons attached.

In the event that the debt securities are issued in certificated non-book-entry form, and unless otherwise indicated in the applicable prospectus supplement, payment of principal, premium, if any, and interest, if any, on the debt securities (other than a Global Security) will be made at the office or agency of the Trustee or, at the option of the Company, by the Company by way of cheque mailed or delivered to the address of the person entitled at the address appearing in the security register of the Trustee or electronic funds wire or other transmission to an account of the person entitled to receive such payments. Unless otherwise indicated in the applicable prospectus supplement, payment of interest, if any, will be made to the persons in whose name the debt securities are registered at the close of business on the day or days specified by the Company.

At the option of the holder of debt securities, registered securities of any series will be exchangeable for other registered securities of the same series, of any authorized denomination and of a like aggregate principal amount and tenor. If, but only if, provided in an applicable prospectus supplement, unregistered securities (with all unmatured coupons, except as provided below, and all matured coupons in default) of any series may be exchanged for registered securities of the same series, of any authorized denominations and of a like aggregate principal amount and tenor. In such event, unregistered securities surrendered in a permitted exchange for registered securities between a regular record date or a special record date and the relevant date for payment of interest shall be surrendered without the coupon relating to such date for payment of interest, and interest will not be payable on such date for payment of interest in respect of the registered security issued in exchange for such unregistered security, but will be payable only to the holder of such coupon when due in accordance with the terms of the Trust Indenture. Unless otherwise specified in an applicable prospectus supplement, unregistered securities will not be issued in exchange for registered securities.

The applicable prospectus supplement may indicate the places to register a transfer of the debt securities in definitive form. Except for certain restrictions to be set forth in the Trust Indenture, no service charge will be payable by the holder for any registration of transfer or exchange of the debt securities in definitive form, but the Company may, in certain instances, require a sum sufficient to cover any tax or other governmental charges payable in connection with these transactions.

## **DESCRIPTION OF WARRANTS**

### **General**

This section describes the general terms that will apply to any warrants for the purchase of Common Shares, or equity warrants, or for the purchase of debt securities, or debt warrants.

We may issue warrants independently or together with other securities, and warrants sold with other securities may be attached to or separate from the other securities. Warrants will be issued under one or more warrant agency agreements to be entered into by us and one or more banks or trust companies acting as warrant agent.

The Company will deliver an undertaking to the securities regulatory authority in each of the provinces and territories of Canada, that it will not distribute warrants that, according to their terms as described in the applicable prospectus supplement, are “novel” specified derivatives within the meaning of Canadian securities legislation, separately to any member of the public in Canada, unless the offering is in connection with and forms part of the consideration for an acquisition or merger transaction or unless such prospectus supplement containing the specific terms of the warrants to be distributed separately is first approved by or on behalf of the securities commissions or similar regulatory authorities in each of the provinces and territories of Canada where the warrants will be distributed.

This summary of some of the provisions of the warrants is not complete. The statements made in this prospectus relating to any warrant agreement and warrants to be issued under this prospectus are summaries of certain anticipated provisions thereof and do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all provisions of the applicable warrant agreement. You should refer to the warrant indenture or warrant agency agreement relating to the specific warrants being offered for the complete terms of the warrants. A copy of any warrant indenture or warrant agency agreement relating to an offering of warrants will be filed by the Company with the securities regulatory authorities in the applicable Canadian offering jurisdictions after we have entered into it, and will be available electronically on SEDAR at [www.sedar.com](http://www.sedar.com).

The applicable prospectus supplement relating to any warrants that we offer will describe the particular terms of those warrants and include specific terms relating to the offering.

Original purchasers of warrants (if offered separately) will have a contractual right of rescission against us in respect of the exercise of such warrant. The contractual right of rescission will entitle such original purchasers to receive, upon surrender of the underlying securities acquired upon exercise of the warrant, the total of the amount paid on original purchase of the warrant and the amount paid upon exercise, in the event that this prospectus (as supplemented or amended) contains a misrepresentation, provided that: (i) the exercise takes place within 180 days of the date of the purchase of the warrant under the applicable prospectus supplement; and (ii) the right of rescission is exercised within 180 days of the date of purchase of the warrant under the applicable prospectus supplement. This contractual right of rescission will be consistent with the statutory right of rescission described under section 130 of the *Securities Act* (Ontario), and is in addition to any other right or remedy available to original purchasers under section 130 of the *Securities Act* (Ontario) or otherwise at law.

In an offering of warrants, or other convertible securities, original purchasers are cautioned that the statutory right of action for damages for a misrepresentation contained in the prospectus is limited, in certain provincial and territorial securities legislation, to the price at which the warrants, or other convertible securities, are offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces and territories, if the purchaser pays additional amounts upon conversion, exchange or exercise of such securities, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces or territories. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights, or consult with a legal advisor.

## Equity Warrants

The particular terms of each issue of equity warrants will be described in the applicable prospectus supplement. This description will include, where applicable:

- the designation and aggregate number of equity warrants;
- the price at which the equity warrants will be offered;
- the currency or currencies in which the equity warrants will be offered;
- the date on which the right to exercise the equity warrants will commence and the date on which the right will expire;
- the number of Common Shares that may be purchased upon exercise of each equity warrant and the price at which and currency or currencies in which the Common Shares may be purchased upon exercise of each equity warrant;
- the terms of any provisions allowing or providing for adjustments in (i) the number and/or class of shares that may be purchased, (ii) the exercise price per share or (iii) the expiry of the equity warrants;
- whether we will issue fractional shares;
- whether we have applied to list the equity warrants or the underlying shares on a stock exchange;
- the designation and terms of any securities with which the equity warrants will be offered, if any, and the number of the equity warrants that will be offered with each security;
- the date or dates, if any, on or after which the equity warrants and the related securities will be transferable separately;
- whether the equity warrants will be subject to redemption or call and, if so, the terms of such redemption or call provisions;
- material Canadian federal income tax consequences of owning the equity warrants;
- any terms, procedures and limitations relating to the transferability, exchange or exercise of the equity warrants; and
- any other material terms or conditions of the equity warrants.

## Debt Warrants

The particular terms of each issue of debt warrants will be described in the related prospectus supplement. This description will include, where applicable:

- the designation and aggregate number of debt warrants;
- the price at which the debt warrants will be offered;
- the currency or currencies in which the debt warrants will be offered;
- the designation and terms of any securities with which the debt warrants are being offered, if any, and the number of the debt warrants that will be offered with each security;
- the date or dates, if any, on or after which the debt warrants and the related securities will be transferable separately;
- the principal amount and designation of debt securities that may be purchased upon exercise of each debt warrant and the price at which and currency or currencies in which that principal amount of debt securities may be purchased upon exercise of each debt warrant;
- the date on which the right to exercise the debt warrants will commence and the date on which the right will expire;
- the minimum or maximum amount of debt warrants that may be exercised at any one time;
- whether the debt warrants will be subject to redemption or call, and, if so, the terms of such redemption or call provisions;
- material Canadian federal income tax consequences of owning the debt warrants;
- whether we have applied to list the debt warrants or the underlying debt securities on an exchange;
- any terms, procedures and limitations relating to the transferability, exchange or exercise of the debt warrants; and
- any other material terms or conditions of the debt warrants.

Prior to the exercise of their warrants, holders of warrants will not have any of the rights of holders of the securities subject to the warrants.

## DESCRIPTION OF UNITS

Bitfarms may issue units, which may consist of one or more of Common Shares, warrants or any other security specified in the relevant prospectus supplement. Each unit will be issued so that the holder of the unit is also the holder of each of the securities included in the unit. In addition, the relevant prospectus supplement relating to an offering of units will describe all material terms of any units offered, including, as applicable:

- the designation and aggregate number of units being offered;
- the price at which the units will be offered;
- the designation, number and terms of the securities comprising the units and any agreement governing the units;
- the date or dates, if any, on or after which the securities comprising the units will be transferable separately;
- whether we will apply to list the units or any of the individual securities comprising the units on any exchange;
- material Canadian income tax consequences of owning the units, including, how the purchase price paid for the units will be allocated among the securities comprising the units; and
- any other material terms or conditions of the units.

## DESCRIPTION OF SUBSCRIPTION RECEIPTS

We may issue subscription receipts separately or in combination with one or more other securities, which will entitle holders thereof to receive, upon satisfaction of certain release conditions (the “**Release Conditions**”) and for no additional consideration, Common Shares, warrants, debt securities or any combination thereof. Subscription receipts will be issued pursuant to one or more subscription receipt agreements (each, a “**Subscription Receipt Agreement**”), the material terms of which will be described in the applicable prospectus supplement, each to be entered into between the Company and an escrow agent (the “**Escrow Agent**”) that will be named in the relevant prospectus supplement. Each Escrow Agent will be a financial institution organized under the laws of Canada or a province thereof and authorized to carry on business as a trustee. If underwriters or agents are used in the sale of any subscription receipts, one or more of such underwriters or agents may also be a party to the Subscription Receipt Agreement governing the subscription receipts sold to or through such underwriter or agent.

The following description sets forth certain general terms and provisions of subscription receipts that may be issued hereunder and is not intended to be complete. The statements made in this prospectus relating to any Subscription Receipt Agreement and subscription receipts to be issued thereunder are summaries of certain anticipated provisions thereof and are subject to, and are qualified in their entirety by reference to, all provisions of the applicable Subscription Receipt Agreement. Prospective investors should refer to the Subscription Receipt Agreement relating to the specific subscription receipts being offered for the complete terms of the subscription receipts. We will file a copy of any Subscription Receipt Agreement relating to an offering of subscription receipts with the applicable securities regulatory authorities in Canada after it has been entered into it.

### General

The prospectus supplement and the Subscription Receipt Agreement for any subscription receipts that we may offer will describe the specific terms of the subscription receipts offered. This description may include, but may not be limited to, any of the following, if applicable:

- the designation and aggregate number of subscription receipts being offered;
- the price at which the subscription receipts will be offered;
- the designation, number and terms of the Common Shares, warrants and/or debt securities to be received by the holders of subscription receipts upon satisfaction of the Release Conditions, and any procedures that will result in the adjustment of those numbers;
- the Release Conditions that must be met in order for holders of subscription receipts to receive, for no additional consideration, the Common Shares, warrants and/or debt securities;
- the procedures for the issuance and delivery of the Common Shares, warrants and/or debt securities to holders of subscription receipts upon satisfaction of the Release Conditions;
- whether any payments will be made to holders of subscription receipts upon delivery of the Common Shares, warrants and/or debt securities upon satisfaction of the Release Conditions;
- the identity of the Escrow Agent;
- the terms and conditions under which the Escrow Agent will hold all or a portion of the gross proceeds from the sale of subscription receipts, together with interest and income earned thereon (collectively, the “**Escrowed Funds**”), pending satisfaction of the Release Conditions;
- the terms and conditions pursuant to which the Escrow Agent will hold the Common Shares, warrants and/or debt securities pending satisfaction of the Release Conditions;
- the terms and conditions under which the Escrow Agent will release all or a portion of the Escrowed Funds to the Company upon satisfaction of the Release Conditions;
- if the subscription receipts are sold to or through underwriters or agents, the terms and conditions under which the Escrow Agent will release a portion of the Escrowed Funds to such underwriters or agents in payment of all or a portion of their fees or commissions in connection with the sale of the subscription receipts;

- procedures for the refund by the Escrow Agent to holders of subscription receipts of all or a portion of the subscription price of their subscription receipts, plus any pro rata entitlement to interest earned or income generated on such amount, if the Release Conditions are not satisfied;
- any contractual right of rescission to be granted to initial purchasers of subscription receipts in the event that this prospectus, the prospectus supplement under which such subscription receipts are issued or any amendment hereto or thereto contains a misrepresentation;
- any entitlement of Bitfarms to purchase the subscription receipts in the open market by private agreement or otherwise;
- whether we will issue the subscription receipts as Global Securities and, if so, the identity of the Depositary for the Global Securities;
- whether we will issue the subscription receipts as unregistered bearer securities, as registered securities or both;
- provisions as to modification, amendment or variation of the Subscription Receipt Agreement or any rights or terms of the subscription receipts, including upon any subdivision, consolidation, reclassification or other material change of the Common Shares, warrants or other Bitfarms securities, any other reorganization, amalgamation, merger or sale of all or substantially all of the Company's assets or any distribution of property or rights to all or substantially all of the holders of Common Shares;
- whether we will apply to list the subscription receipts on any exchange;
- material Canadian federal income tax consequences of owning the subscription receipts; and
- any other material terms or conditions of the subscription receipts.

Original purchasers of subscription receipts will have a contractual right of rescission against us in respect of the conversion of the subscription receipts. The contractual right of rescission will entitle such original purchasers to receive the amount paid on original purchase of the subscription receipts upon surrender of the underlying securities gained thereby, in the event that this prospectus (as supplemented or amended) contains a misrepresentation, provided that: (i) the conversion takes place within 180 days of the date of the purchase of the subscription receipts under this prospectus; and (ii) the right of rescission is exercised within 180 days of the date of purchase of the subscription receipts under this prospectus. This contractual right of rescission will be consistent with the statutory right of rescission described under section 130 of the *Securities Act* (Ontario), and is in addition to any other right or remedy available to original purchasers under section 130 of the *Securities Act* (Ontario) or otherwise at law.

#### **Rights of Holders of Subscription Receipts Prior to Satisfaction of Release Conditions**

The holders of subscription receipts will not be, and will not have the rights of, Shareholders. Holders of subscription receipts are entitled only to receive Common Shares, warrants and/or debt securities on exchange of their subscription receipts, plus any cash payments, if any, all as provided for under the Subscription Receipt Agreement and only once the Release Conditions have been satisfied. If the Release Conditions are not satisfied, holders of subscription receipts shall be entitled to a refund of all or a portion of the subscription price therefor and their pro rata share of interest earned or income generated thereon, if provided for in the Subscription Receipt Agreement, all as provided in the Subscription Receipt Agreement.

#### **Escrow**

The Subscription Receipt Agreement will provide that the Escrowed Funds will be held in escrow by the Escrow Agent, and such Escrowed Funds will be released to the Company (and, if the subscription receipts are sold to or through underwriters or agents, a portion of the Escrowed Funds may be released to such underwriters or agents in payment of all or a portion of their fees in connection with the sale of the subscription receipts) at the time and under the terms specified by the Subscription Receipt Agreement. If the Release Conditions are not satisfied, holders of subscription receipts will receive a refund of all or a portion of the subscription price for their subscription receipts, plus their pro-rata entitlement to interest earned or income generated on such amount, if provided for in the Subscription Receipt Agreement, in accordance with the terms of the Subscription Receipt Agreement. Common Shares, warrants and or debt securities may be held in escrow by the Escrow Agent and will be released to the holders of subscription receipts following satisfaction of the Release Conditions at the time and under the terms specified in the Subscription Receipt Agreement.

## Modifications

The Subscription Receipt Agreement will specify the terms upon which modifications and alterations to the subscription receipts issued thereunder may be made by way of a resolution of holders of subscription receipts at a meeting of such holders or consent in writing from such holders. The number of holders of subscription receipts required to pass such a resolution or execute such a written consent will be specified in the Subscription Receipt Agreement.

The Subscription Receipt Agreement will also specify that we may amend any Subscription Receipt Agreement and the subscription receipts without the consent of the holders of the subscription receipts to cure any ambiguity, to cure, correct or supplement any defective or inconsistent provision or in any other manner that will not materially and adversely affect the interests of the holders of outstanding subscription receipts or as otherwise specified in the Subscription Receipt Agreement.

## DESCRIPTION OF SHARE PURCHASE CONTRACTS

We may issue share purchase contracts, representing contracts obligating holders to purchase from or sell to us a specified number of Common Shares, as applicable, at a future date or dates.

The price per Common Share and the number of Common Shares, as applicable, may be fixed at the time the share purchase contracts are issued or may be determined by reference to a specific formula or method set forth in the share purchase contracts. We may issue share purchase contracts in accordance with applicable laws and in such amounts and in as many distinct series as we may determine.

The share purchase contracts may be issued separately or as part of units consisting of a share purchase contract and beneficial interests in debt securities, or debt obligations of third parties, including U.S. treasury securities or obligations of the subsidiaries, securing the holders' obligations to purchase the Common Shares under the share purchase contracts, which we refer to in this prospectus as share purchase units. The share purchase contracts may require the Company to make periodic payments to the holders of the share purchase units or vice versa, and these payments may be unsecured or refunded and may be paid on a current or on a deferred basis. The share purchase contracts may require holders to secure their obligations under those contracts in a specified manner.

Holders of share purchase contracts are not shareholders of Bitfarms. The particular terms and provisions of share purchase contracts offered by any prospectus supplement, and the extent to which the general terms and provisions described below may apply to them, will be described in the prospectus supplement filed in respect of such share purchase contracts. This description will include, where applicable: (i) whether the share purchase contracts obligate the holder to purchase or sell, or both purchase and sell, Common Shares, as applicable, and the nature and amount of those securities, or the method of determining those amounts; (ii) any conditions upon which the purchase or sale will be contingent and the consequences if such conditions are not satisfied; (iii) whether the share purchase contracts are to be settled by delivery, or by reference or linkage to the value or performance of Common Shares; (iv) any acceleration, cancellation, termination or other provisions relating to the settlement of the share purchase contracts; (v) the date or dates on which the sale or purchase must be made, if any; (vi) whether the share purchase contracts will be issued in fully registered or global form; (vii) the material income tax consequences of owning, holding and disposing of the share purchase contracts; and (viii) any other material terms and conditions of the share purchase contracts including, without limitation, transferability and adjustment terms and whether the share purchase contracts will be listed on a stock exchange.

The Company will deliver an undertaking to the securities regulatory authority in each of the provinces and territories of Canada, that it will not distribute share purchase contracts that, according to their terms as described in the applicable prospectus supplement, are "novel" specified derivatives within the meaning of Canadian securities legislation, separately to any member of the public in Canada, unless the offering is in connection with and forms part of the consideration for an acquisition or merger transaction or unless such prospectus supplement containing the specific terms of the share purchase contracts to be distributed separately is first approved by or on behalf of the securities commissions or similar regulatory authorities in each of the provinces and territories of Canada where the share purchase contracts will be distributed.

Original purchasers of share purchase contracts will be granted a contractual right of rescission against the Company in respect of the conversion, exchange or exercise of such share purchase contract. The contractual right of rescission will entitle such original purchasers to receive the amount paid upon conversion, exchange or exercise, upon surrender of the underlying securities gained thereby, in the event that this prospectus (as supplemented or amended) contains a misrepresentation, provided that: (i) the conversion, exchange or exercise takes place within 180 days of the date of the purchase of the convertible, exchangeable or exercisable security under this prospectus; and (ii) the right of rescission is exercised within 180 days of the date of the purchase of the convertible, exchangeable or exercisable security under this prospectus. This contractual right of rescission will be consistent with the statutory right of rescission described under section 130 of the *Securities Act* (Ontario), and is in addition to any other right or remedy available to original purchasers under section 130 of the *Securities Act* (Ontario) or otherwise at law.

#### PLAN OF DISTRIBUTION

The Company may sell the securities of the Company offered by this prospectus (collectively, the “**Securities**”), separately or together, to or through underwriters or dealers purchasing as principals for public offering and sale by them, and also may sell Securities to one or more other purchasers directly or through agents. Each prospectus supplement will set forth the terms of the offering, including the name or names of any underwriters or agents, the purchase price or prices of the Securities (or the manner of determination thereof if offered on a non-fixed price basis, including sales in transactions that are deemed to be “at-the-market distributions” as defined in NI 44-102), and the proceeds to the Company from the sale of the Securities.

The Securities may be sold from time to time in one or more transactions at a fixed price or prices which may be changed or at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. The prices at which the Securities may be offered may vary as between purchasers and during the period of distribution. If, in connection with the offering of Securities at a fixed price or prices, the underwriters have made a reasonable effort to sell all of the Securities at the initial offering price fixed in the applicable prospectus supplement, the public offering price may be decreased and thereafter further changed, from time to time, to an amount not greater than the initial public offering price fixed in such prospectus supplement, in which case the compensation realized by the underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Securities is less than the gross proceeds paid by the underwriters to the Company.

The sale of Common Shares may be effected from time to time in one or more transactions at non-fixed prices pursuant to transactions that are deemed to be “at-the-market distributions” as defined in NI 44-102, including sales made directly on the TSXV or other existing trading markets for the Common Shares. Sales of Common Shares under an “at-the-market distribution”, if any, will be made pursuant to an accompanying prospectus supplement. The volume and timing of any “at-the-market distributions” will be determined at the Company’s sole discretion.

Underwriters, dealers and agents who participate in the distribution of the Securities may be entitled under agreements to be entered into with the Company to indemnification by the Company against certain liabilities, including liabilities under securities legislation, or to contribution with respect to payments which such underwriters, dealers or agents may be required to make in respect thereof. Such underwriters, dealers and agents may be customers of, engage in transactions with, or perform services for, the Company in the ordinary course of business.

Unless otherwise specified in the relevant prospectus supplement, in connection with any offering of Securities, other than an “at-the-market distribution”, the underwriters, dealers or agents who participate in the distribution of Securities may over-allot or effect transactions intended to maintain or stabilize the market price of the Securities offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be interrupted or discontinued at any time. No underwriter involved in an “at-the-market distribution”, no affiliate of such an underwriter and no person or company acting jointly or in concert with such an underwriter may over-allot Common Shares in connection with the distribution or may effect any other transactions that are intended stabilize or maintain the market price of the Common Shares in connection with an “at-the-market distribution” including selling an aggregate number or principal amount of securities that would result in the underwriter creating an over-allocation position in the securities.

Unless stated to the contrary in any prospectus supplement, the Securities have not been and will not be registered under the U.S. Securities Act or any state securities laws and may not be offered, sold or delivered within the United States or to U.S. persons within the meaning of Regulation S under the U.S. Securities Act, except in certain transactions that are exempt from the registration requirements of the U.S. Securities Act. In addition, until 40 days after the commencement of an offering of Securities, an offer or sale of the Securities within the United States or to U.S. persons by any dealer, whether or not participating in the offering, may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirements of the U.S. Securities Act. Each prospectus supplement with respect to the Company's securities being offered will set forth the terms of the offering, including:

- the person offering the securities;
- the name or names of any underwriters, dealers or other placement agents;
- the number and the purchase price of, and form of consideration for, our securities;
- any proceeds to the Company from such sale; and
- any commissions, fees, discounts and other items constituting underwriters', dealers' or agents' compensation.

#### **CERTAIN INCOME TAX CONSIDERATIONS**

The applicable prospectus supplement may describe certain Canadian federal income tax consequences to an investor who is a non-resident of Canada or to an investor who is a resident of Canada of acquiring, owning and disposing of any of the Company's securities offered thereunder. Investors should read the tax discussion in any prospectus supplement with respect to a particular offering and consult their own tax advisors with respect to their own particular circumstances.

#### **LEGAL MATTERS**

Certain legal matters related to the Company's securities offered by this prospectus will be passed upon on the Company's behalf by Peterson McVicar LLP, with respect to matters of Canadian law.

#### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditor of the Company is PricewaterhouseCoopers LLP ("PWC") at its offices located at PwC Centre, 354 Davis Road, Suite 600, Oakville, Ontario, Canada L6J 0C5. PWC was appointed as auditor of the Company on June 18, 2020.

Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, located at 144 Menachem Begin Road, Building A, Tel-Aviv 6492102, Israel, is the former auditor of the Company and has prepared the Independent Auditors Report and audited the financial statements of Backbone for the period from incorporation (June 13, 2017) until November 5, 2017, and Bitfarms Israel for the twelve-months ended December 31, 2018 and Bitfarms Canada for the twelve months ended December 31, 2019 incorporated by reference herein.

The transfer agent and registrar of the Company is TSX Trust Company at its offices located at 100 Adelaide St W #301, Toronto, ON M5H 1S3.

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.



## AGENT FOR SERVICE OF PROCESS

Certain directors of the Company reside outside of Canada. Emiliano Joel Grodzki, Nicolas Bonta, and Andres Finkielsztain have appointed the following agents for service of process:

| Name of Person        | Name and Address of Agent |
|-----------------------|---------------------------|
| Emiliano Joel Grodzki | Bitfarms Ltd.             |
| Nicolas Bonta         | 18 King St. E, Suite 902  |
| Andres Finkielsztain  | Toronto, ON M5C 1C4       |

## EXEMPTIONS UNDER SECURITIES LAWS

Pursuant to a decision of the Autorité des Marchés Financiers, the securities regulatory authority in the Province of Québec, dated January 25, 2021, the Company was granted relief from the requirement that this Prospectus and all documents incorporated by reference herein, as well as any prospectus supplement that relates to any future “at-the- market” distribution, must be in both the French and English languages. The Company is not required to file French versions of this Prospectus, the documents incorporated by reference herein or any prospectus supplement relating to an “at-the-market” distribution. This exemption was granted on the condition that this prospectus, together with any prospectus supplement, and any documents incorporated by reference in the prospectus or any prospectus supplement, be translated into French if the Company offers securities to Québec purchasers in connection with an offering other than in relation to an “at-the-market” distribution.

The Company has applied for an exemption pursuant to Section 11.1 of NI 44-102 requesting relief from the requirement under Section 6.3(1)3 of NI 44-102 to include a prospectus certificate signed by each agent or underwriter who, with respect to the offering of Securities under this Prospectus, is in a contractual relationship with the Company to the extent that such party is not a registered dealer in any Canadian jurisdiction (a “**Foreign Dealer**”). Accordingly, such Foreign Dealer would not, directly or indirectly, make any offers or sales to persons in a province or territory in Canada. All sales of Securities pursuant to any prospectus supplement under this Prospectus to persons in a province or territory of Canada would solely be made through other agents or underwriters that are duly registered in the applicable Canadian jurisdictions where any offer of Securities will be made (the “**Canadian Dealers**”); and the prospectus supplement would include a certificate signed by each Canadian Dealer in compliance with Section 6.3(1)3 of NI 44-102. The granting of the exemption will be evidenced by issuance of a receipt in respect of the Prospectus.

## STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in some provinces and territories of Canada provides purchasers of securities with the right to withdraw from an agreement to purchase securities and with remedies for rescission or, in some jurisdictions, revisions of the price, or damages if the prospectus, prospectus supplement, and any amendment relating to securities purchased by a purchaser are not sent or delivered to the purchaser. However, purchasers of securities under an at-the-market distribution by Bitfarms do not have the right to withdraw from an agreement to purchase the securities and do not have remedies of rescission or, in some jurisdictions, revisions of the price, or damages for non-delivery of the prospectus, prospectus supplement, and any amendment relating to securities purchased by such purchaser because the prospectus, prospectus supplement, and any amendment relating to the securities purchased by such purchaser will not be sent or delivered, as permitted under Part 9 of NI44-102.

Securities legislation in some provinces and territories of Canada further provides purchasers with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus, prospectus supplement, and any amendment relating to securities purchased by a purchaser contains a misrepresentation.

Those remedies must be exercised by the purchaser within the time limit prescribed by securities legislation. Any remedies under securities legislation that a purchaser of securities distributed under an at-the-market distribution by Bitfarms may have against Bitfarms or its agents for rescission or, in some jurisdictions, revisions of the price, or damages if the prospectus, prospectus supplement, and any amendment relating to securities purchased by a purchaser contain a misrepresentation will remain unaffected by the non-delivery of the prospectus referred to above.

A purchaser should refer to applicable securities legislation for the particulars of these rights and should consult a legal adviser.

In an offering of warrants, or other convertible, exchangeable or exercisable securities, investors are cautioned that the statutory right of action for damages under Canadian securities laws for a misrepresentation contained in the prospectus or a prospectus supplement (or any amendment thereto) is limited, in certain provincial and territorial securities legislation, to the price at which the warrants, or other convertible, exchangeable or exercisable securities are offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces and territories, if the purchaser pays additional amounts upon conversion, exchange or exercise of such securities, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for the particulars of these rights, or consult with a legal advisor.

## CERTIFICATE OF THE COMPANY

Dated: March 12, 2021

This short form base shelf prospectus, together with the documents incorporated in this prospectus by reference, will, as of the date of a particular distribution of securities under the prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement as required by the securities legislation of each of the provinces and territories of Canada.

\_\_\_\_\_  
(Signed) “*Emiliano Joel Grodzki*”

Chief Executive Officer

\_\_\_\_\_  
(Signed) “*Mauro Ferrara*”

Interim Chief Financial Officer

### On Behalf of the Board of Directors

\_\_\_\_\_  
(Signed) “*Nicolas Bonta*”

Director

\_\_\_\_\_  
(Signed) “*Brian Howlett*”

Lead Director

\_\_\_\_\_

Bitfarms Ltd.

## QUALIFICATION CERTIFICATE

**TO: Ontario Securities Commission**

**AND TO: the securities regulatory authority in each of the other provinces of Canada**

**RE: Preliminary short form base shelf prospectus of Bitfarms Ltd. (the “Issuer”) dated March 12, 2021 (the “Preliminary Short Form Base-Shelf Prospectus”).**

The undersigned, Mauro Ferrara, Chief Financial Officer of the Issuer, hereby certifies for and on behalf of the Issuer and not in his personal capacity, that:

1. This certificate is delivered pursuant to section 4.1(a)(ii) of National Instrument 44-101 - Short Form Prospectus Distributions (“**NI 44-101**”) and section 7.1 of National Instrument 44-102 – Shelf Distributions relating to the qualification of the Issuer to file a prospectus in the form of a base-shelf prospectus;
2. the Issuer is relying on the qualification criteria in section 2.2 of NI 44-101 and section 2.2 of NI 44-102 to file a prospectus in the form of a short form prospectus;
3. the Issuer satisfies the criteria set forth in section 2.2 of NI 44-101 in that:
  - (a) the Issuer is an electronic filer under National Instrument 13-101 – *System for Electronic Document Analysis and Retrieval (SEDAR)*;
  - (b) the Issuer is a reporting issuer in the Province of Ontario;
  - (c) the Issuer has filed with the securities regulatory authority in each jurisdiction in which it is a reporting issuer all periodic and timely disclosure documents that it is required to have filed in that jurisdiction
    - (i) under applicable securities legislation,
    - (ii) pursuant to an order issued by the securities regulatory authority, or
    - (iii) pursuant to an undertaking to the securities regulatory authority;
  - (d) the Issuer has, in at least one jurisdiction in which it is a reporting issuer,
    - (i) current annual financial statements (as such term is defined in NI 44-101), and
    - (ii) a current AIF (as such term is defined in NI 44-101);
  - (e) the Issuer’s equity securities are listed and posted for trading on a short form eligible exchange and the Issuer is not an issuer
    - (i) whose operations have ceased, or
    - (ii) whose principal asset is cash, cash equivalents, or its exchange listing; and
4. all of the material incorporated by reference in the Preliminary Short Form Base Shelf Prospectus and not previously filed is being filed with the Preliminary Short Form Base Shelf Prospectus.

**[REMAINDER OF PAGE HAS INTENTIONALLY BEEN LEFT BLANK]**

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DATED this 12<sup>th</sup> day of March, 2021.

**BITFARMS LTD.**

per: “Mauro Ferrara”  
Name: Mauro Ferrara  
Title: Chief Financial Officer

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Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

22nd Floor  
20 Queen Street West  
Toronto ON M5H 3S8

22e étage  
20, rue Queen ouest  
Toronto ON M5H 3S8

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**RECEIPT**

**Bitfarms Ltd.**

This is the receipt of the **Ontario Securities Commission** for the **Preliminary Base Shelf Prospectus** of the above Issuer dated **March 12, 2021** (the preliminary prospectus).

The preliminary prospectus has been filed under Multilateral Instrument 11-102 *Passport System* in **British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Northwest Territories, Yukon and Nunavut**. A receipt for the preliminary prospectus is deemed to be issued by the regulator in each of those jurisdictions, if the conditions of the Instrument have been satisfied.

**March 15, 2021**

Sonny Randhawa

Sonny Randhawa

Director, Corporate Finance Branch  
SEDAR Project # 3186538



### Bitfarms Announces Annual 2020 Results Release Date

TORONTO and BROSSARD, Quebec, March 18, 2021 (GLOBE NEWSWIRE) -- Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) (TSXV: BITF/OTC: BFARF) will release its 2020 annual results on Thursday March 25, 2021 prior to market open. The Company’s senior management will be hosting a webcast presentation at 10:00 AM Eastern Time on March 25, 2021 to discuss Bitfarms’ financial and operating results.

To view the webcast presentation, please register using the following link: <https://onlinexperiences.com/Launch/QReg/ShowUUID=DEB9E64C-E583-46A9-B591-FEAEAD9CA5AD>

The financial results and presentation will also be available on the Company’s website which can be accessed at [www.bitfarms.com](http://www.bitfarms.com).

### About Bitfarms Ltd.

About Bitfarms Ltd. Founded in 2017 Bitfarms is one of the one of the largest, oldest, and most cost-effective public bitcoin mining operations in the world. Bitfarms run vertically integrated mining operations with onsite technical repair, data analytics and engineers to deliver high performance and uptime of operations.

Having demonstrated rapid growth and stellar operations, Bitfarms became the first Bitcoin mining company to complete its long form prospectus with the Ontario Securities Commission and started trading on the TSX-V in July 2019. Bitfarms is currently listed as a Rising Star by the TSX-V.

Bitfarms has a diversified production platform with five industrial scale facilities located in Quebec. Each facility is 100% powered with environmentally friendly hydro power and secured with long-term power contracts. Bitfarms is currently the only publicly traded pure-play mining company audited by a Big Four audit firm.

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/>

### Investor and Media Contact:

Mauro Ferrara

Interim Chief Financial Officer and Corporate Secretary

Bitfarms Ltd.

+1.514.691-6228

[MFerrara@bitfarms.com](mailto:MFerrara@bitfarms.com)

### Investor Relations Contact:

CORE IR

Tristan Traywick

Managing Director

+1.516.222-2560

[tt@coreir.com](mailto:tt@coreir.com)

**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
18 King St. E, Suite 902  
Toronto, Ontario M5C 1C4

**Item 2 Date of Material Change**

March 24, 2021.

**Item 3 News Release**

The press release attached as Schedule “A” was disseminated on March 24, 2021.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Nicolas Bonta  
Executive Chairman & Director  
Bitfarms Ltd.  
nbonta@bitfarms.com

**Item 9 Date of Report**

March 24, 2021.

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**Bitfarms Announces Installed Hashrate of  
1.2 EH/s and Provides Corporate Updates**

**Toronto, Ontario and Brossard, Québec (March 24, 2021)** - Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) (TSXV:BTF // OTC:BFARF), one of the largest, oldest and most cost- effective public Bitcoin mining operations in the world, today announces the successful installation and operation of its previously announced order of 4,500 MicroBT M31S+ miners, bringing the Company’s current installed hashrate to 1.2 EH/s. This 24% growth rate in a single quarter eclipses our entire 2020 growth and marks a tremendous start to 2021 for Bitfarms and our shareholders as we work to grow to 3 EH/s by the end of this fiscal year.

**New Hosting Agreement**

In addition to purchasing new miners, the Company has entered into a hosting agreement with Blockware Solutions and Blockware Mining in the United States. Pursuant to the agreement, Bitfarms is sending older-gen and mid-gen hardware for hosting at one of their American facilities. The hosting is being accomplished in a flexible and low-cost profit-sharing agreement powered by 100% renewable hydro energy.

This hosting agreement has enabled the Company to extend the profitability and useful lifespan of up to 250 PH/s of older and mid-generation Bitcoin Mining Equipment. This frees up its Quebec infrastructure for more efficient and profitable mining equipment. To date over 2,000 Bitmain S9, S15 and T15 mining rigs have been successfully installed at Blockware Solutions’ facility and are generating BTC. Through this upgrade process, these miners have all been replaced with new MicroBT miners that operate an average of approximately 4x more hashrate per miner located in our Quebec facilities.

The remaining equipment under this upgrade program will be deployed through Q2 and Q3 of this year. This novel agreement also enables Bitfarms to opportunistically sell older equipment out of the hosting agreement through Blockware’s broker business. This unique hosting arrangement enables Bitfarms to get the most possible value out of its used equipment while providing tremendous flexibility and increased hashrate with negligible cash expenditures.

**Bitcoin Inventory Pilot Program**

Since starting its Bitcoin Inventory Pilot Program in early January, the price of Bitcoin has nearly doubled from US\$30,000 to a recent all-time high of over US\$60,000. Through this Bitcoin Inventory Pilot Program, Bitfarms has been able for the first time to accrue those gains for the benefit of our shareholders. As a Company, we are excited to continue this program.

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Bitfarms is currently adding approximately 8 Bitcoins a day to the inventory and has to date mined and safely deposited in custody 489 Bitcoin and is currently valued at over US\$27M as of March 23, 2021 with BTC at US\$55,500.

- In the Fourth Quarter of 2020 - Bitfarms mined over 577 BTC.
- In January 2021 – Bitfarms mined 197 BTC.
- In February 2021 – Bitfarms mined 180 BTC.

“The growth in Bitcoin value since January clearly shows the strategic importance of holding Bitcoin and the tremendous opportunity to generate strong value for our shareholders. Bitfarms is excited to continue our Bitcoin program. With over 500 Bitcoin mined in the first quarter alone, we are excited to be able to deliver one of the fastest growing Bitcoin production rates in North America and with some of the lowest costs of production,” said Emiliano Grodzki, Bitfarms’ Chief Executive Officer.

### New Miner Purchases

The Company has recently completed two purchases of new-generation mining equipment manufactured by both MicroBT and Bitmain to be installed later in 2021. When deployed, the 2,200 miners will produce an additional 183 PH of production and consume approximately 7.25 MW of electricity. Based on Difficulty levels on March 23, 2021, this equipment alone is expected to produce an additional 1.1 Bitcoin per day at a cost of US\$6,500 per Bitcoin.

| Name    | Miners | Model | Total Hash | Delivery     |
|---------|--------|-------|------------|--------------|
| MicroBT | 1,500  | M31S+ | 120 PH     | June 2021    |
| Bitmain | 700    | S19j  | 63 PH      | October 2021 |
| Total   | 2,200  |       | 183 PH     |              |

### 2021 Quebec Development & Expansion

To deliver our growth forecast goals for 2021, Bitfarms has recently made significant commitments to developing new infrastructure in Quebec. These developments include our previously announced Cowansville site renovation from 4 Mw to 16.7 Mw that will be ready in July.

Additionally, Bitfarms has recently paid deposits on sufficient raw materials, transformers, and electrical equipment to build an additional 80 MW of capacity in Quebec over the remainder of 2021. The new infrastructure will be able to support approximately 20,000 new generation miners and that will add approximately 2 Exahash of new production. Additional expansion information will be announced during the second quarter of 2021.

### Stock-Market Listing

On February 4, 2021, we announced our intention to pursue an additional stock exchange listing for the Company in the United States. As an update, we are pleased to report that we are making good progress. On March 8, 2021, Bitfarms filed an Annual Information Form for its first time. Additional filings are expected shortly after we release our 2020 audited results on March 25, 2021. We can also confirm in February, we made an application for listing on the NASDAQ. The recent and forthcoming filings are a requirement of the application process.

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There can be no assurances of success, but we are working hard to making this a reality as soon as possible. We encourage interested investors to regularly access Sedar.com to watch for additional filings.

### **About Bitfarms Ltd.**

Founded in 2017, Bitfarms is one of the one of the largest, oldest, and most cost-effective public bitcoin mining operations in the world. Bitfarms runs vertically integrated mining operations with onsite technical repair, proprietary data analytics and Company-owner electrical engineering and installation services to deliver high operational performance and uptime.

Having demonstrated rapid growth and stellar operations, Bitfarms became the first Bitcoin mining company to complete its long form prospectus with the Ontario Securities Commission and started trading on the TSX-V in July 2019. As mentioned above, we recently filed our first Annual Information Report. On February 24, 2021 Bitfarms was honoured to be announced as a Rising Star by the TSX-V.

Bitfarms has a diversified production platform with five industrial scale facilities located in Quebec. Each facility is 100% powered with environmentally friendly hydro power and secured with long-term power contracts. Bitfarms is currently the only publicly traded pure- play mining company audited by a Big Four audit firm.

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

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

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

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

### ***Defined Terms***

\* Bitcoin Gross Mining Costs consist of electricity and other direct production expenses. This is a non-IFRS performance measure. Please see the Non-IFRS Financial Performance Measures section of Bitfarms management discussion and analysis filed on [www.sedar.com](http://www.sedar.com).

Installed Hashrate: Equivalent to the sum of all deployed miners based on manufacturers’ specified Bitcoin mining hashrate.

EH/s: Exahash per second.

PH/s: Petahash per second.

w/TH: Watts per Terahash.

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**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 TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

**Forward-Looking Statements**

*This news release contains certain “forward-looking information” within the meaning of applicable Canadian securities laws that are based on expectations, estimates and projections as at the date of this news release. The information in this release about 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 resulting significant negative impact on the Company’s operations, the construction and operation of expanded blockchain infrastructure as currently planned, and the regulatory environment of cryptocurrency in the Provinces of Canada.*

*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.*

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*This forward-looking information is based on reasonable assumptions and estimates of management of the Company at the time it was 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; 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; 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; and volatile securities markets impacting security pricing unrelated to operating performance. In addition, particular factors which could impact future results of the business of Bitfarms include but are not limited to: the construction and operation of blockchain infrastructure 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 Province of Québec, 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 there will be no regulation or law that will prevent Bitfarms from operating its business. The Company has also assumed that no significant events occur outside of the Bitfarms' normal course of business. Although the Company has attempted to identify important factors that could cause actual results to differ materially, 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 forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.*

Contacts

**Investor Relations:**

**CORE IR**

Tristan Traywick,  
Managing Director  
tt@coreir.com

**For Media Inquiries:**

**CORE IR**

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**YAP Global**

Ellis Ballard  
ellis@yapglobal.com

**Ryan Affaires publiques**

Mark Duschene  
marc@ryanap.com

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## Bitfarms Announces Installed Hashrate of 1.2 EH/s and Provides Corporate Updates

TORONTO and BROSSARD, Québec, March 24, 2021 (GLOBE NEWSWIRE) -- Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) ([TSXV:BTF](#) // [OTC:BFARF](#)), one of the largest, oldest and most cost-effective public Bitcoin mining operations in the world, today announces the successful installation and operation of its previously announced order of 4,500 MicroBT M31S+ miners, bringing the Company’s current installed hashrate to 1.2 EH/s. This 24% growth rate in a single quarter eclipses our entire 2020 growth and marks a tremendous start to 2021 for Bitfarms and our shareholders as we work to grow to 3 EH/s by the end of this fiscal year.

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The Company has recently completed two purchases of new-generation mining equipment manufactured by both MicroBT and Bitmain to be installed later in 2021. When deployed, the 2,200 miners will produce an additional 183 PH of production and consume approximately 7.25 MW of electricity. Based on Difficulty levels on March 23, 2021, this equipment alone is expected to produce an additional 1.1 Bitcoin per day at an average cost\* of US\$6,500 per Bitcoin.

| Name         | Miners       | Model | Total Hash    | Delivery     |
|--------------|--------------|-------|---------------|--------------|
| MicroBT      | 1,500        | M31S+ | 120 PH        | June 2021    |
| Bitmain      | 700          | S19j  | 63 PH         | October 2021 |
| <b>Total</b> | <b>2,200</b> |       | <b>183 PH</b> |              |

## **2021 Quebec Development & Expansion**

To deliver our growth forecast goals for 2021, Bitfarms has recently made significant commitments to developing new infrastructure in Quebec. These developments include our previously announced Cowansville site renovation from 4 Mw to 16.7 Mw that will be ready in July.

Additionally, Bitfarms has recently paid deposits on sufficient raw materials, transformers, and electrical equipment to build an additional 80 MW of capacity in Quebec over the remainder of 2021. The new infrastructure will be able to support approximately 20,000 new generation miners and that will add approximately 2 Exahash of new production. Additional expansion information will be announced during the second quarter of 2021.

## **Stock-Market Listing**

On February 4, 2021, we announced our intention to pursue a stock exchange listing for the Company in the United States. As an update, we are pleased to report that we are making good progress. On March 8, 2021, Bitfarms filed its 2019 Annual Information Form. Additional filings are expected shortly after we release our 2020 audited results on March 25, 2021. We can also confirm that in February, we made an application for listing on the NASDAQ. The recent and forthcoming filings are a requirement of the application process. There can be no assurances of success, but we are working hard to make this a reality as soon as possible. We encourage interested investors to regularly access Sedar.com to watch for additional filings.

## **About Bitfarms Ltd.**

Founded in 2017, Bitfarms is one of the largest, oldest, and most cost-effective public bitcoin mining operations in the world. Bitfarms runs vertically integrated mining operations with onsite technical repair, proprietary data analytics and Company- owner electrical engineering and installation services to deliver high operational performance and uptime.

Having demonstrated rapid growth and stellar operations, Bitfarms became the first Bitcoin mining company to complete its long form prospectus with the Ontario Securities Commission and started trading on the TSX-V in July 2019. As mentioned above, we recently filed our first Annual Information Report. On February 24, 2021 Bitfarms was honoured to be announced as a Rising Star by the TSX-V.

Bitfarms has a diversified production platform with five industrial scale facilities located in Quebec. Each facility is 100% powered with environmentally friendly hydro power and secured with long-term power contracts. Bitfarms is currently the only publicly traded pure-play mining company audited by a Big Four audit firm.

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/>

## **Defined Terms**

\*Average cost per Bitcoin is made up of electricity and other direct production expenses. This measure is used to calculate Gross Mining Margin which is a non-IFRS performance measure. Please see the Non-IFRS Financial Performance Measures section of Bitfarms Management Discussion and Analysis filed on [www.sedar.com](http://www.sedar.com).

Installed Hashrate: Equivalent to the sum of all deployed miners based on manufacturers' specified Bitcoin mining hashrate.

EH/s: Exahash per second.

PH/s: Petahash per second.

w/TH: Watts per Terahash.

### **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 TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

### **Forward-Looking Statements**

*This news release contains certain "forward-looking information" within the meaning of applicable Canadian securities laws that are based on expectations, estimates and projections as at the date of this news release. The information in this release about 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 resulting significant negative impact on the Company's operations, the construction and operation of expanded blockchain infrastructure as currently planned, and the regulatory environment of cryptocurrency in the Provinces of Canada.*

*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 reasonable assumptions and estimates of management of the Company at the time it was 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; 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; 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; and volatile securities markets impacting security pricing unrelated to operating performance. In addition, particular factors which could impact future results of the business of Bitfarms include but are not limited to: the construction and operation of blockchain infrastructure 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 Province of Québec, 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 there will be no regulation or law that will prevent Bitfarms from operating its business. The Company has also assumed that no significant events occur outside of the Bitfarms' normal course of business. Although the Company has attempted to identify important factors that could cause actual results to differ materially, 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 forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.*

Contacts

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**Ryan Affaires publiques**

Mark Duschene  
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NOTICE TO THE READER

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The independent auditors' reports associated with the audited consolidated financial statements for the years ended December 31, 2020 and 2019 have been revised and filed under the Company's profile on [www.sedar.com](http://www.sedar.com) on April 13, 2021. The revised independent auditors' reports clarify the assurance provided on the impact of Company's change in accounting policy on the comparative figures. There were no changes to the audited consolidated financial statements other than the modifications to the independent auditors' reports.

An emphasis of matter paragraph was added to the revised 2020 independent auditor's report to clarify that the independent auditor also audited the change in accounting policy and its impact on the 2019 consolidated financial statements, which were audited by another auditor. The 2019 independent auditor's report was modified to clarify that the predecessor independent auditor did not audit the impact of the change in accounting policy on the 2019 consolidated financial statements.

The revised 2020 and 2019 independent auditors' reports in respect of the audited consolidated financial statements for the years ended December 31, 2020 and 2019 replace and supersede the previously filed 2020 and 2019 independent auditors' reports.





CONSOLIDATED FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

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Independent auditor's report

To the Shareholders of Bitfarms Ltd.

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## Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Bitfarms Ltd. and its subsidiaries (together, the Company) as at December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

## What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2020;
- the consolidated statement of profit or loss and comprehensive income (loss) for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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## Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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## Emphasis of matter – Comparative information

We draw attention to note 3 to the consolidated financial statements, which explains that the company changed its accounting policy with respect to cryptocurrency mining and subsequent measurement of cryptocurrency on hand. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers LLP  
PwC Centre, 354 Davis Road, Suite 600, Oakville, Ontario, Canada L6J 0C5  
T: +1 905 815 6300, F: +1 905 815 6499

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

The consolidated financial statements of the Company for the year ended December 31, 2019 prior to the change in accounting policy described in note 3 were audited by another auditor who expressed an unmodified opinion on those statements on April 29, 2020.

As part of our audit of the consolidated financial statements for the year ended December 31, 2020, we also audited the change in accounting policy and its impact on the comparative information presented. In our opinion, the change in accounting policy and its impact is appropriate and has been properly applied.

Other than with respect to the change in accounting policy that was applied to the comparative information, we were not engaged to audit, review or apply any procedures to the financial statements for the year ended December 31, 2019. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as whole.

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#### **Other information**

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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#### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Neil Rostant.

**/s/ PricewaterhouseCoopers LLP**

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario  
March 24, 2021

**Kost Forer Gabbay & Kasierer**  
144 Menachem Begin Road, Building A,  
Tel-Aviv 6492102, Israel

Tel: +972-3-6232525  
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ey.com

## **INDEPENDENT AUDITOR'S REPORT**

**To the shareholders of**

**Bitfarms Ltd.**

### *Opinion*

We have audited, before the effects of the retrospective application of the change in accounting policy described in Note 3, the consolidated financial statements of Bitfarms Ltd. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019, and the consolidated statements of profit or loss and comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (the 2019 consolidated financial statements before the effects of the change in accounting policy are not presented herein).

In our opinion, the 2019 consolidated financial statements, before the effects of the retrospective application of the change in accounting policy described in Note 3, present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

We were not engaged to audit, review, or apply any procedures to the retrospective application of the change in accounting policy described in Note 3 and, accordingly, we do not express an opinion or any other form of assurance about whether such change in accounting policy and its effects are appropriate and have been properly applied. The change in accounting policy and its effects were audited by PricewaterhouseCoopers LLP.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other Information included in The Group's 2019 Management's Discussion and Analysis*

Other information consists of the information included in the 2019 Management's Discussion and Analysis, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The other information comprises:

- Management's discussion and analysis
- The information, other than the (consolidated) financial statements and our auditor's report thereon, in the Management's discussion and analysis

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained the Management's Discussion & Analysis prior to the date of this auditor's report if, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The partner in charge of the audit resulting in this independent auditor's report is Mr. Eli Barda.

*Kost Forer Gabbay and Kasierer*

KOST FORER GABBAY & KASIERER  
A Member of Ernst & Young Global

Tel-Aviv, Israel  
April 29, 2020

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands of U.S. dollars)

|                                                              | Note  | December 31,<br>2020    | December 31,<br>2019    |
|--------------------------------------------------------------|-------|-------------------------|-------------------------|
| <b>ASSETS</b>                                                |       |                         |                         |
| <b>CURRENT ASSETS:</b>                                       |       |                         |                         |
| Cash                                                         | 5     | \$ 5,947                | \$ 2,159                |
| Trade receivables                                            | 6     | 1,103                   | 1,108                   |
| Other assets                                                 | 7     | 500                     | 1,398                   |
| Electrical components inventory                              |       | 169                     | 135                     |
| Income taxes receivable                                      |       | -                       | 1,743                   |
| Current portion of embedded derivative                       | 13    | 1,449                   | -                       |
|                                                              |       | <u>9,168</u>            | <u>6,543</u>            |
| Assets held for sale                                         | 8     | -                       | 7                       |
| <b>TOTAL CURRENT ASSETS</b>                                  |       | <b><u>9,168</u></b>     | <b><u>6,550</u></b>     |
| <b>NON-CURRENT ASSETS:</b>                                   |       |                         |                         |
| Property, plant and equipment                                | 9, 14 | 35,793                  | 37,774                  |
| Right-of-use assets                                          | 14    | 5,393                   | 6,233                   |
| Long-term deposits and equipment prepayments                 | 11    | 973                     | 1,148                   |
| Intangible assets                                            | 10    | 377                     | 675                     |
| Embedded derivative                                          | 13    | -                       | 476                     |
| <b>TOTAL NON-CURRENT ASSETS</b>                              |       | <b><u>42,536</u></b>    | <b><u>46,306</u></b>    |
| <b>TOTAL ASSETS</b>                                          |       | <b><u>\$ 51,704</u></b> | <b><u>\$ 52,856</u></b> |
| <b>LIABILITIES AND EQUITY</b>                                |       |                         |                         |
| <b>CURRENT LIABILITIES:</b>                                  |       |                         |                         |
| Trade payables and accrued liabilities                       | 12    | \$ 2,696                | \$ 2,389                |
| Current portion of long-term debt                            | 13    | 17,171                  | 874                     |
| Current portion of lease liabilities                         | 14    | 3,626                   | 746                     |
| Taxes payable                                                | 15    | 316                     | -                       |
| Warrant liability                                            | 13    | 4,668                   | -                       |
| <b>TOTAL CURRENT LIABILITIES</b>                             |       | <b><u>28,477</u></b>    | <b><u>4,009</u></b>     |
| <b>NON-CURRENT LIABILITIES:</b>                              |       |                         |                         |
| Long-term debt                                               | 13    | 174                     | 14,849                  |
| Lease liabilities                                            | 14    | 7,397                   | 5,717                   |
| Asset retirement provision                                   | 16    | 209                     | 193                     |
| <b>TOTAL NON-CURRENT LIABILITIES</b>                         |       | <b><u>7,780</u></b>     | <b><u>20,759</u></b>    |
| <b>TOTAL LIABILITIES</b>                                     |       | <b><u>36,257</u></b>    | <b><u>24,768</u></b>    |
| <b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:</b> |       |                         |                         |
| Share capital                                                |       | 32,004                  | 30,475                  |
| Contributed surplus                                          |       | 5,588                   | 3,469                   |
| Accumulated deficit                                          |       | (22,145)                | (5,856)                 |
| <b>TOTAL EQUITY</b>                                          |       | <b><u>15,447</u></b>    | <b><u>28,088</u></b>    |
| <b>TOTAL LIABILITIES &amp; EQUITY</b>                        |       | <b><u>\$ 51,704</u></b> | <b><u>\$ 52,856</u></b> |

March 24, 2021

**Date of approval of the  
financial statements**

Nicolas Bonta

**Nicolas Bonta  
Chairman of the Board of  
Directors**

Emiliano Grodzi

**Emiliano Grodzi  
Chief Executive Officer**

Mauro Ferrara

**Mauro Ferrara  
Interim Chief Financial Officer**

The accompanying notes are an integral part of the consolidated financial statements.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME (LOSS)**

(In thousands of U.S. dollars, except earnings per share)

|                                                         | Note     | For the years ended  |                      |
|---------------------------------------------------------|----------|----------------------|----------------------|
|                                                         |          | December 31,<br>2020 | December 31,<br>2019 |
| Revenues                                                | 19a, 25b | \$ 34,703            | \$ 32,421            |
| Cost of sales                                           | 19b      | 31,830               | 20,982               |
| Gross profit (loss)                                     |          | 2,873                | 11,439               |
| General and administrative expenses                     | 19c      | 8,250                | 9,984                |
| (Gain) on disposition of cryptocurrencies               |          | (88)                 | -                    |
| Impairment of property, plant and equipment             |          | -                    | 56                   |
| Operating income (loss)                                 |          | (5,289)              | 1,399                |
| Loss on disposition of property, plant and equipment    |          | 1,442                | 310                  |
| Net financial expenses                                  | 19d      | 9,386                | 1,573                |
| Net loss before income taxes                            |          | (16,117)             | (484)                |
| Income tax expense (recovery)                           | 15       | 172                  | (2,591)              |
| Net income (loss) and total comprehensive income (loss) |          | \$ (16,289)          | \$ 2,107             |
| Attributable to:                                        |          |                      |                      |
| Equity holders of the Company                           |          | \$ (16,289)          | \$ 2,899             |
| Non-controlling interests                               |          | -                    | (792)                |
|                                                         |          | \$ (16,289)          | \$ 2,107             |
| Net earnings (loss) per share (in U.S. dollars):        |          |                      |                      |
| Basic net earnings (loss) per share                     | 23       | \$ (0.19)            | \$ 0.04              |
| Diluted net earnings (loss) per share                   | 23       | \$ (0.19)            | \$ 0.04              |
| Basic weighted average number of shares                 | 23       | 84,915               | 67,044               |
| Diluted weighted average number of shares               | 23       | 84,915               | 71,058               |

The accompanying notes are an integral part of the consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(In thousands of U.S. dollars)

|                                                                                                                     | Equity attributable to equity holders of the Company |                     |                            |                     |                  | Non-controlling interest | Total equity     |
|---------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|---------------------|----------------------------|---------------------|------------------|--------------------------|------------------|
|                                                                                                                     | Share capital                                        | Contributed surplus | Obligation to issue shares | Accumulated deficit | Total            |                          |                  |
| <b>Balance as of January 1, 2020</b>                                                                                | \$ 30,475                                            | \$ 3,469            | \$ -                       | \$ (5,856)          | \$ 28,088        | \$ -                     | \$ 28,088        |
| Net loss and total comprehensive loss                                                                               | -                                                    | -                   | -                          | (16,289)            | (16,289)         | -                        | (16,289)         |
| Share-based payment (Note 24)                                                                                       | 192                                                  | 2,009               | -                          | -                   | 2,201            | -                        | 2,201            |
| Issuance of common shares, warrants and modification of warrants (Notes 13 & 14)                                    | 131                                                  | -                   | -                          | -                   | 131              | -                        | 131              |
| Long-term debt conversion feature (Note 13)                                                                         | -                                                    | 110                 | -                          | -                   | 110              | -                        | 110              |
| Reclassification of warrants from equity to liability and share issuance in partial settlement of warrant liability | (791)                                                | -                   | -                          | -                   | (791)            | -                        | (791)            |
| Exercise of warrants and stock options (Note 17)                                                                    | 1,997                                                | -                   | -                          | -                   | 1,997            | -                        | 1,997            |
| <b>Balance as of December 31, 2020</b>                                                                              | <u>\$ 32,004</u>                                     | <u>\$ 5,588</u>     | <u>\$ -</u>                | <u>\$ (22,145)</u>  | <u>\$ 15,447</u> | <u>\$ -</u>              | <u>\$ 15,447</u> |
| <b>Balance as of January 1, 2019</b>                                                                                | \$ 19,812                                            | \$ -                | \$ 4,386                   | \$ (8,755)          | \$ 15,443        | \$ 5,209                 | \$ 20,652        |
| Net income (loss) and total comprehensive income (loss)                                                             | -                                                    | -                   | -                          | 2,899               | 2,899            | (792)                    | 2,107            |
| Share-based payment                                                                                                 | 9                                                    | 2,703               | -                          | -                   | 2,712            | 161                      | 2,873            |
| Exchange of share based payment from legal subsidiary to the Company                                                | 141                                                  | 766                 | -                          | -                   | 907              | (907)                    | -                |
| Exchange of exchangeable shares issued in the reverse acquisition                                                   | 4,386                                                | -                   | (4,386)                    | -                   | -                | -                        | -                |
| Reclassification of warrant liability to equity                                                                     | 3,160                                                | -                   | -                          | -                   | 3,160            | -                        | 3,160            |
| Deferred tax liability related to warrant issuance                                                                  | (837)                                                | -                   | -                          | -                   | (837)            | -                        | (837)            |
| Exercise of warrants                                                                                                | 100                                                  | -                   | -                          | -                   | 100              | -                        | 100              |
| Forgiveness of loan from company controlled by shareholders                                                         | 33                                                   | -                   | -                          | -                   | 33               | -                        | 33               |
| Acquisition of NCI by issuance of shares                                                                            | 3,671                                                | -                   | -                          | -                   | 3,671            | (3,671)                  | -                |
| <b>Balance as of December 31, 2019</b>                                                                              | <u>\$ 30,475</u>                                     | <u>\$ 3,469</u>     | <u>\$ -</u>                | <u>\$ (5,856)</u>   | <u>\$ 28,088</u> | <u>\$ -</u>              | <u>\$ 28,088</u> |

The accompanying notes are an integral part of the consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of U.S. dollars)

|                                                                 |        | For the years ended  |                      |
|-----------------------------------------------------------------|--------|----------------------|----------------------|
|                                                                 | Note   | December 31,<br>2020 | December 31,<br>2019 |
| <b>Cash flows related to operating activities:</b>              |        |                      |                      |
| Net income (loss)                                               |        | \$ (16,289)          | \$ 2,107             |
| Adjustments for:                                                |        |                      |                      |
| Depreciation and amortization                                   |        | 11,486               | 6,843                |
| Net financial expenses                                          |        | 9,386                | 1,573                |
| Share-based payment                                             | 24     | 2,201                | 2,873                |
| Interest and financial expenses paid                            |        | (4,246)              | (3,114)              |
| Impairment loss on property and plant and equipment             |        | -                    | 56                   |
| Loss on disposal of property, plant and equipment               |        | 1,442                | 310                  |
| Deferred taxes, net                                             |        | -                    | (837)                |
| Income taxes paid                                               |        | -                    | (765)                |
|                                                                 |        | 20,269               | 6,939                |
| Changes in non-cash working capital components                  | 26     | 3,243                | (3,026)              |
| Net cash related to operating activities                        |        | 7,223                | 6,020                |
| <b>Cash flows related to investing activities:</b>              |        |                      |                      |
| Purchase of property, plant and equipment and intangible assets |        | (4,453)              | (23,651)             |
| Proceeds from sale of property, plant and equipment             |        | 879                  | 1,414                |
| Advance payments for equipment                                  |        | (31)                 | (127)                |
| Net cash related to investing activities                        |        | (3,605)              | (22,364)             |
| <b>Cash flows related to financing activities:</b>              |        |                      |                      |
| Issuance of warrants                                            |        | -                    | 4,936                |
| Issuance of common shares and modification of warrants          | 13, 17 | 54                   | -                    |
| Exercise of stock options                                       | 17     | 1,597                |                      |
| Exercise of warrants                                            | 17     | 400                  | 100                  |
| Proceeds from long-term debt, net                               |        | 84                   | 14,664               |
| Repayment of lease liabilities                                  |        | (1,462)              | (664)                |
| Repayment of long-term debt                                     |        | (488)                | (1,062)              |
| Net cash related to financing activities                        |        | 185                  | 17,974               |
| Exchange rate differences on currency translation               |        | (15)                 | (23)                 |
| Net change in cash and cash equivalents                         |        | 3,788                | 1,607                |
| Cash at beginning of period                                     |        | 2,159                | 552                  |
| Cash at end of period                                           |        | \$ 5,947             | \$ 2,159             |

The accompanying notes are an integral part of the consolidated financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency****NOTE 1: REPORTING ENTITY AND BASIS OF PRESENTATION**

- a. Bitfarms was incorporated under the Canada Business Corporation Act on October 11, 2018. The consolidated financial statements of the corporation as at and for the years ended December 31, 2020 and 2019 comprise the accounts of Bitfarms Ltd. and its wholly owned subsidiaries (together referred to as the “Company” or “Bitfarms”). The activities of the Company are divided into two reportable segments: the cryptocurrency mining segment (referred to as “Backbone”) and the electrical services segment (referred to as “Volta”), as described in Note 25 “Reportable segments”.

Bitfarms is primarily engaged in the cryptocurrency mining industry, a highly volatile market with significant inherent risk. 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 and negatively impact the Company’s operations. In addition, adverse changes to the factors mentioned above may impact the carrying value of the Company’s property, plant and equipment resulting in impairment charges being recorded.

The common shares of the Company are listed under the trading symbol BITF of the TSX Venture Exchange and under the trading symbol BFARF on the U.S. OTC.

- b. In March 2020, the World Health Organization declared COVID-19 a pandemic. The global response to the pandemic is constantly evolving, including various measures implemented at the global, national, provincial and local levels. The major impacts that COVID-19 are expected to have on the Backbone operating segment include potential increases in cryptocurrency price volatility and delays in receiving future orders of mining hardware and electrical components for future expansion. The Backbone operating segment has been, and is expected to, continue operating throughout the pandemic.

Volta’s services are considered to be essential by government authorities and have been, and are expected to continue, operating throughout the pandemic. While the financial difficulties of customers have been considered in the expected credit loss model, there is a potential for increased bad debts resulting from the economic impact of COVID-19 on existing customers.

The Company has benefited from the Canada Emergency Wage Subsidy (“CEWS”) in the amount of approximately \$670 and will continue to monitor its eligibility to claim the CEWS.

The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government interventions. It is not possible to reliably estimate the length and severity of these developments as well as the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency**

**NOTE 1: REPORTING ENTITY AND BASIS OF PRESENTATION (Cont.)**

c. 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. | BTC      | Bitcoin                                          |
| 4. | BCH      | Bitcoin Cash                                     |
| 5. | LTC      | Litecoin                                         |
| 6. | BVVE     | Blockchain Verification and Validation Equipment |

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated, except for the change in accounting policies described in Note 3.

a. Basis of presentation of the financial statements:

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) (IFRS).

The consolidated financial statements have been prepared on a cost basis, except for derivative financial instruments and assets held for sale that have been measured at fair value. The consolidated financial statements are presented in U.S. dollars and all values are rounded to the nearest thousand, except where otherwise indicated.

The Company has elected to present the profit or loss items using the function of expense method.

b. The operating cycle:

The Group's activities have one operating cycle, which is one year. Accordingly, the assets and liabilities directly attributable to this activity are classified in the statement of financial position as current assets and liabilities based on the Group's operating cycle. The operating cycle of Backbone is to mine cryptocurrency and then convert to fiat currency after mining using institutional exchanges.

c. Consolidated financial statements:

These financial statements consolidate the Company's subsidiaries from the date of acquisition until the date that control is lost. The subsidiaries are controlled by the Company, where control is achieved when the company is exposed to or has the right to variable returns from its involvement with the investee and has the current ability to direct the activities of the investee that significantly affect the investee's returns.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency****NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

The financial statements of the Company and of the subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

Non-controlling interests in subsidiaries represent the equity of the subsidiaries that cannot be attributed, directly or indirectly, to the parent company. The non-controlling interests are presented separately in the Company's equity.

Profit or loss and any component of other comprehensive income are allocated to the Company and to non-controlling interests. Losses are attributed to non-controlling interests even if the balance of non-controlling interests in the consolidated statement of financial position is negative.

d. Functional currency, presentation currency and transactions in foreign currency:

1. Functional currency and presentation currency:

The financial statements are presented in U.S. Dollars, which is the parent company and Backbone's functional currency. The functional currency is the currency that best reflects the economic environment in which the Company operates and conducts its transactions.

The Company determines the functional currency of each company in the Group. Volta has a Canadian functional currency, and as such assets and, including fair value adjustments upon acquisition, are translated using the exchange rate in effect at each reporting date. Revenues and expenses are translated using the average exchange rates in effect for all periods presented. The resulting translation differences are included in other comprehensive income. The loss on foreign currency translation of Volta was immaterial for the years ended December 31, 2020 and December 31, 2019.

2. Transactions, assets and liabilities in foreign currency:

Transactions in foreign currency are initially recorded at the exchange rate in effect on the transaction date. Monetary assets and liabilities in foreign currency are subsequently translated into the functional currency at the exchange rate in effect at each reporting date. Exchange rate differences, other than those capitalized to qualifying assets or carried to equity in hedging transactions, are included in profit or loss. Non-monetary assets and liabilities in foreign currency stated at cost are translated at the exchange rate in effect at the transaction date. Non-monetary assets and liabilities in foreign currency carried at fair value are translated at the exchange rate at the date on which the fair value was determined.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency****NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)****e. Cash equivalents:**

Cash equivalents are highly liquid investments, including short-term bank deposits which are not restricted by liens, whose original term to maturity is up to three months from the investment date. Bank deposits whose original terms to maturity are greater than three months are included in cash and cash equivalents if they can be withdrawn immediately without penalty. The Company did not hold any cash equivalents as at December 31, 2020 or 2019.

**f. Revenue recognition:**

Revenue from contracts with customers is recognized when control over the goods or services is transferred to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes). The following are the specific revenue recognition criteria which must be met before revenue is recognized:

**1. Revenues from cryptocurrency mining:**

The Company, through Backbone, operates server farms supporting the verification and validation of blockchain transactions. The Company has entered into contracts with mining pools and has undertaken the performance obligation of providing computing power to the mining pool in exchange for non-cash consideration in the form cryptocurrency. Revenue is recognized upon receipt of cryptocurrency in exchange for its mining activities at the fair market value of the cryptocurrency received, see Note 3 for further information on the Company's change in revenue recognition policy relating to cryptocurrency mining.

**2. Revenues from hosting cryptocurrency mining equipment:**

The Company has also entered into hosting contracts where it operates mining equipment on behalf of third parties within its facilities. Revenue from hosting contracts is measured as the Company meets its obligation of operating the hosted equipment over time.

**3. Revenues from electrical services:**

The Group, through Volta, sells electrical components and provides electrician installation for those components, as well as repair and maintenance services. Revenues from providing services are recognized according to the stage of completion of the transaction as at the balance sheet date. The stage of completion is estimated based on the costs incurred for the transaction compared to the estimated cost of completion for the project. According to this method, revenues are recognized in the reporting period in which the services are provided. In the event that the outcome of the contract cannot be measured reliably, the revenues are recognized to the extent of the recoverable expenses incurred.

Any amounts received in advance for future services to be provided are recorded as deferred revenues (contract liability), grouped with trade payables and accrued liabilities, and recognized as revenue in profit or loss when the services are rendered.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency**

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

## g. Income tax

The income tax expense for the year comprises current and deferred taxes. These taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or loss or directly in shareholders' equity.

## 1. Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with tax liabilities in respect of previous years.

## 2. Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes. Deferred taxes are measured at the tax rate that is expected to apply when the asset is realized, or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilized. Deductible carryforward losses and temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that their utilization is probable.

Taxes that would apply in the event of the disposal of investments in investees have not been taken into account in computing deferred taxes, as long as the disposal of the investments in investees is not probable in the foreseeable future.

## h. Leases:

The accounting policy for leases applied is as follows:

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency****NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

Group as a lessee:

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

1. Right-of-use assets:

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated over the shorter of the lease term and the estimated useful lives of the assets, as follows:

| <b>Asset Class</b>             | <b>Depreciation Method</b> | <b>Depreciation Period</b> |
|--------------------------------|----------------------------|----------------------------|
| Farming facilities             | Straight line              | 4-10 years                 |
| Vehicles and other             | Straight line              | 3-5 years                  |
| BVVE and Electrical components | Sum of years               | 5 years                    |

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset and is classified with property plant and equipment. Refer to the accounting policies in section 1, property plant and equipment.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (n) Impairment of non-financial assets.

2. Lease liabilities:

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in- substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency****NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3. Short-term leases and leases of low-value assets:

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

i. Non-current assets held for sale:

Non-currents assets or a disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the assets must be available for immediate sale in their present condition, the Company must be committed to sell, there must be a program to locate a buyer and it is highly probable that a sale will be completed within one year from the date of classification. From the date of such initial classification, these assets are no longer depreciated and are presented separately as current assets at the lower of their carrying amount and fair value less costs to sell. Other comprehensive income (loss) in respect to a non-current asset or a group of non-current assets that is classified as held for sale is presented separately in equity.

When an entity no longer plans to sell an asset in a sale transaction, it ceases the classification of the asset as held for sale and measures it at the lower of its carrying amount had it not been classified as held for sale or the recoverable amount of the asset on the date of the decision not to sell the asset.

j. Property, plant and equipment:

Property, plant and equipment are carried at cost, including directly attributable costs, less accumulated depreciation, accumulated impairment losses and any related investment grants and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that are used in connection with plant and equipment. The cost of an item of property, plant and equipment comprises the initial estimate of the costs of dismantling and removing the item and restoring the site on which the item is located.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Property, plant and equipment are depreciated as follows:

Blockchain validation and verification equipment ("BVVE")

Mineral assets \*

Electrical equipment

Leasehold improvements

Buildings

Vehicles

- Sum of years, declining over 5 years
- Units of production method
- Sum of years, declining over 5 years
- See below
- Declining balance, 4%
- Declining balance, 30%

\* Since the acquisition of mineral assets in 2018, there has been no production.

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Group and intended to be exercised) and the expected life of the improvement.

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

The sum of years depreciation method is calculated as follows:

|                   | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|-------------------|--------|--------|--------|--------|--------|
| <b>Rate</b>       | 5/15   | 4/15   | 3/15   | 2/15   | 1/15   |
| <b>Percentage</b> | 33.33% | 26.67% | 20%    | 13.33% | 6.67%  |

k. Intangible assets:

Intangible assets acquired separately are initially measured at cost plus direct acquisition costs. Intangible assets acquired in business combinations are measured at their fair value as at the acquisition date.

Intangible assets with a finite useful life are amortized over their useful lives using the sum of years method and are reviewed for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at each year end. Intangible assets consist of acquired software used in the Company's cryptocurrency mining operations and customer lists acquired in a business combination.

Software:

The Group's assets include computer systems, comprised of hardware and software. Certain hardware comes pre-installed with firmware. Without this firmware, the hardware could not function and therefore both the hardware and firmware are classified within property plant and equipment. In contrast, stand-alone software that adds functionality to the hardware is classified as an intangible asset.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The sum of years depreciation method for computer software is calculated as follows:

|                   | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|-------------------|--------|--------|--------|--------|--------|
| <b>Rate</b>       | 5/15   | 4/15   | 3/15   | 2/15   | 1/15   |
| <b>Percentage</b> | 33.33% | 26.67% | 20%    | 13.33% | 6.67%  |

The sum of years depreciation method for customer lists is calculated as follows:

|                   | Year 1 | Year 2 | Year 3 |
|-------------------|--------|--------|--------|
| <b>Rate</b>       | 3/6    | 2/6    | 1/6    |
| <b>Percentage</b> | 50%    | 33.33% | 16.67% |

l. Impairment of non-financial assets:

The Company evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash- generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

m. Financial instruments:

1. Financial assets:

Initial recognition and measurement:

Financial assets are initially measured at fair value plus transaction costs that can be directly attributed to the acquisition of the financial asset, except in the case of a financial asset measured at fair value through profit or loss in respect of which transaction costs are charged to profit or loss.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency****NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)****Subsequent measurement:**

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Group's financial assets at amortized cost includes trade receivables and certain items included in other assets. Net changes in financial assets measured at fair value are recognized in the statement of profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. This category includes the embedded derivative arising from the repayment terms of the Dominion loan described in Note 13. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

**Impairment:**

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

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency****NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)****2. Financial liabilities:****Initial recognition and measurement:**

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

**Subsequent measurement:**

Financial liabilities are either measured at fair value through profit or loss or at amortized cost. Financial liabilities at fair value through profit or loss included a warrant liability, subject to the amendment of the warrant terms as described in Note 13. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as financial expenses in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

**3. Derecognition of financial assets:**

Financial assets are derecognized when the contractual rights to receive the cash flows from the financial asset expire, or when the Company transfers the contractual rights to receive the cash flows from the financial asset or assumes an obligation to pay the cash flows received in full to a third party without significant delay.

**4. Derecognition of financial liabilities:**

Financial liabilities are derecognized when and only when they are extinguished - that is, when the obligation defined in the contract is fulfilled, cancelled or expires. A financial liability is fulfilled when the debtor repays the liability by paying cash, other financial assets, goods or services, or is otherwise legally released from the liability.

**n. Fair value measurement:**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency****NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Fair value measurement of non-financial assets takes into account the ability of a market participant to derive economic benefits from the asset through its best use, or by selling it to another market participant capable of using the asset to its best use.

Assets and liabilities measured at fair value, or whose fair value is disclosed are classified into categories within the fair value hierarchy, based on the lowest level input that is significant to the overall fair value measurement:

- |         |   |                                                                                                                                 |
|---------|---|---------------------------------------------------------------------------------------------------------------------------------|
| Level 1 | - | Unadjusted quoted prices in an active market of identical assets and liabilities                                                |
| Level 2 | - | Non-quoted prices included in Level 1 that are either directly or indirectly observable                                         |
| Level 3 | - | Data that is not based on observable market information, such as valuation techniques without the use of observable market data |

**o. Government assistance**

Government assistance is recognized where there is reasonable assurance that the assistance will be received, and all attached conditions will be complied with. Government assistance is intended to compensate an expense item which is recognized in net income (loss) on a systematic basis over the periods that the related costs are expensed. During the year ended December 31, 2020, the Company recorded \$670 of government subsidies (CEWS), recognized in cost of sales and general and administrative expenses (nil during the comparable periods in 2019). There are no unfulfilled conditions or contingencies attached to this assistance. The Company adopted this accounting policy during the year.

**p. Provisions:**

Under IAS 37, provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligations and the amounts can be reliably estimated. When the Company expects that part or all of the expense will be refunded, such as an insurance claim, the refund will be recognized as a separate asset only on the date when there is certainty of receiving the asset. The expense will be recognized in the statement of profit or loss net of the expected refund.

**Asset retirement provisions:**

These provisions relate to Backbone's legal obligation, in relation to its leased properties, to restore the properties to their original condition at the end of the lease period. The provisions are calculated at the present value of the expected costs to settle the obligations using estimated future cash flows discounted at a rate that reflects the risks specific to the obligations. Changes in the estimated future costs, or in the discount rate applied, are recorded as an adjustment of the cost of the related asset.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency****NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)****Lawsuits:**

A provision for legal claims against the Group is recorded when the Group has a present legal or constructive obligation as a result of past events, that is more likely than not to be settled with an outflow of economic resources that can be measured reliably.

**q. Share-based transactions:**

Certain employees of the Company are entitled to benefits by way of share-based payment settled with equity instruments.

**Transactions settled with equity instruments:**

The cost of employee services paid in equity instruments is measured at the fair value of the equity instruments as at the grant date. The fair value is determined using a generally accepted option pricing model. Equity settled transactions with other services providers is measured at the fair value of the goods or services received in return for the equity instruments. The cost of equity-settled transactions is recognized in profit or loss together with a corresponding increase in contributed surplus during the period which the performance and/or service conditions are to be satisfied ending on the date on which the relevant employees become entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest.

Expenses related to grants that do not vest are not recognized, except for grants whose vesting is contingent on market conditions that are treated as vested regardless of these conditions, assuming all other vesting conditions (service and/or performance) were met.

When the Company modifies the terms of equity-settled transactions, an additional expense is recognized, calculated as the increase in the fair value of the compensation granted in excess of the original expense, on the date of the modification. Cancellation of equity settlement that has not vested is treated as if it had vested on the date of cancellation, with the unrecognized expense recognized immediately. However, if the cancellation is subsequently replaced by a new agreement and is designated as an alternative settlement, then it is treated as a modification of the original agreement as described above.

**r. Earnings per share:**

Earnings per share is calculated by dividing the net income attributable to the Company's shareholders by the weighted average number of common shares outstanding during the period.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency****NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

Potential common shares are included in the calculation of diluted earnings per share if their effect dilutes earnings per share from continuing operations. Potential common shares that were converted during the period are included in diluted earnings per share only up to the conversion date, and from that date are included in basic earnings per share.

s. Share capital:

Share capital represents the amount received on the issuance of shares, less issuance costs (net of tax).

t. Employee benefits:

The cost of short-term employee benefits is recognized in the period in which the services are rendered.

u. Issue of a unit of securities:

The issue of a unit of securities involves the allocation of the proceeds received before issue expenses to the securities issued in the unit based on the following order: financial derivatives and other financial instruments measured at fair value in each period. Then fair value is determined for financial liabilities that are measured at amortized cost. The proceeds allocated to equity instruments are determined to be the residual amount. Issue costs are allocated to each component pro rata to the amounts determined for each component in the unit.

**NOTE 3: CHANGE IN ACCOUNTING POLICY***Revenue recognition*

The Company, through Backbone, operates server farms supporting the verification and validation of blockchain transactions in exchange for cryptocurrency, referred to as “cryptocurrency mining”. The Company changed its accounting policy with respect to revenue recognition from cryptocurrency mining and subsequent measurement of cryptocurrency on hand. Prior to this change, the Company accounted for cryptocurrency as inventory until it was sold in exchange for fiat currency. Inventories of cryptocurrency were measured at the lower of cost to produce and net realizable value. The cost of cryptocurrency inventory was comprised of the costs incurred with respect to the validation and verification of blockchain transactions, consisting mainly of electricity and depreciation. Net realizable value was measured as the estimated selling price in the ordinary course of business less estimated selling costs. Revenue was recognized when the cryptocurrency was converted into fiat currency or when the cryptocurrency was transferred to another party in settlement of a debt to this party. The Company now recognizes revenue upon receipt of cryptocurrency in exchange for its mining activities at the fair market value of the cryptocurrency received, as described below.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency****NOTE 3: CHANGE IN ACCOUNTING POLICY (Cont.)**

IFRS 15 provides a five step model for identifying revenue from contracts with customers, as follows:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when the Company satisfies a performance obligation

The Company has entered into contracts with mining pools and has undertaken the performance obligation of providing computing power to the mining pool in exchange for non-cash consideration in the form cryptocurrency. The Company measures the non-cash consideration received at the fair market value of the cryptocurrency received. Management estimates fair value 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. Any difference between the fair value of cryptocurrency recorded upon receipt from mining activities and the actual realized price upon disposal are recorded as a gain or loss on disposition of cryptocurrency.

Cryptocurrency on hand at the end of a reporting period, if any, is accounted for under IAS 38 Intangible Assets, as an intangible asset with an indefinite useful life initially measured at cost, deemed to be the fair value upon receipt as described above, and subsequently measured under the revaluation model. Under the revaluation model, increases in the cryptocurrency's carrying amount is recognized in other comprehensive income and under accumulated other comprehensive income in equity. However, increases are recognized in profit or loss to the extent that it reverses a revaluation decrease of cryptocurrency previously recognized in profit or loss. The fair value of cryptocurrency on hand at the end of the reporting period is calculated as the quantity of cryptocurrency on hand multiplied by price quoted on Coinmarketcap as at the reporting date.

The Company has continued to classify cryptocurrency on hand at the end of a period as a current asset as management has determined that cryptocurrency markets have sufficient liquidity to allow conversion within the Company's normal operating cycle.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency****NOTE 3: CHANGE IN ACCOUNTING POLICY (Cont.)**

The Company believes that the revised policy and presentation provide more relevant financial information to the users of the financial statements. The accounting policy change has been applied retrospectively, but the Company's management has determined that the impact of the accounting policy change in previous periods is not material. The cumulative effect of retrospective application of the accounting policy change on retained earnings as at January 1, 2020 was nil as the Company did not have any cryptocurrency on hand as at December 31, 2019. Furthermore, the Company's management believes that the disclosures made in previous periods relating to the quantity and fair value of cryptocurrencies mined during the periods, the cost and fair market value of cryptocurrencies on hand at the end of the periods and the proceeds received from disposal of cryptocurrencies during the periods is sufficient to allow users of the financial statements to understand the Company's financial results. The accounting standards in the cryptocurrency mining industry are still evolving and the Company's management believes that this accounting policy change is better aligned with current industry practices. Additionally, the Company may be required to re-evaluate their accounting policy with respect to revenue recognition and subsequent remeasurement of cryptocurrency on hand in the event of the issuance of new accounting guidance or a change in the Company's business practice of regularly disposing of cryptocurrencies.

The Company did not have any cryptocurrency on hand as at December 31, 2020 or December 31, 2019.

**NOTE 4: SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the 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.

Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 4: SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Cont.)

## a. Judgements

*Revenue recognition:*

There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for accounting for the revenue recognition from cryptocurrency mining as well as subsequent measurement of cryptocurrency held. Management has determined that revenues should be recognized as the fair value of cryptocurrencies received in exchange for mining services on the date that cryptocurrencies are received and subsequently measured as an intangible asset. Management has exercised significant judgement in determining the appropriate accounting treatment. In the event authoritative guidance is issued by the IASB, the Company may be required to change its accounting policies, which could have a material effect on the Company's financial statements.

*Significant judgement in determining the lease term of contracts with renewal options:*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, under some of its leases to lease the assets for additional terms of three to ten years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal.

After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Group included the renewal period as part of the lease term for leases of most farming facilities due to the significance of these assets to its operations. The Group has not included renewal periods for farming facilities beginning after 2029.

## b. Estimates and assumptions

*Property, plant and equipment and intangible assets:*

Estimates of useful lives, residual values and methods of depreciation are reviewed annually. Any changes, based on additional available information, are accounted for prospectively as a change in accounting estimate.

*Impairment of property, plant and equipment and intangibles:*

The Company evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The Company reviews the need for recording impairment of mineral assets, as detailed in Note 9c, for which purpose it engaged an independent external appraiser to assist in determining the value of the assets. The fair value was determined through use of the market approach, which includes analyzing similar and comparable mineral properties and making adjustments for differences between those properties, and the subject, among certain identifiable parameters.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 4: SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Cont.)

## Long-term debt:

The Company entered into a secured debt financing facility with Dominion Capital LLC consisting of four equal loan tranches. Upon the drawdown of each loan tranche, management exercised significant judgement in determining the effective interest rates and the fair market value of the warrants issued in connection with each tranche. Management also exercised significant judgement in determining the fair market value of the embedded derivative. The key assumptions and methodologies used by management are described in Note 13.

## NOTE 5: CASH

|                                 | December 31,<br>2020 | December 31,<br>2019 |
|---------------------------------|----------------------|----------------------|
| Cash in USD                     | \$ 3,277             | \$ 1,131             |
| Cash in CAD                     | 2,670                | 1,018                |
| Cash in ILS (Israel new shekel) | -                    | 10                   |
|                                 | <u>\$ 5,947</u>      | <u>\$ 2,159</u>      |

## NOTE 6: TRADE RECEIVABLES

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). As of December 31, 2020, most trade receivables are derived from the sale of electrical components and services to external customers by the Group's wholly owned subsidiary, Volta Électrique. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

## a. Movement in allowance for doubtful accounts:

|                                 | December 31,<br>2020 | December 31,<br>2019 |
|---------------------------------|----------------------|----------------------|
| Balance as of January 1         | \$ 40                | \$ -                 |
| Provision for the period        | -                    | 76                   |
| Derecognition of bad debts      | -                    | (36)                 |
| Balance as of end of the period | <u>\$ 40</u>         | <u>\$ 40</u>         |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 6: TRADE RECEIVABLES (Cont.)

b. Following is information about the credit risk exposure of the Company's trade receivables as of December 31, 2020

|                 | Trade receivables aging |             |             |          |                   | Total    |
|-----------------|-------------------------|-------------|-------------|----------|-------------------|----------|
|                 | Not Past due            | 30- 60 days | 61- 90 days | >91 days | Allowance for ECL |          |
| Carrying amount | \$ 548                  | \$ 209      | \$ 87       | \$ 299   | \$ (40)           | \$ 1,103 |

## NOTE 7: OTHER ASSETS

|                                                     | December 31,<br>2020 | December 31,<br>2019 |
|-----------------------------------------------------|----------------------|----------------------|
| Sales taxes receivable                              | \$ 297               | \$ 398               |
| Prepaid expenses                                    | 203                  | 558                  |
| Electricity credit and government grants receivable | -                    | 442                  |
|                                                     | <u>\$ 500</u>        | <u>\$ 1,398</u>      |

## NOTE 8: ASSETS HELD FOR SALE

On May 24, 2019, the Company's management decided to sell 2,500 Antminer L3+ and committed to carry out a plan for the sale of the equipment. In 2019, the Company had located a purchaser and received non-refundable deposits totaling approximately \$332 and made the mining hardware available to the purchaser. The purchaser has not collected the mining hardware, which is no longer in use by the Company. The Company had deferred recognizing a gain on the disposition of the assets, as it was not reasonably certain that the transaction would be completed. The proceeds received from the purchaser were accounted for as a liability included in trade payable and accrued liabilities as at December 31, 2019. During 2020, the Company's management determined that the Company has completed the performance obligations necessary in order to recognize the gain on the sale. Accordingly, an amount of \$332 was recorded as a gain on disposal of property, plant and equipment during that period. Assets held for sale of \$7 as at December 31, 2019, excluding the Antminer L3+ described above, were sold in January 2020, for approximately their carrying amount.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 9: PROPERTY, PLANT AND EQUIPMENT

a. As of December 31, 2020, and 2019, property, plant and equipment consisted of:

|                                        | BVVE and<br>electrical<br>components | Mineral<br>assets | Land and<br>buildings | Leasehold<br>improvements | Vehicles      | Total            |
|----------------------------------------|--------------------------------------|-------------------|-----------------------|---------------------------|---------------|------------------|
| <b>Cost:</b>                           |                                      |                   |                       |                           |               |                  |
| <b>Balance as of January 1, 2020</b>   | \$ 54,127                            | \$ 9,000          | \$ 2,721              | \$ 2,415                  | \$ 381        | \$ 68,644        |
| Additions during the period            | 9,548                                | -                 | 542                   | 306                       | 80            | 10,476           |
| Dispositions during the period         | (10,999)                             | -                 | -                     | (14)                      | (13)          | (11,026)         |
| <b>Balance as of December 31, 2020</b> | <u>52,676</u>                        | <u>9,000</u>      | <u>3,263</u>          | <u>2,707</u>              | <u>448</u>    | <u>68,094</u>    |
| <b>Balance as of January 1, 2019</b>   | 35,439                               | 9,000             | 2,033                 | 2,140                     | 333           | 48,945           |
| Additions during the period            | 21,967                               | -                 | 688                   | 275                       | 73            | 23,003           |
| Dispositions during the period         | (3,193)                              | -                 | -                     | -                         | (25)          | (3,218)          |
| Transfer to assets held for sale       | (86)                                 | -                 | -                     | -                         | -             | (86)             |
| <b>Balance as of December 31, 2019</b> | <u>54,127</u>                        | <u>9,000</u>      | <u>2,721</u>          | <u>2,415</u>              | <u>381</u>    | <u>68,644</u>    |
| <b>Accumulated Depreciation:</b>       |                                      |                   |                       |                           |               |                  |
| <b>Balance as of January 1, 2020</b>   | 28,976                               | -                 | 101                   | 1,641                     | 152           | 30,870           |
| Depreciation                           | 9,762                                | -                 | 84                    | 234                       | 68            | 10,148           |
| Dispositions during the period         | (8,696)                              | -                 | -                     | (14)                      | (7)           | (8,717)          |
| <b>Balance as of December 31, 2020</b> | <u>30,042</u>                        | <u>-</u>          | <u>185</u>            | <u>1,861</u>              | <u>213</u>    | <u>32,301</u>    |
| <b>Balance as of January 1, 2019</b>   | 26,424                               | -                 | 38                    | 1,530                     | 91            | 28,083           |
| Depreciation                           | 5,318                                | -                 | 63                    | 111                       | 71            | 5,563            |
| Dispositions during the period         | (2,753)                              | -                 | -                     | -                         | (10)          | (2,763)          |
| Transfer to assets held for sale       | (13)                                 | -                 | -                     | -                         | -             | (13)             |
| <b>Balance as of December 31, 2019</b> | <u>28,976</u>                        | <u>-</u>          | <u>101</u>            | <u>1,641</u>              | <u>152</u>    | <u>30,870</u>    |
| Net book value as of                   |                                      |                   |                       |                           |               |                  |
| <b>December 31, 2020</b>               | <u>\$ 22,634</u>                     | <u>\$ 9,000</u>   | <u>\$ 3,078</u>       | <u>\$ 846</u>             | <u>\$ 235</u> | <u>\$ 35,793</u> |
| <b>December 31, 2019</b>               | <u>\$ 25,151</u>                     | <u>\$ 9,000</u>   | <u>\$ 2,620</u>       | <u>\$ 774</u>             | <u>\$ 229</u> | <u>\$ 37,774</u> |

b. Further details of the quantity of BVVE held by the Company are as follows:

|                                         | Bitmain<br>Antminer<br>S9<br>(BTC) | Other<br>Bitmain<br>Antminers<br>(BTC) * | Bitmain<br>Antminer<br>L3+<br>(LTC) | Innosilicon<br>T3 & T2T<br>(BTC/BCH)<br>** | Canaan<br>Avalon<br>A10<br>(BTC) | MicroBT<br>Whatsminer<br>(BTC) *** |
|-----------------------------------------|------------------------------------|------------------------------------------|-------------------------------------|--------------------------------------------|----------------------------------|------------------------------------|
| <b>Quantity as of January 1, 2020</b>   | 15,159                             | 2,071                                    | 400                                 | 6,543                                      | 2,490                            | 2,470                              |
| Additions during the period             | 2,000                              | 3                                        | -                                   | -                                          | -                                | 5,924                              |
| Dispositions during the period          | (7,662)                            | (327)                                    | (400)                               | (97)                                       | (1,466)                          | -                                  |
| <b>Quantity as of December 31, 2020</b> | <u>9,497</u>                       | <u>1,747</u>                             | <u>-</u>                            | <u>6,446</u>                               | <u>1,024</u>                     | <u>8,394</u>                       |
| <b>Balance as of January 1, 2019</b>    | 16,688                             | -                                        | 500                                 | -                                          | -                                | -                                  |
| Additions during the period             | -                                  | 2,071                                    | 2,400                               | 6,543                                      | 2,490                            | 2,470                              |
| Dispositions during the period          | (1,529)                            | -                                        | (2,500)                             | -                                          | -                                | -                                  |
| <b>Balance as of December 31, 2019</b>  | <u>15,159</u>                      | <u>2,071</u>                             | <u>400</u>                          | <u>6,543</u>                               | <u>2,490</u>                     | <u>2,470</u>                       |

\* Includes 1,332 Antminer T15, 16 Antminer S17 and 399 Antminer S15.

\*\* Includes 5,082 T3 and 1,364 T2T

\*\*\* Includes 4,338 M20S and 4,056 M31S

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 9: PROPERTY, PLANT AND EQUIPMENT (Cont.)

Included in the BVVE and electrical equipment listed above are right-of-use assets consisting of 4,000 Whatsminer M31S+ with a cost of \$5,878 and a net book value of approximately \$5,645 as described in Note 14.

- c. 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 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. The independent appraiser was engaged also to determine Suni's fair value as at December 31, 2020 and 2019. Using the same valuation techniques, the appraiser determined that the value of Suni was not below \$9,000 and that there was no impairment to Suni's value. The fair value measurement is categorized as level 2 in the fair value hierarchy. The Company also holds interests in three additional mineral properties, Hidden Lake gold mine, Victorine Gold mine and Pembroke silver mine. It is management's view that these three mines are unlikely to be of significant value and as a result they were not reflected in the purchase price allocation of the reverse acquisition. The above-mentioned mineral assets, including Suni, were inactive during the reporting periods and as of the date of approval of the consolidated financial statements.

## NOTE 10: INTANGIBLE ASSETS

|                                                         | Systems<br>software | Customer lists | Total         |
|---------------------------------------------------------|---------------------|----------------|---------------|
| <b>Cost:</b>                                            |                     |                |               |
| <b>Balance as of January 1, 2020</b>                    | \$ 5,088            | \$ 50          | \$ 5,138      |
| Additions                                               | 62                  | -              | 62            |
| <b>Balance as of December 31, 2020</b>                  | <u>5,150</u>        | <u>50</u>      | <u>5,200</u>  |
| <b>Balance as of January 1, 2019</b>                    | 5,000               | 50             | 5,050         |
| Additions                                               | 88                  | -              | 88            |
| <b>Balance as of December 31, 2019</b>                  | <u>5,088</u>        | <u>50</u>      | <u>5,138</u>  |
| <b><u>Accumulated amortization and impairment :</u></b> |                     |                |               |
| <b>Balance as of January 1, 2020</b>                    | 4,422               | 41             | 4,463         |
| Amortization                                            | 351                 | 9              | 360           |
| <b>Balance as of December 31, 2020</b>                  | <u>4,773</u>        | <u>50</u>      | <u>4,823</u>  |
| <b>Balance as of January 1, 2019</b>                    | 4,012               | 25             | 4,037         |
| Amortization                                            | 410                 | 16             | 426           |
| <b>Balance as of December 31, 2019</b>                  | <u>4,422</u>        | <u>41</u>      | <u>4,463</u>  |
| <b>Net book value as of</b>                             |                     |                |               |
| <b>December 31, 2020</b>                                | <u>\$ 377</u>       | <u>\$ -</u>    | <u>\$ 377</u> |
| <b>December 31, 2019</b>                                | <u>\$ 666</u>       | <u>\$ 9</u>    | <u>\$ 675</u> |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 11: LONG-TERM DEPOSITS AND ADVANCE PAYMENTS ON EQUIPMENT

|                                                  | December 31,<br>2020 | December 31,<br>2019 |
|--------------------------------------------------|----------------------|----------------------|
| Security deposits for energy, insurance and rent | \$ 942               | \$ 1,021             |
| Advance payments on equipment                    | 31                   | 127                  |
|                                                  | <u>\$ 973</u>        | <u>\$ 1,148</u>      |

## NOTE 12: TRADE PAYABLES AND ACCRUED LIABILITIES

|                                                    | December 31,<br>2020 | December 31,<br>2019 |
|----------------------------------------------------|----------------------|----------------------|
| Trade payables and accrued liabilities             | \$ 2,059             | \$ 2,272             |
| Government remittances                             | 637                  | 102                  |
| Trade payable to companies controlled by directors | -                    | 15                   |
|                                                    | <u>\$ 2,696</u>      | <u>\$ 2,389</u>      |

## NOTE 13 LONG-TERM DEBT

|                                           | December 31,<br>2020 | December 31,<br>2019 |
|-------------------------------------------|----------------------|----------------------|
| Dominion Capital loan                     | \$ 17,092            | \$ 15,084            |
| Backbone vendor financing                 | -                    | 394                  |
| Volta note payable and vendor financing   | 253                  | 245                  |
| Total long-term debt                      | 17,345               | 15,723               |
| Less current maturities of long-term debt | (17,171)             | (874)                |
| Non-current maturities of long-term debt  | <u>\$ 174</u>        | <u>\$ 14,849</u>     |

## a. Dominion Capital loan

On March 15, 2019, the Group entered into a secured debt financing facility for up to \$20,000 with Dominion Capital LLC (the Lender). As described in Note 27, the financing facility was repaid in full and all warrants issued to Dominion Capital LLC were exercised subsequent to December 31, 2020. The debt facility was structured into four separate loan tranches of \$5,000 per tranche. Each loan tranche bore interest at 10% per annum and the term of each loan tranche was 24 months with a balloon payment for any remaining outstanding balance at the end of the term. A monthly payment equivalent to 10% of the value of cryptocurrencies mined by Backbone during the month was required in repayment of the total loan tranches drawn. The monthly payments were applied to interest and the balance to principal, and in the event that the amount of the cryptocurrency mined was less than the amount of interest owing, such additional amounts were remitted such that the interest was payable in full on a current basis.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency****NOTE 13: LONG-TERM DEBT (Cont.)**

The loan contained a "make-whole" clause which stipulated that the 10% interest rate was calculated on the initial principal balance of the loan tranche and did not decrease as the principal balance was repaid. The 10% interest rate was calculated over the 24-month term of each loan tranche regardless of whether the loan tranche was repaid prior to its maturity. Any unpaid interest at the time of the loan tranche's early repayment was included in the balloon payment. In September 2020, the Company entered into an agreement with Dominion Capital to amend the maturity date of tranche #2 from April 2021 to November 2021. The 10% make-whole clause described below remained in effect for the 6 month extension of the second loan tranche. In addition, a conversion feature was added to tranche #3, maturing in June 2021, providing Dominion Capital with the option to convert all or a portion of the loan tranche into shares at a price of \$0.59 USD per share. The conversion feature was exercisable by Dominion Capital at any time until the loan's maturity date in June 2021. The conversion feature was valued at \$110 and was recorded as a reduction in long-term debt and an increase in equity.

The loan tranches were fully secured by the assets of the Group on a first-priority basis. Pursuant to the terms with the Lender, the Company was required to comply with certain covenants as long as any amount was outstanding. The significant covenants were to maintain a bank balance of \$1,000 at all times. The Company was also required to respect restrictions on issuing additional debt or selling property, plant and equipment without re-investing the proceeds into new purchases of property, plant and equipment. As of December 31, 2020, the Company was in compliance with all loan covenants.

Bitfarms Ltd. also issued 1,666,667 Lender warrants, which vested upon issuance, to acquire 1,666,667 shares of Bitfarms Ltd. for each loan tranche drawn with an exercise price of \$0.40 USD per share and an expiration date of five years. As a result, an aggregate of 6,666,668 Lender warrants to acquire 6,666,668 shares were issued, of which 1,250,000 were exercised as of December 31, 2020. The remaining 5,416,668 warrants were exercised subsequent to December 31, 2020 as described in Note 27, resulting in the warrant liability being settled through an equity issuance.

In exchange for the amendments described above, the Company agreed to issue 1,000,000 common shares to Dominion Capital. In addition, the expiry date of the 1,666,667 warrants issued in connection with the drawdown of Tranche #2 was modified from April 2024 to November 2021. The exercise price of the 1,666,667 warrants issued in connection with tranche #3 was modified from \$0.40 USD per warrant to \$0.304 USD per warrant. The modifications to the warrants issued in connection with Tranche #2 and Tranche #3 also included the authorization of a cashless exercise feature, which resulted in these warrants being reclassified as a warrant liability, as described below. The modifications described above did not sufficiently alter the future cash flows related to the loan to meet the criteria for an extinguishment. The Black Scholes model was used in determining the values of the warrants. The net charge to finance expense as a result of the issuance of common shares and warrant modifications was \$54. The overall modifications to the contractual cash flows resulted in a modification loss of \$12.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 13: LONG-TERM DEBT (Cont.)

The loan features resulted in a loan liability measured at amortized cost, a warrant component recorded as equity, a warrant component recorded as a liability measured at fair value through profit or loss, described below under Warrant issuance, and an embedded derivative measured at fair value through profit or loss.

*Loan liability*

The loan liability was initially measured as the residual amount of the proceeds received, net of transaction costs and the fair value of the warrant issuance. The loan was then measured at amortized cost using the effective interest method. Management used significant judgement and estimates when determining the effective interest rate. Payment amounts were determined as 10% of the cryptocurrency mined by Backbone. In order to calculate the effective interest rate, management estimated Backbone's future cryptocurrency mining revenues in order to estimate the timing and amount of future loan repayments. The effective interest rate was determined to be 26.93%, 30.16%, 37.10 % and 38.02% for the first, second, third and fourth tranches, respectively. The carrying amount of the loan liability approximates its fair value. Included in financial expenses for the year ended December 31, 2020 is \$5,315 (December 31, 2019 - \$2,817) of interest expense related to the loan.

*Warrant issuance*

As of December 31, 2019, the warrants issued in connection with the Dominion Capital loan were classified as equity. The authorization of the cashless exercise feature in 2020, described above, resulted in the modified warrants from Tranche #2 and Tranche #3 being reclassified from equity to warrant liability. There was no change to the classification or measurement of the warrants in Tranche #1 and Tranche #4. As a result of this cashless exercise feature, the warrants may not have resulted in a fixed number of shares being issued for a fixed price. The possibility of variation in quantity of shares issued resulted in the warrants being classified as a liability that was measured at fair value through profit or loss. The remeasurement resulted in a non-cash loss of \$3,876 for the year ended December 31, 2020 (December 31, 2019 – gain of \$1,776), included in net financial expenses (income). The following table lists the inputs to the Black Scholes model used for the fair value measurement of the Tranche #2 and Tranche #3 warrants reclassified from equity to a warrant liability as of the balance sheet date. The fair value measurement of the warrants is based upon level 2 inputs:

|                                     | Tranche 2       | Tranche 3       |
|-------------------------------------|-----------------|-----------------|
| Dividend yield (%)                  | -               | -               |
| Expected share price volatility (%) | 132%            | 132%            |
| Risk-free interest rate (%)         | 0.95%           | 0.95%           |
| Expected life of warrants (years)   | 0.92            | 0.5             |
| Share price (U.S. Dollar)           | 1.96            | 1.96            |
| Warrant value (U.S. Dollar)         | 1.61            | 1.67            |
| Quantity of warrants                | 1,166,667       | 1,666,667       |
| <b>Total value</b>                  | <b>\$ 1,884</b> | <b>\$ 2,784</b> |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 13: LONG-TERM DEBT (Cont.)

*Embedded derivative*

The value of the "make-whole" clause described above will vary based on management's projections of the timing of the loan repayment, which are based on Backbone's cryptocurrency mining revenues. This interest feature has been accounted for as an embedded derivative that is measured at fair value through profit or loss. Since this is a non-option derivative, the fair value upon initial recognition of the loan liability is nil.

As of December 31, 2020, management revised its projections of the timing of the loan repayment and discounted future payments to their present value using the effective interest rates determined upon inception of each loan tranche. The weighted average bitcoin price and network difficulty used in the projections in order to determine the fair value of the embedded derivative were \$24.6 and  $2.48 \times 10^{13}$ , respectively. The fair value measurement is based upon level 3 inputs, as a result management has performed a sensitivity analysis using varying discount rates:

|                                 | Scenario 1 | Scenario 2 | Scenario 3 |
|---------------------------------|------------|------------|------------|
| Discount rate                   | 30.05%     | 33.05%     | 36.05%     |
| Total value - asset (liability) | \$ 230     | \$ 1,410   | \$ 2,632   |

As of December 31, 2020, management recognized an embedded derivative asset with a fair value of \$1,449 (December 31, 2019 - \$476) resulting in a change in unrealized gain of \$973 included in net financial expenses (income) (December 31, 2019 - \$476) for the year ended December 31, 2020.

## b. Volta vehicle loans

Volta signed several agreements to purchase vehicles, with an outstanding balance of \$171 (CAD \$219,000) as of December 31, 2020 (December 31, 2019 - \$122). Eight notes payable, bearing interest between 0.99% and 8.2% repayable in monthly instalments totaling \$3 (CAD \$3,900) principal and interest, maturing between May 2023 and October 2025, secured by vehicles having a net carrying value of \$178.

## c. Volta vendor financing

Volta received long-term vendor financing with an outstanding balance of \$82 (CAD \$104,000) as of December 31, 2020 (December 31, 2019 - \$123), bearing interest at 5%, payable by monthly instalments of \$4 (CAD \$5,198) principal and interest, maturing September 2022.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 14: LEASES

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

|                                              | <u>Leased<br/>premises</u> | <u>Vehicles</u> | <u>Other<br/>equipment</u> | <u>Total ROU<br/>assets</u> | <u>Lease<br/>liabilities</u> |
|----------------------------------------------|----------------------------|-----------------|----------------------------|-----------------------------|------------------------------|
| As of January 1, 2020                        | \$ 6,024                   | \$ 157          | \$ 52                      | \$ 6,233                    | \$ 6,463                     |
| Additions and extensions to ROU assets       | -                          | 93              | 45                         | 138                         | 130                          |
| Additions to property, plant and equipment   | -                          | -               | -                          | -                           | 5,878                        |
| Depreciation                                 | (895)                      | (70)            | (13)                       | (978)                       | -                            |
| Payments                                     | -                          | -               | -                          | -                           | (2,231)                      |
| Issuance of warrants                         | -                          | -               | -                          | -                           | (77)                         |
| Interest                                     | -                          | -               | -                          | -                           | 769                          |
| Foreign exchange gain on lease liabilities   | -                          | -               | -                          | -                           | 91                           |
| As of December 31, 2020                      | <u>\$ 5,129</u>            | <u>\$ 180</u>   | <u>\$ 84</u>               | <u>\$ 5,393</u>             | <u>\$ 11,023</u>             |
| Less current maturities of lease liabilities |                            |                 |                            |                             | <u>(3,626)</u>               |
| Non-current maturities of lease liabilities  |                            |                 |                            |                             | <u>\$ 7,397</u>              |

In 2020, the Company entered into three two-year lease agreements for mining hardware with a cost of approximately \$5,878 which were delivered and installed in 2020. The leases contain bargain purchase options where the Company may purchase the leased equipment for \$1.00 USD upon expiration of the lease agreement. The corresponding right-of-use assets are classified as property, plant and equipment under BVVE and electrical equipment as described in Note 9. The Company issued 336,250 warrants to the Lessor with a strike price of \$0.40 USD and expiring in November 2023. The Group recognized rent expense from short-term leases of \$291 for the year ended December 31, 2020.

## NOTE 15: INCOME TAXES

## a. Deferred taxes:

Deferred taxes are computed at a tax rate of 26.5% (2019 - 26.6%), 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. Backbone currently has federal and provincial loss carryforwards of \$13,584 and \$19,830, respectively which can be carried forward for a period of 20 years, expiring in 2040. Management has concluded that the loss carryforwards do not meet the recognition criteria to recognize a deferred tax asset under IFRS.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 15: INCOME TAXES (Cont.)

b. Taxes included in profit or loss:

|                                       | Year ended<br>December 31, |                   |
|---------------------------------------|----------------------------|-------------------|
|                                       | 2020                       | 2019              |
| <b>Current tax expense (benefit)</b>  |                            |                   |
| Current year                          | \$ 310                     | \$ (1,768)        |
| Prior year                            | (138)                      | (9)               |
| <b>Deferred tax expense (benefit)</b> |                            |                   |
| Current year                          | -                          | (837)             |
| Prior year                            | -                          | 23                |
|                                       | <u>\$ 172</u>              | <u>\$ (2,591)</u> |

In addition to the taxes on income included in profit or loss in 2019, \$837 of deferred tax was charged directly to equity as it related to a temporary difference arising on items charged to equity.

c. Effective tax rate:

Tax on the Group's loss before income taxes differs from the theoretical amount that would arise using the statutory tax rate applicable to earnings as follows:

|                                                                                            | Year ended<br>December 31, |                   |
|--------------------------------------------------------------------------------------------|----------------------------|-------------------|
|                                                                                            | 2020                       | 2019              |
| Income tax expense at statutory rate of 26.5% (2019-26.6%)                                 | \$ (4,271)                 | \$ (129)          |
| <b>Increase (decrease) in taxes resulting from:</b>                                        |                            |                   |
| Foreign rate differential                                                                  | -                          | 9                 |
| Prior year                                                                                 | (1,113)                    | \$ (32)           |
| Non-deductible expenses                                                                    | 2,320                      | 636               |
| Losses, other temporary differences for which deferred tax assets not recognized and other | 3,236                      | -                 |
| Recognition of tax benefit due to loss carryback                                           | -                          | \$ (2,779)        |
| Foreign exchange on non-monetary assets                                                    | -                          | \$ (296)          |
|                                                                                            | <u>\$ 172</u>              | <u>\$ (2,591)</u> |

## NOTE 16: ASSET RETIREMENT PROVISION

As of December 31, 2020, the Group estimated the costs of restoring its leased premises to their original state at the end of their respective lease terms to be \$311, discounted to present value of \$209 using a discount rate of 8% over the lease periods, which were estimated to range from two to seven years depending on the location.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 17: SHARE CAPITAL

|                               | Authorized<br>December 31,<br>2020 | Issued and outstanding at<br>December 31,<br>2020 | December 31,<br>2019 |
|-------------------------------|------------------------------------|---------------------------------------------------|----------------------|
|                               | Number of shares                   |                                                   |                      |
| Common shares of no par value | Unlimited                          | 88,939,359                                        | 83,620,630           |

During the year, Dominion Capital exercised a combined total of 1,000,000 warrants to acquire 1,000,000 common shares resulting in proceeds of \$400 being paid to the Company.

During the year, employees and former employees exercised a combined total of 2,714,379 stock options to acquire 2,714,379 common shares resulting in proceeds of approximately \$1,597 being paid to the Company. An additional 4,350 common shares were issued.

On March 11, 2020, the Company issued 500,000 common shares to the former CEO upon his resignation, see Note 24 for details.

On May 29, 2020, 100,000 common shares were issued to the COO/ CFO upon completion of the two year vesting period of 100,000 restricted stock units.

On September 18, 2020, the Company issued 1,000,000 common shares to Dominion Capital in connection with the loan modifications described in Note 13.

The Company issued additional common shares subsequent to year-end, see Note 27 for details.

## NOTE 18: FINANCIAL INSTRUMENTS

## a. Financial assets at amortized cost:

|                        | December 31, |          |
|------------------------|--------------|----------|
|                        | 2020         | 2019     |
| Trade receivables, net | 1,103        | 1,108    |
|                        | \$ 1,103     | \$ 1,108 |

## b. Financial assets at fair value through profit or loss:

|                     | December 31, |        |
|---------------------|--------------|--------|
|                     | 2020         | 2019   |
| Embedded derivative | 1,449        | 476    |
|                     | \$ 1,449     | \$ 476 |

Note 13 a. includes a discussion of significant assumptions used in calculating the fair value of the embedded derivative.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 18: FINANCIAL INSTRUMENTS (Cont.)

## c. Financial liabilities:

|                                         | December 31,     |                  |
|-----------------------------------------|------------------|------------------|
|                                         | 2020             | 2019             |
| Financial liabilities at amortized cost |                  |                  |
| Trade payables and accrued liabilities  | \$ 2,696         | \$ 2,389         |
| Long-term debt                          | 17,345           | 15,723           |
| Lease liabilities                       | 11,023           | 6,463            |
|                                         | <u>\$ 31,064</u> | <u>\$ 24,575</u> |

The carrying amounts of trade receivables and trade payable and accrued liabilities presented in the tables above, are a reasonable approximation of their fair value. Long-term debt combined with the embedded derivative asset is a reasonable approximation of its fair value.

|                                                          | December 31,    |             |
|----------------------------------------------------------|-----------------|-------------|
|                                                          | 2020            | 2019        |
| Financial liability at fair value through profit or loss |                 |             |
| Warrant liability                                        | \$ 4,668        | \$ -        |
|                                                          | <u>\$ 4,668</u> | <u>\$ -</u> |

## d. Risk management policy:

The Company is exposed to foreign currency risk, credit risk and liquidity risk. The Company's senior management monitors these risks.

## e. Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's functional currency is the US Dollar as all of its revenues, most of its capital expenditures and most of its financing are transacted in US dollars. The Company is exposed to variability in the Canadian dollar to US dollar exchange rate when paying operating expenses incurred and payable in Canadian dollars. The Company funds foreign currency transactions by buying the foreign currency at the spot rate when required. A 5% increase or decrease in the USD/CAD exchange rates may have an impact of an increase or decrease of \$255 on retained earnings at December 31, 2020 (December 31, 2019 - \$181).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 18: FINANCIAL INSTRUMENTS (Cont.)

Amounts denominated in Canadian dollars included in the consolidated statements of financial position, presented in U.S. dollars in thousands, are as follows:

|                                        | December 31,      |                   |
|----------------------------------------|-------------------|-------------------|
|                                        | 2020              | 2019              |
| Cash                                   | \$ 2,670          | \$ 1,018          |
| Other receivables                      | 500               | 1,182             |
| Trade receivables, net                 | 923               | 1,091             |
| Income taxes receivable                | -                 | 1,743             |
| Trade payables and accrued liabilities | (2,449)           | (1,743)           |
| Income taxes payable                   | (316)             | (7)               |
| Long-term debt                         | (253)             | (245)             |
| Lease liabilities                      | (5,957)           | (6,463)           |
| Asset retirement provision             | (209)             | (193)             |
|                                        | <u>\$ (5,091)</u> | <u>\$ (3,617)</u> |

## f. Credit risk:

Credit risk is the risk of an unexpected loss if a third party fails to meet its contractual obligations, including cash and cash equivalents. The risk regarding cash and cash equivalents is mitigated by holding the 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 determined with respect to those amounts that the Company has determined to be doubtful of collection. The 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.

## g. Liquidity risk:

Liquidity risk is a risk that the Group will not be able to pay its financial obligations when they are due. The Group's policy is to monitor its cash balances and planned cash flows generated from operations to ensure, as far as possible, that it maintains sufficient liquidity in order to pay its projected financial liabilities. The contractual maturities of trade and other payables are less than three months. Long-term debt includes financial obligations with contractual maturities as follows, inclusive of interest as of December 31, 2020:

|                     | December 31,     |
|---------------------|------------------|
|                     | 2020             |
| 2021                | \$ 18,840        |
| 2022                | 87               |
| 2023 and thereafter | 84               |
|                     | <u>\$ 19,011</u> |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 18: FINANCIAL INSTRUMENTS (Cont.)

As described in Note 27, subsequent to December 31, 2020, \$18,758 of obligations maturing in 2021 were repaid in full.

Lease liabilities includes financial obligations with contractual maturities as follows, inclusive of interest, as of December 31, 2020:

|                     | December 31,<br>2020 |
|---------------------|----------------------|
| 2021                | \$ 4,733             |
| 2022                | 3,677                |
| 2023                | 1,133                |
| 2024                | 1,006                |
| 2025 and thereafter | 3,202                |
|                     | <u>\$ 13,751</u>     |

Movement in long-term debt for the years ending December 31, 2020 and 2019 is as follows:

|                                                      | Year ended<br>December 31, |                  |
|------------------------------------------------------|----------------------------|------------------|
|                                                      | 2020                       | 2019             |
| Balance as at January 1                              | 15,723                     | 1,718            |
| Issuance of long-term debt                           | 84                         | 14,664           |
| Payments                                             | (3,673)                    | (3,546)          |
| Interest on long-term debt                           | 5,335                      | 2,887            |
| Addition of conversion feature and loan modification | (124)                      | -                |
|                                                      | <u>\$ 17,345</u>           | <u>\$ 15,723</u> |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 19: ADDITIONAL DETAILS TO THE STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

## a. Revenues:

Details of the cryptocurrency mined by the Backbone operating segment and their related fair values at the time of mining are as follows.

|              | December 31, 2020 |          |           |
|--------------|-------------------|----------|-----------|
|              | Bitcoin           | Litecoin | Total \$  |
| Quantity     | 3,014             | 41       | -         |
| Fair value * | \$ 31,122         | \$ 3     | \$ 31,125 |

|              | December 31, 2019 |          |           |
|--------------|-------------------|----------|-----------|
|              | Bitcoin           | Litecoin | Total \$  |
| Quantity     | 3,865             | 7,561    | -         |
| Fair value * | \$ 28,733         | \$ 653   | \$ 29,386 |

In addition, Backbone recognized hosting revenues of \$941 during 2020 (2019 - \$nil).

\* The Company based the fair value of the cryptocurrency mined at the time of mining on the prices quoted on [www.coinmarketcap.com](http://www.coinmarketcap.com). The fair value measurement is categorized as level 2 in the fair value hierarchy.

## b. Cost of Sales:

|                                        | December 31,     |                  |
|----------------------------------------|------------------|------------------|
|                                        | 2020             | 2019             |
| Energy and infrastructure              | \$ 18,299        | \$ 11,666        |
| Depreciation and amortization          | 11,486           | 6,843            |
| Purchases of electrical components     | 1,138            | 1,260            |
| Electrician salaries and payroll taxes | 907              | 1,174            |
| Net change in inventory                | -                | 39               |
|                                        | <u>\$ 31,830</u> | <u>\$ 20,982</u> |

## c. General and administrative expenses:

|                                 | December 31,    |                 |
|---------------------------------|-----------------|-----------------|
|                                 | 2020            | 2019            |
| Salaries and payroll taxes      | \$ 4,864        | \$ 6,002        |
| Professional services           | 1,962           | 2,374           |
| Advertising and promotion       | 38              | 110             |
| Insurance and other             | 822             | 857             |
| Travel, motor vehicle and meals | 211             | 350             |
| Hosting and telecommunications  | 353             | 291             |
|                                 | <u>\$ 8,250</u> | <u>\$ 9,984</u> |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 19: ADDITIONAL DETAILS TO THE STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME (Cont.)

## d. Net financial expenses (income):

|                                        | December 31,    |                 |
|----------------------------------------|-----------------|-----------------|
|                                        | 2020            | 2019            |
| Loss (gain) on revaluation of warrants | \$ 3,876        | \$ (1,776)      |
| Interest on long-term debt             | 5,335           | 2,887           |
| Loss (gain) on embedded derivative     | (973)           | (476)           |
| Interest on lease liabilities          | 769             | 381             |
| Loss (gain) on currency exchange       | 238             | 207             |
| Other financial expenses               | 141             | 350             |
|                                        | <u>\$ 9,386</u> | <u>\$ 1,573</u> |

## NOTE 20: TRANSACTIONS AND BALANCES WITH RELATED PARTIES

## a. Balances with related parties:

|                                                               | December 31,<br>2020 | December 31,<br>2019 |
|---------------------------------------------------------------|----------------------|----------------------|
| Trade payables and accrued liabilities:                       |                      |                      |
| Directors' remuneration                                       | \$ 31                | \$ -                 |
| Companies controlled by certain directors and consulting fees | -                    | 15                   |
|                                                               | <u>\$ 31</u>         | <u>\$ 15</u>         |
| Lease liabilities:                                            |                      |                      |
| Companies controlled by directors                             | <u>\$ 1,695</u>      | <u>\$ 2,000</u>      |

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

## b. Transactions with related parties:

During the year ended December 31, 2020:

- The Company made rent payments totaling approximately \$440 for the year ended December 31, 2020 (year ended December 31, 2019- \$528) to companies controlled by certain directors. For the years ended December 31, 2020 and 2019 the rent payments were classified as interest included in financial expenses and principal repayment of lease liabilities.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency**

**NOTE 20: TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont.)**

2. One of the companies in the Group entered into consulting agreements with two of the directors. The consulting fees charged by directors totaled approximately \$379 for the year ended December 31, 2020 (year ended December 31, 2019 - \$400).

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

|                                     | <b>December 31,</b> |               |
|-------------------------------------|---------------------|---------------|
|                                     | <b>2020</b>         | <b>2019</b>   |
| General and administrative expenses | \$ 379              | \$ 588        |
| Financial expenses                  | 145                 | 184           |
|                                     | <b>\$ 524</b>       | <b>\$ 772</b> |

- c. Compensation of key management and directors:

Key management includes the Group's Chief Executive Officer, Executive Chairman, President, Chief Information Officer and Chief Financial Officer. The remuneration paid to directors and other members of key management personnel, to the extent that they are not included in the consulting agreements described in Note 20 b, are as follows:

|                      | <b>December 31,</b> |                 |
|----------------------|---------------------|-----------------|
|                      | <b>2020</b>         | <b>2019</b>     |
| Short-term benefits  | \$ 1,326            | \$ 791          |
| Share based payments | 1,611               | 2,873           |
|                      | <b>\$ 2,937</b>     | <b>\$ 3,664</b> |

**NOTE 21: CAPITAL MANAGEMENT POLICIES AND PROCEDURES**

The Group's capital management objectives are to ensure its ability to maximize the return of its shareholders. The Group's definition of capital includes all components of equity. Capital for the reporting period is summarized in Note 17 and in the consolidated statement of changes in equity. In order to meet its objectives, the Group monitors its capital structure and makes adjustments as required in light of changes in economic conditions and the risk characteristics of the underlying assets. These objectives will be achieved by maintaining a strong capital base so as to maintain investor confidence to sustain future development of the business, maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations and ensuring sufficient liquidity to pursue organic growth. In order to maintain or adjust the capital structure, the Group may issue new common shares or funded debt. As at December 31, 2020, the Group required consent from Dominion Capital in order to issue common shares at a price lower than \$0.40 USD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 22: SUBSIDIARIES

In 2011, the Bitfarms Ltd. (Israel) established AU Acquisition VI, LLC ("AU") which is incorporated in the State of Nevada, USA and is wholly owned and controlled by the Company. AU is registered as the legal owner of the mineral assets, Hidden Lake and Victorine. Also, in 2011, Bitfarms established Pembroke & Timberland, LLC ("Pembroke") in the State of Maine, USA which is also wholly owned and controlled by Bitfarms. Pembroke is registered as the legal owner of the Pembroke mineral asset as described in Note 9c.

| Company name | Security type   | No. of shares | Main place of business | Securities | Equity | Voting |
|--------------|-----------------|---------------|------------------------|------------|--------|--------|
| AU           | Ordinary shares | 100           | USA                    | 100%       | 100%   | 100%   |
| Pembroke     | Ordinary shares | 100           | USA                    | 100%       | 100%   | 100%   |
| Volta        | Ordinary shares | 7,503         | CDA                    | 100%       | 100%   | 100%   |
| Backbone     | Ordinary shares | 83,624,980    | CDA                    | 100%       | 100%   | 100%   |

Excluding the mineral assets with a carrying amount of \$9,000, substantially all of the other assets, liabilities, revenues, expenses and cash flows in the consolidated financial statements are those of Backbone and of Volta.

## NOTE 23: NET EARNINGS (LOSS) PER SHARE

Details of the number of shares and income (loss) used in the computation of net earnings (loss) per share:

|                                                                                      | 2020                                |                                                          | 2019                                |                                                            |
|--------------------------------------------------------------------------------------|-------------------------------------|----------------------------------------------------------|-------------------------------------|------------------------------------------------------------|
|                                                                                      | Weighted average shares outstanding | Net loss attributable to the shareholders of the Company | Weighted average shares outstanding | Net income attributable to the shareholders of the Company |
|                                                                                      | Number of shares (in thousands)     |                                                          | Number of shares (in thousands)     |                                                            |
| Total shares for the calculation of basic earnings (loss) per share                  | 84,915                              | -                                                        | 67,044                              | -                                                          |
| The effect of dilutive potential ordinary shares                                     | -                                   | -                                                        | 4,014                               | -                                                          |
| Total shares for the calculation of diluted earnings (loss) per share                | 84,915                              | -                                                        | 71,058                              | -                                                          |
| Net income (loss) for the calculation of basic and diluted earnings (loss) per share | -                                   | \$ (16,289)                                              | -                                   | \$ 2,899                                                   |

For 2020, potentially dilutive securities (options and warrants – see Notes 13, 14 and 24) have not been included in the calculation of diluted earnings (loss) per share because their effect is antidilutive. For the years ended 2020 and 2019, vested options or warrants whose exercise price exceeded the average share price during the period were not included in the calculation of diluted earnings per share (see note 24). 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 year ended December 31, 2020, would have been 6,575,514.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 23: NET EARNINGS (LOSS) PER SHARE (Cont.)

|                                       | Year ended December 31 |      |
|---------------------------------------|------------------------|------|
|                                       | 2020                   | 2019 |
| Basic net earnings (loss) per share   | (0.19)                 | 0.04 |
| Diluted net earnings (loss) per share | (0.19)                 | 0.04 |

## NOTE 24: SHARE BASED PAYMENT

The expense recognized in the financial statements for employee services received is as follows:

|                                          | December 31, |          |
|------------------------------------------|--------------|----------|
|                                          | 2020         | 2019     |
| Equity-settled share-based payment plans | \$ 2,201     | \$ 2,873 |

The share-based payment transactions entered into between the Group and its employees during year ended December 31, 2020 are described below.

On March 11, 2020, Wes Fulford resigned as Chief Executive Officer (CEO) and Director of Bitfarms and its subsidiaries. In consideration for past services rendered, the former CEO's stock compensation agreement was modified to immediately vest all unvested stock options, extend the expiration date of 3,000,000 options from 90 days subsequent to his resignation to July 31, 2022. Furthermore, the Company granted the former CEO 500,000 common shares and modified 500,000 options to expire as at June 2020. The stock option modifications and grant of 500,000 common shares resulted in the Company recording stock compensation expense of \$624.

On August 31, 2020, John Rim resigned as Chief Financial Officer (CFO) of Bitfarms and its subsidiaries. The former CFO entered into a consulting agreement with the Company that allows the continued vesting of all unvested stock options with the removal of performance obligations. As a result, all unvested stock options were recorded as expense effective the former CFO's resignation date. In addition, the former CFO voluntarily forfeited 1,000,000 stock options with an average strike price of \$1.19 and the Company granted immediate vesting of 300,000 stock options that were originally scheduled to vest in June 2022. The stock option modifications resulted in the Company recording stock compensation expense of \$526.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 24: SHARE BASED PAYMENT (Cont.)

New stock option grants and the inputs used to value them during the year ended December 31, 2020 are included in the table below:

| Grant date                             | June 28,<br>2020 | August 31,<br>2020 | September 21,<br>2020 | December 22,<br>2020 |
|----------------------------------------|------------------|--------------------|-----------------------|----------------------|
| Dividend yield (%)                     | -                | -                  | -                     | -                    |
| Expected share price volatility (%)    | 125%             | 125%               | 125%                  | 132%                 |
| Risk-free interest rate (%)            | 0.95%            | 0.95%              | 0.95%                 | 0.95%                |
| Expected life of stock options (years) | 3                | 3                  | 3                     | 3                    |
| Share price (Canadian Dollar) *        | 0.36             | 0.43               | 0.35                  | 1.76                 |
| Exercise price (Canadian Dollar)       | 0.36             | 0.43               | 0.35                  | 1.76                 |
| Fair value of options (USD)            | 0.19             | 0.24               | 0.20                  | 1.05                 |
| Vesting period (years)                 | 2                | 2                  | 2                     | 1.4                  |
| Quantity of options granted *          | 2,600,000        | 1,200,000          | 400,000               | 1,024,600            |

Details of the outstanding stock options are as follows:

|                           | 2020                 |                                                     | 2019                 |                                                     |
|---------------------------|----------------------|-----------------------------------------------------|----------------------|-----------------------------------------------------|
|                           | Number of<br>Options | Weighted<br>Average<br>Exercise<br>Price<br>(\$CAD) | Number of<br>Options | Weighted<br>Average<br>Exercise<br>Price<br>(\$CAD) |
| Outstanding, January 1    | 8,345,000            | 1.06                                                | 500,000              | 0.87                                                |
| Granted                   | 5,224,600            | 0.65                                                | 8,365,000            | 1.06                                                |
| Exercised                 | (2,714,379)          | 0.75                                                | -                    | -                                                   |
| Forefeited                | (1,860,000)          | 1.10                                                | (520,000)            | 0.99                                                |
| Expired                   | (895,000)            | 0.96                                                | -                    | -                                                   |
| Outstanding, December 31, | 8,100,221            | 0.72                                                | 8,345,000            | 1.06                                                |
| Exercisable, December 31, | 4,717,551            | 1.16                                                | 4,220,583            | 0.99                                                |

The weighted average contractual life of the stock options in 2020 was 4 years (2019 – 4.5 years).

## NOTE 25: REPORTABLE SEGMENTS

a. General:

The reporting segments are identified on the basis of information that is reviewed by the chief operating decision maker ("CODM") to make decisions about resources to be allocated and assess its performance. Accordingly, for management purposes, the Group is organized into operating segments based on the products and services of its business units and has reportable segments as follows:

- Backbone - Backbone operates server farms that support the validation and verification of transactions on the blockchain, earning cryptocurrencies for providing these services.
- Volta - Volta provides electrician services to both commercial and residential customers in Quebec.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 25: REPORTABLE SEGMENTS (Cont.)

The segment results reported to the CODM include items that are allocated directly to the segments and items that can be allocated on a reasonable basis. Items that were not allocated, mainly corporate expenses related to Bitfarms Ltd. (Israel) and financial expenses are managed on a group basis.

## b. Reportable segments:

|                                                   | Year ended December 31, 2020 |          |             |
|---------------------------------------------------|------------------------------|----------|-------------|
|                                                   | Backbone                     | Volta    | Total       |
| Revenues                                          | \$ 32,066                    | \$ 2,637 | \$ 34,703   |
| Cost of sales                                     | 29,664                       | 2,166    | 31,830      |
| Gross profit                                      | 2,402                        | 471      | 2,873       |
| (Gain) on disposition of cryptocurrencies         | (88)                         | -        | (88)        |
| General and administrative expenses               | 7,674                        | 489      | 8,163       |
| Loss on disposal of property, plant and equipment | 1,440                        | 2        | 1,442       |
| Net financial expenses                            | 9,377                        | 9        | 9,386       |
| Segment profit (loss)                             | \$ (16,001)                  | \$ (29)  | \$ (16,030) |
| Unallocated corporate expenses                    |                              |          | 87          |
| Loss before income taxes                          |                              |          | \$ (16,117) |

|                                                                         | Year ended December 31, 2019 |          |           |
|-------------------------------------------------------------------------|------------------------------|----------|-----------|
|                                                                         | Backbone                     | Volta    | Total     |
| Revenues                                                                | \$ 29,347                    | \$ 3,074 | \$ 32,421 |
| Cost of sales                                                           | 18,479                       | 2,503    | 20,982    |
| Gross profit                                                            | 10,868                       | 571      | 11,439    |
| General and administrative expenses                                     | 9,097                        | 653      | 9,750     |
| Impairment and loss (gain) on disposal of property, plant and equipment | 375                          | (9)      | 366       |
| Net financial expenses                                                  | 1,566                        | 7        | 1,573     |
| Segment profit (loss)                                                   | \$ (170)                     | \$ (80)  | \$ (250)  |
| Unallocated corporate expenses                                          |                              |          | 234       |
| Loss before income taxes                                                |                              |          | \$ (484)  |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

## NOTE 26: ADDITIONAL DETAILS TO THE STATEMENT OF CASH FLOW

|                                                                                            | For the years ended  |                      |
|--------------------------------------------------------------------------------------------|----------------------|----------------------|
|                                                                                            | December 31,<br>2020 | December 31,<br>2019 |
| <u>Changes in working capital components:</u>                                              |                      |                      |
| Decrease (increase) in trade receivables, net                                              | \$ 5                 | \$ (2)               |
| Decrease (increase) in other current assets                                                | 898                  | (1,068)              |
| Increase in electrical components inventory                                                | (34)                 | (5)                  |
| Decrease (increase) in long-term deposits                                                  | 206                  | (142)                |
| Increase (decrease) in trade payables and accrued liabilities                              | 109                  | (16)                 |
| Decrease (increase) in taxes receivable/payable                                            | 2,059                | (1,743)              |
| Decrease in liabilities held for sale                                                      | -                    | (50)                 |
|                                                                                            | <u>\$ 3,243</u>      | <u>\$ (3,026)</u>    |
| <u>Significant non-cash transactions:</u>                                                  |                      |                      |
| Forgiveness of loan from company controlled by shareholders                                | -                    | 33                   |
| Addition of property plant and equipment/right-of-use assets and related lease liabilities | 5,878                | 2,292                |
| Purchase of property, plant and equipment financed by short-term credit                    | 646                  | 447                  |
| Acquisition of non-controlling interest by issuance of shares                              | -                    | 24,938               |

## NOTE 27: SUBSEQUENT EVENTS

*Private placements*

In January and February 2021, the Company completed three private placements for total gross proceeds of \$80,000,000 CAD in exchange for 26,036,177 Common Shares and 26,036,177 warrants to purchase Common Shares:

| Closing Date                | January 7,<br>2021 | January 14,<br>2021 | February 10,<br>2021 |
|-----------------------------|--------------------|---------------------|----------------------|
| Gross proceeds (CAD)        | 20,000,000         | 20,000,000          | 40,000,000           |
| Common shares issued        | 8,888,889          | 5,586,593           | 11,560,695           |
| Warrants issued*            | 8,888,889          | 5,586,593           | 11,560,695           |
| Warrant strike price        | 2.75 CAD           | 3.10 USD            | 3.01 USD             |
| Warrant life (years)        | 3                  | 3.5                 | 3.5                  |
| Commission paid             | 8%                 | 8%                  | 8%                   |
| Broker warrants issued*     | 711,111            | 446,927             | 924,586              |
| Broker warrant strike price | 2.81 CAD           | 3.53 USD            | 3.39 USD             |
| Broker warrant life (years) | 3                  | 3.5                 | 3.5                  |

\* All warrants issued are for the purchase of one common share in the Company

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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In thousands of U.S. dollars, except for data relating to quantity of PPE, shares, warrants and cryptocurrency

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**NOTE 27: SUBSEQUENT EVENTS (Cont.)**

As of the date of approval of the financial statements, the following warrants, issued in connection with the private placements described above, were exercised:

In February 2021, 8,888,889 warrants and 615,111 of the 711,111 broker warrants related to the private placement closed on January 7, 2021 were exercised resulting in the issuance of 9,504,000 common shares for proceeds of approximately \$20,611 (26,172,000 CAD).

In March 2021, 5,027,933 warrants related to the private placement closed on January 14, 2021 were exercised resulting in the issuance of 5,027,933 common shares for proceeds of approximately \$15,587. In addition, 800,000 of the 924,586 broker warrants issued in connection with the private placement on February 10, 2021 were exercised resulting in the issuance of 800,000 common shares for proceeds of \$2,712.

In total, 15,331,933 warrants have been exercised resulting in the issuance of 15,331,933 common shares for total proceeds of \$38,910.

*Dominion Capital Loan and Warrants*

In January 2021, Dominion Capital exercised their option to convert \$5,000 of debt into 8,474,576 Common Shares. In January and February 2021, Dominion Capital exercised all of their remaining outstanding warrants resulting in the issuance of 5,251,223 common shares for proceeds of approximately \$1,500. The warrant exercises described above include the cashless exercise of 1,666,667 warrants resulting in the issuance of 1,501,222 common shares.

In February 2021, the Company paid the outstanding balance of the Dominion Capital Loan and has satisfied all obligations relating to the loan. As such, the Company is no longer subject to the covenants or collateral obligations described in Note 13 a.

*Agreement to Purchase Mining Hardware*

In March 2021 the Company entered into agreements to purchase 48,000 new miners from MicroBT, the manufacturer of WhatsMiner miners, with variable pricing to be determined at future dates. The equipment is expected to be delivered starting in January 2022.



Management's Discussion & Analysis  
For the year ended December 31, 2020

2020

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## Introduction

The following Management's Discussion and Analysis ("MD&A") for Bitfarms Ltd. (together with its subsidiaries, the "Company" or "Bitfarms"), dated March 24, 2021, should be read in conjunction with the Company's audited annual consolidated financial statements and its accompanying notes for the year ended December 31, 2020. In addition, the following MD&A should be read in conjunction with the Company's "Caution Regarding Forward-Looking Statements" section of this MD&A.

The Company's 2020 audited annual consolidated financial statements and the accompanying notes have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company's 2020 audited annual consolidated financial statements and the accompanying notes are reported in US dollars, except where otherwise noted.

The Company utilizes various 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 operates through two operating corporate subsidiaries and reportable segments: Backbone Hosting Solutions Inc. ("Backbone") and 9159-9290 Quebec Inc. (Volta Électrique, "Volta").

Backbone owns and operates server farms, comprised of computers (referred to as a "Miners") designed for the purpose of validating transactions, primarily on the Bitcoin 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 Bitcoin network to a Mining Pool from which the Company receives cryptocurrencies in return for contributing its hashrate which the Mining Pool uses to validate transactions (referred to as "Mining"). Backbone exchanges cryptocurrencies mined into U.S. dollars, as needed, through reputable and established cryptocurrency trading platforms.

As of the date of this MD&A, Bitfarms operates five server farm facilities in Québec, Canada, with electrical infrastructure capacity of 69 MW for Mining Bitcoin. The Company has contracts securing an aggregate of approximately 160 MW of hydro-electric green energy in Québec. Bitfarms also owns proprietary software that is used to control, manage, report and secure mining operations. The software scans and reports the location, computing power and temperature of all Miners at regular intervals to allow the Company to monitor performance and ensure Miners are operating at maximum capacity and up-time.

Volta provides electrician services to both commercial and residential customers in Québec, while assisting Bitfarms in building and maintaining its server farms.



Consolidated Results of Operations

(U.S.\$ in thousands except per share data and percentages)

For the periods ended as indicated

|                                             | Three months ended |                 |           |          | Twelve months ended |                 |           |          |
|---------------------------------------------|--------------------|-----------------|-----------|----------|---------------------|-----------------|-----------|----------|
|                                             | Dec. 31<br>2020    | Dec. 31<br>2019 | \$ Change | % Change | Dec. 31<br>2020     | Dec. 31<br>2019 | \$ Change | % Change |
| Revenues                                    | 11,324             | 10,536          | 788       | 7%       | 34,703              | 32,421          | 2,282     | 7%       |
| Cost of sales                               | 8,580              | 7,702           | 878       | 11%      | 31,830              | 20,982          | 10,848    | 52%      |
| Gross profit (loss)                         | 2,744              | 2,834           | (90)      | (3%)     | 2,873               | 11,439          | (8,566)   | (75%)    |
| Gross margin                                | 24%                | 27%             | -         | -        | 8%                  | 35%             | -         | -        |
| General and administrative expenses         | 2,265              | 2,409           | (144)     | (6%)     | 8,250               | 9,984           | (1,734)   | (17%)    |
| (Gain) on disposition of cryptocurrencies   | (65)               | -               | (65)      | (100%)   | (88)                | -               | (88)      | (100%)   |
| Impairment of property, plant and equipment | -                  | -               | -         | -        | -                   | 56              | (56)      | (100%)   |
| Operating income (loss)                     | 544                | 425             | 119       | 28%      | (5,289)             | 1,399           | (6,688)   | (478%)   |
| Operating margin                            | 5%                 | 4%              | -         | -        | (15%)               | 4%              | -         | -        |
| Loss on disposition of assets               | 178                | 303             | (125)     | (41%)    | 1,442               | 310             | 1,132     | 365%     |
| Net financial expenses                      | 5,456              | 1,571           | 3,885     | 247%     | 9,386               | 1,573           | 7,813     | 497%     |
| Net income (loss) before income taxes       | (5,090)            | (1,449)         | (3,641)   | (251%)   | (16,117)            | (484)           | (15,633)  | (3230%)  |
| Income tax expense (recovery)               | 284                | (2,574)         | 2,858     | 111%     | 172                 | (2,591)         | 2,763     | 107%     |
| Net income (loss)                           | (5,374)            | 1,125           | (6,499)   | (578%)   | (16,289)            | 2,107           | (18,396)  | (873%)   |
| Net earnings (loss) per share - basic       | (0.06)             | 0.02            | -         | -        | (0.19)              | 0.04            | -         | -        |
| Net earnings (loss) per share - diluted     | (0.06)             | 0.02            | -         | -        | (0.19)              | 0.04            | -         | -        |
| Gross mining profit (1)                     | 5,461              | 5,488           | (27)      | -        | 13,782              | 17,681          | (3,899)   | (22%)    |
| Gross mining margin (1)                     | 53%                | 56%             | -         | -        | 43%                 | 60%             | -         | -        |
| EBITDA (1)                                  | (500)              | 2,299           | (2,799)   | (122%)   | 1,473               | 9,627           | (8,154)   | (85%)    |
| EBITDA margin (1)                           | (4%)               | 22%             | -         | -        | 4%                  | 30%             | -         | -        |
| Adjusted EBITDA (1)                         | 3,556              | 2,986           | 570       | 19%      | 8,019               | 10,617          | (2,598)   | (24%)    |
| Adjusted EBITDA margin (1)                  | 31%                | 28%             | -         | -        | 23%                 | 33%             | -         | -        |

*Fourth Quarter 2020 Highlights:*

- Revenues of \$11.3 million; gross profit of \$2.7 million (24% gross margin), operating income of \$0.5 million (5% operating margin), and net loss of \$5.4 million;
- Gross mining profit<sup>1</sup> of \$5.5 million (53% gross mining margin);
- Negative EBITDA of \$0.5 million (-4% EBITDA margin), \$3.6 million Adjusted EBITDA (31% Adjusted EBITDA margin);
- Mined 577 Bitcoins with an average break-even<sup>2</sup> Bitcoin price of approximately \$7,500;
- 3,000 miners were received and installed during the quarter adding approximately 218 PH/s.

*Full Year 2020 Highlights:*

- Revenues of \$34.7 million; gross profit of \$2.9 million (8% gross margin), operating loss of \$5.3 million (-15% operating margin), and net loss of \$16.3 million;
- Gross mining profit<sup>1</sup> of \$13.8 million (43% gross mining margin);
- EBITDA of \$1.5 million (4% EBITDA margin), \$8.0 million Adjusted EBITDA (23% Adjusted EBITDA margin);
- Mined 3,014 Bitcoins with an average break-even<sup>2</sup> Bitcoin price of approximately \$5,600;
- 5,865 miners were received and installed during the year adding approximately 433 PH/s.

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

<sup>2</sup> Represents the break-even cost of Bitcoin based on variable cost of electricity and is calculated by taking the total electricity costs related to the Mining of Bitcoin, excluding hosting contracts, divided by the total number of Bitcoin mined.

#### Revenues

Revenues were \$11.3 million for the three-month period ended December 31, 2020 compared to \$10.5 million for the comparable three-month period in 2019.

| (U.S. \$ in thousands except where indicated)                                                                | Note | Bitcoin | (USD)   | % Change |
|--------------------------------------------------------------------------------------------------------------|------|---------|---------|----------|
| Revenues based on actual coins sold during the three-month period ended December 31, 2019 and Volta revenues |      | 1,219   | 10,536  | -        |
| Impact of increase in network difficulty in excess of average Bitfarms' Bitcoin hashrate                     | 1    | (127)   | (1,011) | (10%)    |
| Impact of Bitcoin Halving Event on May 11, 2020 on Bitfarms' quantity of coins mined                         | 2    | (515)   | (8,844) | (84%)    |
| Impact of difference in average Bitcoin price in Q4 2020 compared to Q4 2019                                 | 3    |         | 10,038  | 95%      |
| Other mining variance and change in Volta revenues                                                           |      |         | 605     | 6%       |
| Revenues for three months ended December 31, 2020                                                            |      | 577     | 11,324  | 7%       |

#### Notes

- 1 Calculated as the difference in theoretical Bitcoin mined in Q4 2020 assuming the Bitcoin Halving Event did not occur, compared to Q4 2019 multiplied by Q4 2019 average Bitcoin price
- 2 Calculated as the theoretical Bitcoin mined based on Bitfarms' actual hashrate during Q4 2020 assuming the Bitcoin Halving Event did not occur, compared to actual coins mined during the same period multiplied by average Bitcoin price
- 3 Calculated as the difference in average Bitcoin price in Q4 2020 compared to Q4 2019 multiplied by Bitcoin mined in Q4 2020 plus the reduction in Bitcoin mined as a result of the Bitcoin Halving event

The most significant factors impacting the increase to Bitfarms' revenues in Q4 2020, compared to Q4 2019, are presented in the table above. Revenues increased mostly due to the higher average Bitcoin price reduced by the increase in network difficulty in excess of the increase in Bitfarms' hashrate and the negative impact of the Bitcoin Halving Event.

Revenues were \$34.7 million for the twelve-month period ended December 31, 2020 compared to \$32.4 million for the same twelve-month period in 2019.

| (U.S. \$ in thousands except where indicated)                                                                 | Note | Bitcoin | (USD)    | % Change |
|---------------------------------------------------------------------------------------------------------------|------|---------|----------|----------|
| Revenues based on actual coins sold during the twelve-month period ended December 31, 2019 and Volta revenues |      | 3,876   | 32,421   | -        |
| Impact of increase in average Bitfarms' Bitcoin hashrate average in excess of increase in                     | 1    | 404     | 2,997    | 9%       |
| Impact of Bitcoin Halving Event on May 11, 2020 on Bitfarms' quantity of coins mined in                       | 2    | (1,266) | (13,105) | (40%)    |
| Impact of difference in average Bitcoin price in 2020 compared to 2019                                        | 3    |         | 12,537   | 38%      |
| Impact of Litecoins mined and sold in 2019                                                                    | 4    |         | (653)    | (2%)     |
| Other mining variance and change in Volta revenues                                                            |      |         | 506      | 2%       |
| Revenues for twelve months ended December 31, 2020                                                            |      | 3,014   | 34,703   | 7%       |

#### Notes

- 1 Calculated as the difference in theoretical Bitcoin mined in 2020 assuming the Bitcoin Halving Event did not occur, compared to 2019 multiplied by 2019 average Bitcoin price
- 2 Calculated as the theoretical Bitcoin mined based on Bitfarms' actual hashrate from May 11, 2020 to December 31, 2020 assuming the Bitcoin Halving Event did not occur, compared to actual coins mined during the same period multiplied by average Bitcoin price
- 3 Calculated as the difference in average Bitcoin price in 2020 compared to 2019 multiplied by Bitcoins mined and sold in 2020 plus the reduction in Bitcoin mined as a result of the Bitcoin Halving event
- 4 Calculated as the difference in Litecoin sold as at 2020 compared to 2019 multiplied by the average Litecoin price for 2019

The most significant factors impacting the increase to Bitfarms' revenues for the twelve months ended December 31, 2020, compared to the twelve months ended December 31, 2019 are presented in the table above. Revenues increased mostly due to the higher average Bitcoin price and the increase in hashrate in excess of the increase in network difficulty, reduced by the negative impact of the Bitcoin Halving Event.

#### *Cost of Sales*

Bitfarms' cost of sales for Q4 2020 was \$8.6 million, compared to \$7.7 million in Q4 2019 and \$31.8 million for the twelve-month period ended December 31, 2020, compared to \$20.9 million for the twelve months ended December 31, 2019.

Cost of sales includes energy and infrastructure expenses, depreciation and amortization, electrician salaries, and purchases and net change in inventory. The most significant factors resulting in the increase in cost of sales are described below.

Energy and infrastructure expenses increased by \$0.7 million, or 17% in Q4 2020, compared to Q4 2019, primarily due to the Company adding new Miners, which increased the electrical consumption when comparing quarters.

For the year, energy and infrastructure expenses increased by \$6.6 million, or 57% compared to 2019, primarily due to the increased average electrical consumption as a result of the Company adding new Miners.

Depreciation and amortization expenses increased by \$0.2 million in Q4 2020, or 8.0% compared to Q4 2019, and \$4.6 million, or 68% when comparing 2020 to 2019, primarily due to depreciation expense recorded on net additions to property, plant and equipment.

#### *General & Administrative Expenses*

Bitfarms' general and administrative expenses stood at \$2.3 million in Q4 2020, flat when compared to Q4 2019.

Bitfarms' general and administrative expenses stood at \$8.3 million for the twelve-month period ended December 31, 2020, compared to \$10.0 million for the same period in 2019, a decrease of \$1.7 million or 17%. The main reasons for the decrease were due to lower non-cash expenses related to employee stock options, lower salaries and wages expense resulting from fewer executive level employees and government wage subsidies received in 2020 in connection with the COVID-19 pandemic. In addition, professional fees were lower as the Company incurred non-recurring professional fees in 2019 in connection with its TSX-V listing process.

#### *Net financial expenses*

Bitfarms' net financial expenses for Q4 2020 were \$5.5 million compared to \$1.6 million in Q4 2019. The \$3.9 million increase in net financial expenses was mainly due to a loss recorded on the revaluation of warrants issued in connection with the Company's debt facility (the Dominion Capital loan).

Bitfarms' net financial expenses for the twelve months ended December 31, 2020 were \$9.4 million compared to \$1.6 million for the twelve months ended December 31, 2019. The \$7.8 million increase in net financial expenses was mainly due to a loss of \$3.9 million recorded in 2020, compared to a gain of \$1.8 million recorded in 2019, on the revaluation of warrants issued in connection with the Company's debt facility (the Dominion Capital loan). As well, interest expense increased by \$2.8 million due to a higher average outstanding debt balance (the Dominion Capital loan) and interest on new mining hardware leases, in 2020. Higher gains on revaluation of embedded derivative of \$0.5 million experienced in 2020, compared to 2019, partially offset the overall increase in net financial expenses.

#### Selected Annual Information

There have not been any distributions or cash dividends declared per share on any class of shares in any of the three years disclosed in the table above.

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

| For the years ended December 31             | 2020     | 2019   | 2018     |
|---------------------------------------------|----------|--------|----------|
| Revenues                                    | 34,703   | 32,421 | 33,805   |
| Operating income (loss)                     | (5,289)  | 1,399  | (17,998) |
| Net earnings attributable to:               |          |        |          |
| Shareholders                                | (16,289) | 2,899  | (9,363)  |
| Non-controlling interest                    | -        | (792)  | (8,873)  |
| Basic and diluted earnings (loss) per share | (0.19)   | 0.04   | (0.16)   |
| Total current assets                        | 9,168    | 6,550  | 3,295    |
| Total non-current assets                    | 42,536   | 46,306 | 22,938   |
| Total assets                                | 51,704   | 52,856 | 26,233   |
| Total current liabilities                   | 28,477   | 4,009  | 4,656    |
| Long-term debt                              | 174      | 14,849 | 693      |
| Lease liabilities                           | 7,397    | 5,717  | -        |
| Other non-current liabilities               | 209      | 193    | 232      |
| Total non-current liabilities               | 7,780    | 20,759 | 925      |
| Total liabilities                           | 36,257   | 24,768 | 5,581    |
| Total equity                                | 15,447   | 28,088 | 20,652   |
| Total liabilities and equity                | 51,704   | 52,856 | 26,233   |

Reconciliation of Non-IFRS measures

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

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

| For the periods ended as indicated | Three months ended |              |           |          | Twelve month ended |              |           |          |
|------------------------------------|--------------------|--------------|-----------|----------|--------------------|--------------|-----------|----------|
|                                    | Dec. 31 2020       | Dec. 31 2019 | \$ Change | % Change | Dec. 31 2020       | Dec. 31 2019 | \$ Change | % Change |
| Net income (loss) before tax       | (5,090)            | (1,449)      | (3,641)   | (251%)   | (16,117)           | (484)        | (15,633)  | (3230%)  |
| Interest expense                   | 1,756              | 1,122        | 634       | 57%      | 6,104              | 3,268        | 2,836     | 87%      |
| Depreciation expense               | 2,834              | 2,626        | 208       | 8%       | 11,486             | 6,843        | 4,643     | 68%      |
| EBITDA                             | (500)              | 2,299        | (2,799)   | (122%)   | 1,473              | 9,627        | (8,154)   | (85%)    |
| Stock compensation expense         | 403                | 430          | (27)      | (6%)     | 2,201              | 2,873        | (672)     | (23%)    |
| Net financial expenses and other   | 3,653              | 257          | 3,396     | 1321%    | 4,345              | (1,883)      | 6,228     | 331%     |
| Adjusted EBITDA                    | 3,556              | 2,986        | 570       | 19%      | 8,019              | 10,617       | (2,598)   | (24%)    |

Calculation of Gross Mining Profit & Gross Mining Margin

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

| For the periods ended as indicated | Three months ended |              |           |          | Twelve month ended |              |           |          |
|------------------------------------|--------------------|--------------|-----------|----------|--------------------|--------------|-----------|----------|
|                                    | Dec. 31 2020       | Dec. 31 2019 | \$ Change | % Change | Dec. 31 2020       | Dec. 31 2019 | \$ Change | % Change |
| Revenues                           | 10,388             | 9,717        | 671       | 7%       | 32,066             | 29,347       | 2,719     | 9%       |
| Cost of sales                      | 7,732              | 6,879        | 853       | 12%      | 29,664             | 18,479       | 11,185    | 61%      |
| Gross profit (loss)                | 2,656              | 2,838        | (182)     | (6%)     | 2,402              | 10,868       | (8,466)   | (78%)    |
| Depreciation and amortization      | 2,805              | 2,598        | 207       | 8%       | 11,380             | 6,752        | 4,628     | 69%      |
| Net change in inventory and other  | -                  | 52           | (52)      | (100%)   | -                  | 61           | (61)      | (100%)   |
| Gross mining profit                | 5,461              | 5,488        | (27)      | (0%)     | 13,782             | 17,681       | (3,899)   | (22%)    |
| Gross mining margin                | 53%                | 56%          | -         | -        | 43%                | 60%          | -         | -        |

“Gross mining profit” is defined as Gross profit (loss) excluding depreciation and amortization and net change in inventory and other minor items included in cost of sales for the Backbone segment of the Company. “Gross mining margin” is defined as the percentage obtained when dividing Gross mining profit by Revenues for the Backbone segment of the Company.

Reportable Segments

Backbone

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

| For the periods ended as indicated          | Three months ended |              |           |          | Twelve months ended |              |           |          |
|---------------------------------------------|--------------------|--------------|-----------|----------|---------------------|--------------|-----------|----------|
|                                             | Dec. 31 2020       | Dec. 31 2019 | \$ Change | % Change | Dec. 31 2020        | Dec. 31 2019 | \$ Change | % Change |
| Revenues                                    | 10,388             | 9,717        | 671       | 7%       | 32,066              | 29,347       | 2,719     | 9%       |
| Cost of sales                               | 7,732              | 6,879        | 853       | 12%      | 29,664              | 18,479       | 11,185    | 61%      |
| Gross profit (loss)                         | 2,656              | 2,838        | (182)     | (6%)     | 2,402               | 10,868       | (8,466)   | (78%)    |
| Gross margin                                | 26%                | 29%          | -         | -        | 7%                  | 37%          | -         | -        |
| General and administrative expenses         | 2,110              | 2,253        | (143)     | (6%)     | 7,674               | 9,097        | (1,423)   | (16%)    |
| (Gain) on disposition of cryptocurrencies   | (65)               | -            | (65)      | (100%)   | (88)                | -            | (88)      | (100%)   |
| Impairment of property, plant and equipment | -                  | -            | -         | -        | -                   | 56           | (56)      | (100%)   |
| Operating income (loss)                     | 611                | 585          | 26        | 4%       | (5,184)             | 1,715        | (6,899)   | (402%)   |
| Operating margin                            | 6%                 | 6%           | -         | -        | (16%)               | 6%           | -         | -        |
| Loss on disposition of assets               | 179                | 303          | (124)     | (41%)    | 1,440               | 319          | 1,121     | 352%     |
| Net financial expenses                      | 5,475              | 1,591        | 3,884     | 244%     | 9,377               | 1,566        | 7,811     | 499%     |
| Net income (loss) before tax                | (5,043)            | (1,309)      | (3,734)   | (285%)   | (16,001)            | (170)        | (15,831)  | (9312%)  |
| EBITDA <sup>(1)</sup>                       | (485)              | 2,404        | (2,889)   | (120%)   | 1,465               | 9,816        | (8,351)   | (85%)    |
| EBITDA margin <sup>(1)</sup>                | (5%)               | 25%          | -         | -        | 5%                  | 33%          | -         | -        |
| Adjusted EBITDA <sup>(1)</sup>              | 3,571              | 3,091        | 480       | 16%      | 8,010               | 10,806       | (2,796)   | (26%)    |
| Adjusted EBITDA margin <sup>(1)</sup>       | 34%                | 32%          | -         | -        | 25%                 | 37%          | -         | -        |

Notes

(1) EBITDA, EBITDA margin, Adjusted EBITDA and Adjusted EBITDA margin are non-IFRS performance measures; please refer to the Non-IFRS Financial Performance Measures section of this MD&A.

Reconciliation of Non-IFRS Performance Measures

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

| For the periods ended as indicated | Three months ended |              |           |          | Twelve months ended |              |           |          |
|------------------------------------|--------------------|--------------|-----------|----------|---------------------|--------------|-----------|----------|
|                                    | Dec. 31 2020       | Dec. 31 2019 | \$ Change | % Change | Dec. 31 2020        | Dec. 31 2019 | \$ Change | % Change |
| Net income(loss) before tax        | (5,043)            | (1,309)      | (3,734)   | (285%)   | (16,001)            | (170)        | (15,831)  | (9312%)  |
| Interest expense                   | 1,753              | 1,115        | 638       | 57%      | 6,086               | 3,234        | 2,852     | 88%      |
| Depreciation expense               | 2,805              | 2,598        | 207       | 8%       | 11,380              | 6,752        | 4,628     | 69%      |
| EBITDA                             | (485)              | 2,404        | (2,889)   | (120%)   | 1,465               | 9,816        | (8,351)   | (85%)    |
| Stock compensation expense         | 403                | 430          | (27)      | (6%)     | 2,201               | 2,873        | (672)     | (23%)    |
| Net financial expenses and other   | 3,653              | 257          | 3,396     | 1321%    | 4,344               | (1,883)      | 6,227     | 331%     |
| Adjusted EBITDA                    | 3,571              | 3,091        | 480       | 16%      | 8,010               | 10,806       | (2,796)   | (26%)    |

Volta

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

For the periods ended as indicated

|                                       | Three months ended |                 |           |          | Twelve months ended |                 |           |          |
|---------------------------------------|--------------------|-----------------|-----------|----------|---------------------|-----------------|-----------|----------|
|                                       | Dec. 31<br>2020    | Dec. 31<br>2019 | \$ Change | % Change | Dec. 31<br>2020     | Dec. 31<br>2019 | \$ Change | % Change |
| Revenues                              | 936                | 818             | 118       | 14%      | 2,637               | 3,074           | (437)     | (14%)    |
| Cost of sales                         | 848                | 823             | 25        | 3%       | 2,166               | 2,503           | (337)     | (13%)    |
| Gross profit                          | 88                 | (5)             | 93        | 1860%    | 471                 | 571             | (100)     | (18%)    |
| Gross margin                          | 9%                 | (1%)            | -         | -        | 18%                 | 19%             | -         | -        |
| G&A and other expenses                | 154                | 184             | (30)      | (16%)    | 489                 | 653             | (164)     | (25%)    |
| Operating income (loss)               | (66)               | (189)           | 123       | 100%     | (18)                | (82)            | 64        | 78%      |
| Operating margin                      | (7%)               | (23%)           | -         | -        | (1%)                | (3%)            | -         | -        |
| Loss/(Gain) on disposition of assets  | -                  | (9)             | 9         | 100%     | 2                   | (9)             | 10.80     | (100%)   |
| Net financial expenses                | (19)               | (20)            | 1         | 5%       | 9                   | 7               | 2         | 29%      |
| Net income (loss) before tax          | (47)               | (160)           | 113       | 71%      | (29)                | (80)            | 51        | 64%      |
| EBITDA <sup>(1)</sup>                 | (15)               | (125)           | 110       | 88%      | 95                  | 45              | 50        | 111%     |
| EBITDA margin <sup>(1)</sup>          | (2%)               | (15%)           | -         | -        | 4%                  | 1%              | -         | -        |
| Adjusted EBITDA <sup>(1)</sup>        | (15)               | (125)           | 110       | 88%      | 95                  | 45              | 50        | 111%     |
| Adjusted EBITDA margin <sup>(1)</sup> | (2%)               | (15%)           | -         | -        | 4%                  | 1%              | -         | -        |

#### Notes

(1) EBITDA, EBITDA margin, Adjusted EBITDA and Adjusted EBITDA margin are non-IFRS performance measures; please refer to the Non-IFRS Financial Performance Measures section of this MD&A.

#### Reconciliation of Non-IFRS Performance Measures

| For the periods ended as indicated | Dec. 31<br>2020 | Dec. 31<br>2019 | \$ Change | % Change | Dec. 31<br>2020 | Dec. 31<br>2019 | \$ Change | % Change |
|------------------------------------|-----------------|-----------------|-----------|----------|-----------------|-----------------|-----------|----------|
| Net income (loss) before tax       | (47)            | (160)           | 113       | (71%)    | (29)            | (80)            | 51        | 64%      |
| Interest expense                   | 3               | 7               | (4)       | (57%)    | 18              | 34              | (16)      | (47%)    |
| Depreciation expense               | 29              | 28              | 1         | 4%       | 106             | 91              | 15        | 16%      |
| EBITDA                             | (15)            | (125)           | 110       | (88%)    | 95              | 45              | 50        | 111%     |
| Adjusted EBITDA                    | (15)            | (125)           | 110       | (88%)    | 95              | 45              | 50        | 111%     |

## Selected Quarterly Information

| (U.S. \$ in thousands except where indicated) | <b>FY 2020</b>  | <b>Q4 2020</b> | <b>Q3 2020</b> | <b>Q2 2020*</b> | <b>Q1 2020</b> | <b>Q4 2019</b> | <b>Q3 2019</b> | <b>Q2 2019</b> | <b>Q1 2019</b> |
|-----------------------------------------------|-----------------|----------------|----------------|-----------------|----------------|----------------|----------------|----------------|----------------|
| Revenue                                       | <b>34,703</b>   | 11,324         | 6,795          | 7,372           | 9,212          | 10,536         | 9,739          | 8,517          | 3,629          |
| EBITDA <sup>(1)</sup>                         | <b>1,473</b>    | (500)          | (276)          | 416             | 1,833          | 2,299          | 7,186          | 668            | (526)          |
| Adjusted EBITDA <sup>(1)</sup>                | <b>8,019</b>    | 3,556          | 365            | 1,318           | 2,780          | 2,986          | 4,668          | 3,329          | (366)          |
| Net income (loss)                             | <b>(16,289)</b> | (5,374)        | (4,761)        | (3,730)         | (2,424)        | 1,125          | 4,309          | (1,320)        | (2,007)        |
| Basic and diluted earnings (loss) per share   | <b>(0.19)</b>   | (0.06)         | (0.06)         | (0.04)          | (0.03)         | 0.02           | 0.06           | (0.01)         | (0.02)         |

\* The Bitcoin Halving Event occurred on May 11, 2020, during Q2 2020

(1) EBITDA and Adjusted EBITDA are non-IFRS performance measures; please refer to the Non-IFRS Financial Performance Measures section of this MD&A.

The Company is not subject to seasonality. Factors that may impact Revenues and profitability quarter over quarter include cryptocurrency pricing, network difficulty and the Company's hashrate.

## Liquidity and Capital Resources

### Cash Flows

| (U.S. \$ in thousands except where indicated)     | Twelve months ended |                     | \$ Change | % Change |
|---------------------------------------------------|---------------------|---------------------|-----------|----------|
|                                                   | <b>Dec. 31 2020</b> | <b>Dec. 31 2019</b> |           |          |
| For the periods ended as indicated                |                     |                     |           |          |
| Cash, beginning of the period                     | <b>2,159</b>        | 552                 | 1,607     | 291%     |
| Cash flows from (used in):                        |                     |                     |           |          |
| Operating activities                              | <b>7,223</b>        | 6,020               | 1,203     | 20%      |
| Investing activities                              | <b>(3,605)</b>      | (22,364)            | 18,759    | 84%      |
| Financing activities                              | <b>185</b>          | 17,974              | (17,789)  | (99%)    |
| Exchange rate differences on currency translation | <b>(15)</b>         | (23)                | 8         | 35%      |
| Cash, end of the period                           | <b>5,947</b>        | 2,159               | 3,788     | 175%     |

### Cash Flows from Operating Activities

Net cash flows from operating activities increased by \$1.2 million or 20% during the twelve months ended December 31, 2020 compared to twelve months ended December 31, 2019. The increase in net cash flows from operating activities was primarily driven by a favorable \$6.3 million swing in changes in non-cash working capital components, partially offset by a negative \$5.1 million swing in cash generated from operations, primarily as a result of the May 2020 Bitcoin Halving Event.

### Cash Flows used in Investing Activities

Cash flows used in investing activities decreased by \$18.8 million or 84% during the twelve months ended December 31, 2020 compared to the twelve months ended December 31, 2019. In 2020, new mining hardware was mostly acquired through lease financing, reducing cash outlay. In 2019, significant acquisitions of property, plant and equipment were made pertaining to the initial phases of the Sherbrooke Expansion.



#### *Cash Flows from Financing Activities*

Cash flows from financing activities decreased \$17.8 million or 99% during the twelve months ended December 31, 2020 compared to the twelve months ended December 31, 2019. This was primarily due to the Company drawing down on the \$20.0 million debt facility from Dominion Capital in 2019. In 2020, the Company made repayments of long-term debt and lease liabilities in the amounts of approximately \$0.5 million and \$1.5 million, respectively, offset by \$2.1 million in proceeds from the exercise of warrants and stock options and approximately \$0.1 million in new debt pertaining to the acquisition of motor vehicles for its Volta segment.

#### *Working Capital*

As at December 31, 2020, Bitfarms had a working capital deficit, measured as current assets less current liabilities, of \$19.3 million compared to positive working capital of \$2.5 million on December 31, 2019, primarily due to debt of \$17.2 million, being reclassified from long-term to current, as well as an increase in current lease liabilities of \$2.9 million in connection with the acquisition of Miners through lease financing.

In Q1 2021, the Company raised CAD\$80 million in equity from US institutional investors. A portion of these funds were used to repay the Dominion Capital loan in its entirety by the end of February 2021. The remaining funds will be used to expand capacity, acquire additional Miners and for working capital purposes. Please see the "Recent and Subsequent Events" section of this MD&A for more details.

As at December 31, 2020, Bitfarms had cash of \$5.9 million compared to \$2.2 million as at December 31, 2019. Cash consists of U.S. and Canadian dollar deposits at regulated financial institutions.

#### *Capital Resources*

Bitfarms' capital management objective is to ensure its ability to maximize the return to its shareholders. 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 maintaining a strong capital base in order to sustain future development of the business, to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk, to preserve the ability to meet financial obligations and retain sufficient liquidity to pursue organic growth.

Bitfarms may manage its capital structure by issuing equity, obtaining loan financing, adjusting capital spending, or disposing of assets. With the repayment of the Dominion Capital loan in February of 2021 (see the "Recent and Subsequent Events" section of this MD&A for more details), the Company is no longer subject to any externally imposed capital requirements.

#### *Sherbrooke Expansion*

To complete each remaining phase of the Sherbrooke Expansion, Bitfarms will need to incur infrastructure buildout costs including exhaust structure, mining structure and building modifications, as well as sourcing of mining hardware and electrical components.

The capital cost for the construction of the remaining Phases 3 through 6 is currently estimated to range between \$60.0 million to \$75.0 million, inclusive of Miner purchases based on recent hardware pricing. These costs will be divided between the Sherwood and Leger properties, with the majority being allocated to the Leger Property.

The ability to undertake the construction of Phases 3 through 6 of the Sherbrooke Expansion depends, among other things, on the Company's ability to raise the required financing. As a result, there is no definitive or planned timetable for Phases 3 through 6 of the Sherbrooke Expansion. The Company intends to finance the remainder of the construction of Phases 3 through 6 of the Sherbrooke Expansion by raising additional debt or equity or a combination of these means, as well as through the cash flow generated from its operations. There can be no assurance that the remaining Sherbrooke Expansion will be fully funded and undertaken at this time on any particular schedule or at all.

In response to both a complaint concerning noise at the Sherwood Property and indications from officials at the municipality of Sherbrooke that they were reviewing applicable regulations, the Company met with community residents and city officials on several occasions. While the Company believes it is compliant with all applicable regulations, in addition to the construction of a sound barrier wall at a cost of approximately \$0.3 million in 2020, it will implement further sound mitigating measures in Q1 2021, at an approximate cost of \$0.5 million, to resolve any sound issues going forward

#### Off-Balance Sheet Arrangements

In December 2020, the Company entered into a lease agreement for 3,000 Whatsminer Miners. The equipment was made available to the Company in February and March 2021, which is when the lease liability and corresponding assets will be recorded on the Company's balance sheet. Other than the leases described above, there are no off-balance sheet arrangements which could have an effect on current or future results or operations, or the financial condition of Bitfarms.

#### Share Capital

On February 4, 2020, shareholders approved an amendment to the articles of incorporation of the Company to authorize the issuance of class A preferred shares. As of the date of this MD&A, the Company has 144,615,643 common shares, 4,180,177 vested employee stock options, 3,382,670 unvested employee stock options, and 13,403,388 warrants. As of the date of this MD&A there were no preferred shares outstanding.

#### Financial Instruments & Risks

It is anticipated that in the normal course of operations, Bitfarms will be exposed to exchange risk, foreign currency risk and credit risk.

#### *Dominion Capital Loan*

As of December 31, 2020, the Dominion Capital loan consisted of four \$5.0 million tranches that were drawn down from the financing facility, which included a total of four available \$5.0 million loan tranches (please refer to the Components of Total Debt section above). The features of the loan, which include the issuance of 1,666,667 warrants per tranche with an exercise price of \$0.40 USD, as well as a make-whole interest clause resulted in a financial liability accounted for at amortized cost, warrant liabilities previously recorded at fair value through profit or loss which were reclassified to equity during the period, and an embedded derivative recorded at fair value through profit or loss. In September 2020 the Company reached an agreement with Dominion Capital where the exercise price of 1,666,667 warrants were repriced to \$0.30 USD and the expiry date was accelerated from June 2024 to June 2021. In addition, another 1,666,667 warrants had their expiry date modified from April 2024 to November 2021. The modifications also included the authorization of a cashless exercise feature, resulting in the reclassification of the warrants from equity to a liability measured at fair value through profit or loss. There was no change to the classification of tranches #1 and 4. The purpose of the loan was to provide the Company with additional funds to achieve its growth objectives, notably, the buildout of the first two phases of the Sherbrooke Expansion.

In February 2021, the Company repaid the Dominion Capital Loan in its entirety (see the "Recent and Subsequent Events" section of this MD&A for more details). In addition, all warrants issued to Dominion Capital that were outstanding as of December 31, 2020 have been exercised as at the date of this MD&A.

#### *Financial Instrument at Amortized Cost*

Management used significant judgement and estimates when determining the effective interest rate of the financial liability accounted for at amortized cost. Repayment amounts were determined as 10% of the cryptocurrency mined by Bitfarms. In order to calculate the effective interest rate, management had to estimate Bitfarms' future cryptocurrency mining revenue in order to estimate the timing and amount of future loan repayments. The effective interest rates were determined to be 26.93%, 30.16%, 37.10% and 38.02% for the first, second and third and fourth tranches, respectively. The component of the financial instrument carried at amortized cost resulted in interest expense of \$1.4 million and \$5.3 million included in net financial expenses for the three- and twelve-month periods ended December 31, 2020.

#### *Warrants*

As of December 31, 2019, the warrants issued in connection with the Dominion Capital loan were classified as equity. The authorization of the cashless exercise feature described above resulted in the modified warrants from Tranche #2 and Tranche #3 being reclassified from equity to warrant liability. There was no change to the classification or measurement of the warrants in Tranche #1 and Tranche #4. As a result of this cashless exercise feature, the warrants may not have resulted in a fixed number of shares being issued for a fixed price. The possibility of variation in quantity of shares issued resulted in the warrants being classified as a liability that was measured at fair value through profit or loss. The remeasurement resulted in a non-cash loss of \$3,876 for the year ended December 31, 2020 (December 31, 2019 – gain of \$1,776), included in net financial expenses. The following table lists the inputs to the Black Scholes model used for the fair value measurement of the Tranche #2 and Tranche #3 warrants reclassified from equity to a warrant liability as of the balance sheet date. The fair value measurement of the warrants is based upon level 2 inputs.

#### Embedded Derivative

The value of the “make-whole” clause will vary based on management’s projections of the timing of the loan repayment, which are based on Bitfarms’ cryptocurrency mining revenue. This interest feature has been accounted for as an embedded derivative that is measured at fair value through profit or loss. Since this is a non-option derivative, the fair value upon initial recognition of the loan liability is nil. As of December 31, 2020, management revised its projections of the timing of the loan repayment and discounted future payments to their present value using the effective interest rates determined upon inception of each loan tranche. As of December 31, 2020, management recognized an embedded derivative asset with a value of \$1.4 million resulting in a gain of \$1.0 million in financial income for the twelve-months ended December 31, 2020. Any change in management’s assumptions of Bitcoin price, Bitcoin Network Difficulty and the Company’s internal hashrate may have a material impact on profit or loss upon remeasurement in subsequent periods.

#### Credit Risk

Credit risk is the risk of an unexpected loss if a third party fails to meet its contractual obligations, including cash and cash equivalents, accounts receivable and long-term deposits. The risk regarding cash and cash equivalents is mitigated by holding the cash and cash equivalents through Canadian chartered banks. The credit risk regarding trade receivables is derived mainly from sales to Volta’s third-party customers. The Company performs ongoing credit evaluations of its customers. The Company places deposits with suppliers of cryptocurrency mining hardware in the normal course of operations in order to secure orders and delivery dates. The Company deals with major suppliers of cryptocurrency equipment and routinely maintains strong relationships with suppliers and evaluates the mining hardware market. Other long-term deposits include deposits with local government run energy producers. The Company is also exposed to credit risk through conversion of cryptocurrency to fiat currency through the use of cryptocurrency exchanges. During the year ended December 31, 2020, the Company maintained relationships with multiple exchanges and mitigated credit risk by routinely converting cryptocurrency to fiat currency to limit exposure. Furthermore, the Company performs periodic evaluations of cryptocurrency exchanges. See Custody of Crypto Asset Risk for additional details of the Company’s practice subsequent to December 31, 2020.

#### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to pay its financial obligations when they are due. The Company’s policy is to monitor its cash balances and planned cash flows generated from operations to ensure, as far as possible, that it maintains sufficient liquidity in order to pay its projected financial liabilities. The contractual maturities of trade and other payables are less than three months. Long-term debt, as of December 31, 2020, adjusted for the loan amendments as described in the Working Capital section, includes financial obligations with contractual maturities, including principal and interest, are noted below.

|                     | <b>December 31,<br/>2020</b> |
|---------------------|------------------------------|
| 2021                | \$ 18,840                    |
| 2022                | 87                           |
| 2023 and thereafter | 84                           |
|                     | <u>\$ 19,011</u>             |

In February 2021, the Company repaid the Dominion Capital loan in its entirety (see the "Recent and Subsequent Events" section of this MD&A for more details).

Lease liabilities includes financial obligations with contractual maturities as follows, inclusive of interest, as of the December 31, 2020, adjusted for the lease described in off-balance sheet arrangements, are as follows:

|                     | <b>December 31,<br/>2020</b> |
|---------------------|------------------------------|
| 2021                | \$ 4,733                     |
| 2022                | 3,677                        |
| 2023                | 1,133                        |
| 2024                | 1,006                        |
| 2025 and thereafter | 3,202                        |
|                     | <b>\$ 13,751</b>             |

#### *Foreign Currency Risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the US Dollar as all its revenues, excluding Volta, and most of its capital expenditures and financing are transacted in US dollars. The Company is exposed to variability in the Canadian dollar to US dollar exchange rate when paying operating expenses incurred and payable in Canadian dollars. The Company funds foreign currency transactions by buying the foreign currency at the spot rate when required. Management does not currently hedge its foreign currency risk.

#### *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 Company is primarily engaged in the cryptocurrency mining industry that is a highly volatile market with significant inherent risk. 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. The Company does not currently hedge the conversion of cryptocurrencies to fiat currency.

#### *Custody of Crypto Asset Risk*

Cryptocurrencies are controllable by the possessors of the unique public key and private key relating to the digital wallet used to store the cryptocurrencies. If keys are lost, stolen or destroyed this could result in a loss for the Company. During 2020, in order to mitigate the risk of loss of cryptocurrencies the Company maintained the practice of selling cryptocurrency routinely and using multi-signature digital wallets to store cryptocurrency until its eventual sale. The digital wallets used for Bitcoin require 2 out of 3 individuals to approve a spending transaction. Each of the users has a separate password that is not known by the other users. The transactions can only be initiated from the physical computer where the multi-signature wallet is installed for each user. In order to install the multi-signature wallet on a computer, twelve "seed" words that are distinct to each user are required, which are physically stored offline in confidential locations offsite.

In early January 2021, the Company announced that it had implemented a pilot program pursuant to which the Company would begin retaining some of the Bitcoin it mines. As of the date of this MD&A, the Company had retained approximately 500 Bitcoin. While the Company has implemented internal controls and custody arrangements to minimize the risk of loss or theft, ceasing immediate monetization of cryptocurrencies or to monetizing cryptocurrencies less frequently can increase the risk of cryptocurrencies held decreasing in value and the risk of loss or theft of cryptocurrencies.

#### **Other Risks**

The following discussion summarizes the principal risk factors that apply to the Company's business and that may have a material adverse effect on the Company's business and financial condition and results of operations, or the trading price of the Company's shares. Due to the nature of the Company's business, the legal and economic climate in which it operates and its present stage of development and proposed operations, the Company is subject to significant risks. These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with its operations. Additional risk and uncertainties not presently known to the Company, or that are, currently deemed immaterial, may also impair operations. If any such risks actually occur, the financial condition, liquidity and results of operations of the Company could be materially adversely affected.

#### *Bitcoin Halving Event*

In May 2020, the Bitcoin Block Reward decreased from 12.5 to 6.25 Bitcoins per block (the "Bitcoin Halving"), and consequently the number of new Bitcoin issued to miners was reduced to approximately 900 per day, excluding transaction fees.

The Bitcoin Halving had a significant impact on the Company's profitability in 2020. Given that profitability is required for self-acting agents to perform Mining to continue to support the validation of transactions, the expected impact of the Bitcoin Halving is that market variables of Bitcoin price and Difficulty will adjust over time to ensure that Mining remains profitable. The period of market normalization after a Bitcoin Halving Event to incentivizing profitability levels is unknown. In the 30 days prior to the Bitcoin Halving Event the average daily revenue per Terahash of computing power was approximately \$0.13. In the 30 days subsequent to the Bitcoin Halving, average daily revenue per Terahash was \$0.09, a decrease of \$0.04 or approximately 31% compared to the daily revenue per Terahash in the 30 days prior to the Bitcoin Halving. In the 20 days leading up to the date of this MD&A, average daily revenue per Terahash was \$0.36. Management has observed an increase in revenue per Terahash levels of \$0.23 or approximately 177% when comparing to pre-halving levels.

Management believes that revenue per Terahash will normalize to levels that would allow Miners with competitive electricity pricing, sufficient scale of efficient Mining operations, recent generation Mining hardware and access to capital to remain profitable. The next Bitcoin Halving Event is expected to occur in 2024.

#### *COVID-19 Pandemic Risk*

In March 2020, the World Health Organization declared COVID-19 a pandemic. The global response to the pandemic is constantly evolving, including various measures implemented at the global, national, provincial and local levels. The major impacts that COVID-19 are expected to have on the Backbone operating segment include potential increases in cryptocurrency price volatility and delays in receiving future orders of mining hardware and electrical components for future expansion. The Backbone operating segment has been, and is expected to, continue operating throughout the pandemic.

Volta's services are considered to be essential by government authorities and have been, and are expected to continue, operating throughout the pandemic. While the financial difficulties of customers have been considered in the expected credit loss model, there is a potential for increased bad debts resulting from the economic impact of COVID-19 on existing customers.

The Company has benefited from the Canada Emergency Wage Subsidy ("CEWS") in the amount of approximately \$0.7 million and will continue to monitor its eligibility to claim the CEWS.

The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government interventions. It is not possible to reliably estimate the length and severity of these developments as well as the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

#### *Debt Service*

The Company's ability to make scheduled payments on, or refinance its debt obligations, depends on its financial condition and operating performance, which are subject to a number of factors beyond its control.

In February 2021, the Company repaid its Dominion loan in full (see the "Recent and Subsequent Events" section of this MD&A for more details). As such, this risk has been reduced significantly for the foreseeable future.

#### *Future Capital Needs, Uncertainty of Additional Financing and Dilution*

The ability of the Company to secure any required financing to sustain operations and expansion plans will depend on part upon prevailing capital market conditions and business success. There can be no assurance that the Company will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to management.

The Company currently anticipates that the internally generated funds will be sufficient for working capital requirements. However, the Company will need to raise additional funds in order to support more rapid expansion, develop new or enhanced services and products, respond to competitive pressures, acquire complementary businesses or technologies or take advantage of unanticipated opportunities. The Company may be required to raise additional funds through public or private financing, strategic relationships or other arrangements. There can be no assurance that such additional funding, if needed, will be available on terms attractive to the Company, or at all. Even if such funding is available, the Company cannot predict the size of future issues of common shares or securities convertible into common shares or the effect, if any, that future issues and sales of the common shares will have on the price of the shares.

Furthermore, any additional equity financing may be dilutive to shareholders and debt financing, if available, may involve restrictive covenants. If additional funds are raised through the issuance of equity securities, the percentage ownership of the shareholders of the Company will be reduced, shareholders may experience additional dilution in net book value per share, or such equity securities may have rights, preferences or privileges senior to those of the holders of the common shares. If adequate funds are not available on acceptable terms the Company may be unable to develop or enhance its business, take advantage of future opportunity or respond to competitive pressures, any of which could have a material adverse effect on the Company's business, financial condition and operating results.

#### *Debt Covenants*

The agreements governing the Company's credit facilities contained restrictive covenants that could have limited its discretion with respect to certain business matters. However, with repayment in full of the Dominion loan in February 2021, these restrictive covenants no longer exist (see the "Recent and Subsequent Events" section of this MD&A for more details).

#### *Limited Operating History*

The Company has only a limited operating history upon which an evaluation of the Company and its prospects can be based. The Company is subject to many risks common to venture enterprises, including under-capitalization, potential cash shortages, limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment or meeting other metrics of success.

The Company is dependent on earnings from operations for substantially all of its working capital needs, and there is no assurance that additional funding will be available to it for further development and growth. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable.

The Company incurs substantial expenses in the establishment and operation of its business. A significant portion of the Company's financial resources have been and will continue to be, directed to the development of its business and related activities. The success of the Company will ultimately depend on its ability to generate cash from its business. There is no assurance that the required funds will be available for future expansion of the Company's business. If the Company does not have access to the required funds to continue the operation and development of its business and operational activities, and to the extent that it does not generate cash flow and income, the Company's long-term viability may be materially and adversely affected.



#### *Share Price Fluctuations*

In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development stage companies (such as the Company), have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continued fluctuations in price will not occur.

#### *Management of Growth*

The Company has recently experienced, and may continue to experience, rapid growth in the scope of its operations. This growth has resulted in increased responsibilities for the Company's existing personnel, the hiring of additional personnel and, in general, higher levels of operating expenses. In order to manage its current operations and any future growth effectively, the Company will need to continue to implement and improve its operational, financial and management information systems, as well as hire, manage and retain its employees and maintain its corporate culture including technical and customer service standards. There can be no assurance that the Company will be able to manage such growth effectively or that its management, personnel, or systems will be adequate to support the Company's operations.

#### *Cybersecurity Threats and Hacking*

Malicious actors may seek to exploit vulnerabilities within cryptocurrency programming codes. Several errors and defects have been found and corrected, including those that disabled some functionality for users and exposed users' information. Discovery of flaws in or exploitations of the source code that allow malicious actors to take or create money occur somewhat regularly. For example, hackers have been able to gain unauthorized access to digital wallets and cryptocurrency exchanges.

The computer network operated by the Company may further be vulnerable to intrusions by hackers who could interfere with and introduce defects to the mining operation. Private keys which enable holders to transfer funds may also be lost or stolen, resulting in irreversible losses of cryptocurrencies.

#### *Limited History of De-Centralized Financial System*

Compared with traditional and existing centralized financial systems, the cryptocurrency financial system is relatively new and has only limited history. Online cryptocurrency exchanges and trades therein operate with comparatively little regulation and are particularly liable to platform failures and fraudulent activities, which may have an effect on underlying prices of cryptocurrencies. In fact, many of the largest online cryptocurrency exchanges have been compromised by hackers.

Traditional banks and banking services may limit or refuse the provision of banking services to businesses that supply cryptographic or cryptocurrencies as payment and may refuse to accept money derived from cryptocurrency-related businesses. This may make management of bank accounts held by companies operating in the field difficult.

*Significant Shareholder Risk*

Certain officers and directors of the Company beneficially own 23,031,478 of the issued and outstanding common shares representing approximately 16% of the issued and outstanding common shares. By virtue of their status as the principal shareholders of the Company, and by being directors and officers of the Company, they have the power to exercise significant influence over all matters requiring shareholder approval, including the election of directors, amendments to the Company's articles and by-laws, mergers, business combinations and the sale of substantially all of the Company's assets. As a result, the Company could be prevented from entering into transactions that could be beneficial to the Company or its other shareholders. Also, third parties could be discouraged from making a take-over bid. As well, sales by the significant shareholders of a substantial number of could cause the market price of such shares to decline.

*Risk Related to Technological Obsolescence and Difficulty in Obtaining Hardware*

To remain competitive, the Company will continue to monitor the state of the technology available and invest in hardware and equipment required for maintaining its operations. The Company's hardware and software may become obsolete and require substantial capital to replace. There can be no assurance that mining hardware will be readily available when the need is identified. Moreover, there can be no assurance that new and unforeseeable technology, either hardware-based or software-based, will not disrupt the existing cryptocurrency industry. For example, the arrival of quantum computers, which are capable of solving certain types of mathematical problems fundamental to cryptocurrency more quickly and efficiently than traditional computers may have a significant effect on the cryptocurrency industry.

*Valuation and Price Volatility of Cryptocurrencies*

The profitability of the Company's operations will be significantly affected by changes in prices of cryptocurrencies. Cryptocurrency prices are highly volatile, can fluctuate substantially and are affected by numerous factors beyond the Company's control, including hacking, demand, inflation and expectations with respect to the rate of inflation, global or regional political or economic events. If cryptocurrency prices should decline and remain at low market levels for a sustained period while network difficulty does not decrease proportionally, the Company could determine that it is not economically feasible to continue activities.

Cryptocurrencies may be subject to momentum pricing, which is typically associated with growth stocks and other assets whose valuation, as determined by the investing public, accounts for anticipated future appreciation in value. Cryptocurrency market prices are determined primarily using data from various exchanges, over-the-counter markets, and derivative platforms. Momentum pricing may have resulted, and may continue to result, in speculation regarding future appreciation in the value of cryptocurrencies, inflating and making their market prices more volatile. As a result, they may be more likely to fluctuate in value due to changing investor confidence in future appreciation (or depreciation) in their market prices, which could adversely affect the value proposition of the Company.

Volatility may have an impact on the value of the Company's inventory of currencies. The Company will act to reduce this risk by managing working capital through combining sales of cryptographic currencies for U.S. dollars, Canadian dollars, and/or other investment assets, and a number of cryptocurrencies that will ensure coverage of current operating expenses (Opex) and capital expenditures (Capex) in order to hedge the risk of volatility with regard to the Company's expenses.

*Cryptocurrency Network Difficulty and Impact of Increased Global Computing Power*

Network difficulty is a measure of how difficult it is to solve the cryptographic hash that is required to validate a block of transactions and earn a cryptocurrency reward from Mining. If the network difficulty increased at a significantly higher rate than the Company's hashrate and the price of cryptocurrency did not increase at the same rate as network difficulty, then the profitability of the Company's operations would be significantly affected. There can be no assurance that cryptocurrency prices will increase in proportion to the rate of increase of network difficulty as network difficulty is subject to volatility in growth.

*Economic Dependence on Regulated Terms of Service and Electricity Rates Risks*

The Company's operations are dependent on its ability to maintain reliable and economical sources of power to run its cryptocurrency mining assets. The Company conducts Mining in the Province of Québec. As a result of operations in a single jurisdiction, the Company's current and future operations, anticipated growth, and sustainability of hydroelectricity at economical prices for the purposes of cryptocurrency mining in the Province of Québec poses certain risks. These risks as well as the supply of electrical power, electricity rates, terms of service and regulatory regime in the Province of Québec are summarized as follows:

- (a) Currently Backbone sources its energy from Hydro-Québec, Hydro-Sherbrooke and Hydro-Magog. The Province of Québec mandates electrical service providers to supply their customers under an obligation to serve power delivery regime; consequently, the Company believes these power suppliers are reliable. Any suspension of power or failure of electrical networks, however, could result in a material adverse effect on the Company.
- (b) The price of electricity supplied directly by Hydro-Québec is set by a provincial administrative tribunal, the Régie. Hydro-Québec supplies power to certain of the Company's facilities, and to the Municipal Electrical Networks for the Magog and Sherbrooke server farms, under an obligation to serve power delivery regime. The rates imposed on Hydro-Québec by the Régie are subject to change. There are no long-term arrangements. Although power is supplied by the Municipal Networks to the Company under the long-term power contracts, the rates in those contracts are adjusted in response to tariff changes imposed by the Régie. Accordingly, there is no assurance that future electricity rates will remain stable or economical. In particular, on June 14, 2018, Hydro-Québec requested the Régie to set rates and service conditions specifically for enterprises involved in cryptocurrency mining as a result of increased electricity demand from cryptocurrency miners. The Régie has undertaken regulatory proceedings to establish a framework for the provision of electricity for cryptocurrency mining in Québec in three Phases:

Phase 1: On July 13, 2018, the Régie provisionally ordered that a new tariff be established for cryptocurrency miners and on July 19, 2018, the Régie approved a provisional tariff of CAD\$0.15/kWh on cryptocurrency mining facilities built after that date ("Phase 1"). Under Phase 1, the new tariff cannot be applied to any cryptocurrency contracts entered into prior to June 7, 2018 or facilities constructed prior to July 19, 2018. Therefore, Phase 1 is not expected to have an impact on Backbone's pre-existing operations and secures existing rates until the completion of Phase 3.

Phase 2: On April 29, 2019, the Régie rendered its decision on the second phase ("Phase 2") of the request filed by Hydro-Québec. The Régie decided to create a new class of energy consumers called Electricity consumer class for cryptographic use applied to blockchain. It decided to allocate to this new class an aggregate supply of 300 megawatts of electricity, with the requirement to curtail electricity use during peak hours at Hydro-Québec's request (up to a maximum of 300 hours a year). Cryptocurrency mining projects were required to submit tenders to consume electricity from the 300 megawatts block based exclusively on economic development and environmental criteria. The call for tenders process ended on October 31, 2019. According to Hydro-Quebec, only 60 MW were allocated to cryptographic clients. In its decision, the Régie rejected Hydro-Québec's proposal to launch a tariff auction as part of the call for tenders and determined that the applicable tariff of the energy component, in ¢/kWh, will correspond to the M or LG tariff in force, as the case may be. In order for the Company to be able to procure electricity for future Quebec expansion projects (excluding those currently planned by the Company such as the Additional Server Farms), it would have been required to participate to the call for tenders process. However, the Régie's decision also means that all the Company's pre-existing operations will remain subject to the M or LG tariff in force, as the case may be, and they are exempt from the tender process as well as the provisional tariff of CAD\$0.15/kWh which had been requested by Hydro-Québec. The provisional tariff applies to energy consumption not authorized under cryptocurrency contracts, to those cryptocurrency contracts entered into after June 7, 2018 and to any substitution of use or any increase of capacity for crypto miners not already under authorized cryptocurrency contracts. Following a successful administrative review process of the decision of the Régie initiated by the Company, the potential requirement to curtail electricity use (of up to 95%) during peak hours at Hydro-Québec's request (up to a maximum of 300 hours a year) does not apply to our pre-existing operations supplied directly by Hydro-Québec. This issue will be addressed by the Régie in Phase 3.

Phase 3: On January 28, 2021, the Régie rendered its decision on Phase 3 of the request filed by Hydro-Québec. The Régie decided that the existing subscriptions on the Hydro-Québec network will be subject to non-firm service, starting in Winter 2021-2022. The non-firm service will apply for a maximum of 300 hours/year, without any monetary compensation. In considering the financial consequences of this conclusion the Régie requested that Hydro-Québec implement the non-firm service for existing clients during a three-year period through progressive implementation. The Régie did not provide any guidance to Hydro-Québec on how to proceed. The Régie provided the following reasons to justify this conclusion:

- (a) existing clients, such as Bitfarms Canada, have already executed agreements with municipal electricity networks with non-firm service (without financial compensation) for at least 300 hours per year;

- (b) new clients entering the market through the call for tenders process will be subject to non-firm service, without financial compensation. The treatment of those new clients must be fair and equitable with existing clients; and
- (c) load shedding for 300 hours represents only 3.4% of the 8760 hours in a year. The Régie does not consider this request unreasonable considering the risks that cryptocurrency clients represent for Hydro-Québec.

In accordance with the Phase 3 decision, it is presently anticipated that Bitfarms Canada's operations will continue on a non-firm service basis for at least 300 hours per year.

- (c) Electricity supplied by Hydro-Québec and the Municipal Electrical Networks may be set at Preferential Rates in an effort to encourage investment and development in particular regions. Hydro-Québec and Municipal Electrical Networks may offer a discretionary Preferential Rate to certain customers, such rate being lower than the rate set by the Régie, notwithstanding that the Hydro-Québec and the Municipal Electric Networks may suffer a financial loss on the supply of electricity to those customers. If a Preferential Rate is changed or no longer available to the Company, then operations and profitability may experience a material adverse effect. In addition, although power is supplied by the Municipal Networks to the Company under the long-term power contracts, the rates in those contracts are adjusted in response to tariff changes imposed by the Régie.

#### *Future Profits/Losses and Production Revenues/Expenses*

Further development and acquisitions of server farms and the ongoing operation of the existing Mining farms will require additional capital and monthly expenses. The Company's operating expenses and capital expenditures may increase in subsequent years as needed consultants, personnel and equipment associated with the maintenance of the Mining farms and any other Mining farms the Company may acquire are added. There is no assurance that the Company will be successful in obtaining the required financing for these or other purposes, including for general working capital.

Cryptocurrency exchanges, custodians and other trading venues are relatively new and, in most cases, largely unregulated and may therefore be more exposed to fraud and failure. To the extent that cryptocurrency exchanges or other trading venues are involved in fraud or experience security failures or other operational issues, this could result in a reduction in cryptocurrency prices. Furthermore, fraud or failure of one of the Company's counterparty custodians or exchanges can result in a direct loss of the Company's cryptocurrency and fiat currency assets.

Cryptocurrency market prices depend, directly or indirectly, on the prices set on exchanges and other trading venues, which are new and, in most cases, largely unregulated as compared to established, regulated exchanges for securities, derivatives and other currencies. In the past four years, a number of cryptocurrency exchanges have been closed due to fraud, business failure or security breaches. In many of these instances, the customers of the closed exchanges were not compensated or made whole for the partial or complete losses of their account balances in such exchanges. While smaller exchanges are less likely to have the infrastructure and capitalization that provide larger exchanges with additional stability, larger exchanges may be more likely to be appealing targets for hackers and “malware” (i.e., software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems) and may be more likely to be targets of regulatory enforcement action.

#### *Political and Regulatory Risk*

The Company's primary properties are located in Québec and are subject to changes in political conditions and regulations within the Province and in Canada. Changes, if any, in Mining or investment policies or shifts in political attitude could adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on price controls, currency remittance, sales and income taxes, foreign investment, maintenance of claims, environmental legislation, land use, electricity use and safety. For example, cryptocurrency mining involves considerable computing power, which is likely to increase. This computing power necessitates a high consumption of energy. Although the energy costs used by the Company are determined and controlled by a regulator, there is no certainty that this factor will not raise energy tariffs, which may reduce the profitability of mining cryptographic currencies.

On-going and future regulatory changes or actions may alter the nature of an investment in the Company or restrict the use of cryptocurrencies in a manner that adversely affects the Company's operations. The effect of any future regulatory change on the Company or any cryptocurrency that the Company may mine is impossible to predict, but such change could be substantial and adverse to the Company. Canada may in the future curtail or outlaw, the acquisition, use or redemption of cryptocurrencies.

Governments may also take regulatory action that may increase the cost and/or subject cryptocurrency companies to additional regulation or prohibit or severely restrict the right to acquire, own, hold, sell, use or trade cryptocurrencies or to exchange cryptocurrencies for fiat currency. By extension, similar actions by other governments, may result in the restriction of the acquisition, ownership, holding, selling, use or trading in the Company's common shares. Such a restriction could result in the Company liquidating its cryptocurrency inventory at unfavorable prices and may adversely affect the Company's shareholders.

The Company's material property is located in the province of Québec and as such are subject to the jurisdiction of the laws of Québec and Canada. The Company believes the present attitude to foreign investment and to the mining industry is favourable, but conditions may change. Operations may be affected in varying degrees by government regulation with respect to restrictions on production, price controls, export controls, foreign exchange controls, income taxes, and environmental legislation.

#### *Permits and Licenses*

The operations of the Company may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required.

#### *Server Failures*

There is a risk of serious malfunctions in servers or central processing units and/or their collapse. The Company works to reduce this risk by employing a team of experts with many years of experience in building and managing data centers. The Company also employs a "hardware" team, which focuses, among other things, on chip repair and daily evaluation of the technical condition of the server farm that the Company operates. The Company owns software (developed by its management) that enables, among other things, control, management and reporting of malfunctions in real time, which enables ongoing control over the operation of the equipment, including its cooling. While malfunctions in central servers, or central processing units can only occur on a specific server farm or part of it or for short periods of time, such server crashes or failures may cause significant economic damage to the Company.

#### *Global Financial Conditions*

Global financial conditions over the last few years have been characterized by volatility and the bankruptcy of several financial institutions or the rescue thereof by governmental authorities. These factors may affect the ability of the Company to obtain equity or debt financing in the future on terms favourable to it. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such levels of volatility and market turmoil continue, the operations of the Company may suffer adverse impact and the price of the Common Shares may be adversely affected.

#### *Tax Consequences*

The transactions described herein may have tax consequences in Canada or another jurisdiction, depending on each particular existing or prospective shareholder's specific circumstances. Such tax consequences are not described herein, and this MD&A is not intended to be, nor should it be construed to be, legal or tax advice to any particular shareholder. Existing and prospective shareholders should consult their own tax advisors with respect to any such tax considerations.

#### *Environmental Regulations*

All of the Company's operations may be subject to environmental regulations, which can make operations expensive or prohibitive. The continued evolution of environmental regulations may lead to the imposition of stricter standards, more diligent enforcement, and heavier fines and penalties for non-compliance. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations or cause delays in the development of mining projects.

#### *Environmental Liability*

The Company may be subject to potential risks and liabilities associated with pollution of the environment through its use of electricity to Mine cryptocurrencies. In addition, environmental hazards may exist on a property in which the Company directly or indirectly holds an interest which are unknown to the Company at present which have been caused by previous or existing owners or operators of the property which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties.

To the extent the Company is subject to environmental liabilities, the payment of such liabilities or the costs that it may incur to remedy environmental pollution would reduce funds otherwise available to it and could have a material adverse effect on the Company. If the Company is unable to fully remedy an environmental problem, it might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy. The potential exposure may be significant and could have a material adverse effect on the Company.

The current or future operations of the Company, including development activities and Mining on its properties, may require permits from various federal, provincial or territorial and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, exports, taxes, labour standards, occupational health, and other matters. There can be no assurance, however, that all permits which the Company may require for its operations will be obtained on reasonable terms, on a timely basis, or at all or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake. The Company intends to fully comply with all environmental regulations in every country in which it is active.

#### *Erroneous Transactions and Human Error*

Cryptocurrency transactions are irreversible. Improper or compromised transfers will generally be irreversible and irrevocable. Such errors may be the result of computer or human error despite internal controls the Company has adopted to mitigate this risk. To the extent that the Company is unable to seek a corrective transaction with the third party or is incapable of identifying the third party that has received the Company's cryptocurrencies through error or theft, the Company will be unable to revert or otherwise recover incorrectly transferred cryptocurrencies. The Company will also be unable to convert or recover cryptocurrencies transferred to uncontrolled accounts.

The further development and acceptance of the cryptographic and algorithmic protocols governing the issuance of and transactions in cryptocurrencies is subject to a variety of factors that are difficult to evaluate.



The use of cryptocurrencies to, among other things, buy and sell goods and services and complete other transactions, is part of a new and rapidly evolving industry that employs digital assets based upon a computer-generated mathematical and/or cryptographic protocol. The growth of this industry in general, and the use of cryptocurrencies in particular, is subject to a high degree of uncertainty, and the slowing or stopping of the development or acceptance of developing protocols may adversely affect Bitfarms Ltd.'s operations. The factors affecting the further development of the industry, include, but are not limited to:

- Continued worldwide growth in the adoption and use of cryptocurrencies;
- Governmental and quasi-governmental regulation of cryptocurrencies and their use, or restrictions on or regulation of access to and operation of the network or similar cryptocurrency systems;
- Changes in consumer demographics and public tastes and preferences;
- The maintenance and development of the open-source software protocol of the network;
- The availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- General economic conditions and the regulatory environment relating to digital assets; and
- Negative consumer sentiment and perception of Bitcoin specifically and cryptocurrencies generally.

#### *Facility Developments*

The continued development of existing and planned facilities is subject to various factors, and may be delayed or adversely affected by such factors beyond the Company's control, including delays in the delivery or installation of equipment by suppliers, difficulties in integrating new equipment into existing infrastructure, shortages in materials or labour, defects in design or construction, diversion of management resources, insufficient funding, or other resource constraints. Actual costs for development may exceed the Company's planned budget. Delays, cost overruns, changes in market circumstances and other factors may result in different outcomes than those intended.

#### *Risks of Non-Availability of Insurance*

Where considered practical to do so, the Company will maintain insurance against risks in the operation of its business and in amounts that it believes to be reasonable. Such insurance, however, will contain exclusions and limitations on coverage. There can be no assurance that such insurance will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any resulting liability. The novelty of the industry may impair the ability of the Company to acquire adequate insurance coverage for risks associated with its operations. The occurrence of an event that is not covered, in full or in part, by insurance may cause substantial economic damage to the Company. In some cases, such as with respect to environmental risks, coverage is not available or considered too expensive relative to the perceived risk.

#### *Competition*

The Company's business is intensely competitive, and the Company will compete with other mining companies, many of which have greater resources and experience. A fundamental property of mining associated with many cryptocurrencies is that the computational complexity of the mining algorithm increases over time. This factor along with new industry entrants and price volatility may make certain cryptocurrencies relatively unprofitable to mine compared to others.

Regulation of cryptocurrency outside of Canada has led some mining companies to consider Canada as a jurisdiction in which to operate. This may increase competition to the Company; however, the Company believes that only a few competitors exist that can compete with the speed and cost effectiveness of its current operations and buildout capabilities. Nevertheless, the Company's assumptions with respect to its competitors could be inaccurate and the Company may face unexpected competition in the form of a new entrant in the marketplace. Such competition could erode the Company's expected market share and could adversely impact the Company's profitability. Increased competition could result in increased network computing resources and consequently increased hash difficulty.

If the award of coins for solving Blocks and transaction fees are not sufficiently high, miners may not have an adequate incentive to continue Mining and may cease their Mining operations. As the number of coins awarded for solving a block in the blockchain decreases, the incentive for miners to continue to contribute processing power to the network may transition from a set reward to transaction fees. Either the requirement from miners of higher transaction fees in exchange for recording transactions in the blockchain, or a software upgrade that automatically charges fees for all transactions, may decrease demand for the relevant coins and prevent the expansion of the network to retail merchants and commercial businesses, resulting in a reduction in the price of the relevant cryptocurrency that could adversely impact the Company's cryptocurrency inventory and investments.

In order to incentivize miners to continue to contribute processing power to the network, the network may either formally or informally transition from a set reward to transaction fees earned upon solving for a block. This transition could be accomplished either by miners independently electing to record on the blockchains they solve only those transactions that include payment of a transaction fee or by the network adopting software upgrades that require the payment of a minimum transaction fee for all transactions. If transaction fees paid for the recording of transactions in the blockchain become too high, the marketplace may be reluctant to accept the network as a means of payment and existing users may be motivated to switch between cryptocurrencies or back to fiat currency. Decreased use and demand for coins may adversely affect their value and result in a reduction in the market price of coins.

If the award of coins for solving blocks and transaction fees for recording transactions are not sufficiently high to incentivize miners, miners may cease expending processing power to solve Blocks and confirmations of transactions on the blockchain could be slowed temporarily. A reduction in the processing power expended by miners could increase the likelihood of a malicious actor or botnet obtaining control in excess of 50 percent of the processing power active on the blockchain, potentially permitting such actor or botnet to manipulate the blockchain in a manner that adversely affects the Company's mining activities.

If the award of coins for solving Blocks and transaction fees are not sufficiently high, miners may not have an adequate incentive to continue Mining and may cease their Mining operations. Miners ceasing operations would reduce collective processing power, which would adversely affect the confirmation process for transactions (i.e., decreasing the speed at which blocks are added to the blockchain until the next scheduled adjustment in difficulty for blockchain solutions) and make the network more vulnerable to a malicious actor or botnet obtaining control in excess of 50 percent of the processing power. Any reduction in confidence in the confirmation process or processing power of the network may adversely impact the Company's Mining activities, inventory of coins, and future investment strategies.

*Loss of Key Employees*

The Company will depend on a number of key employees, the loss of any one of whom could have an adverse effect on the Company. The Company will not have and is not expected to purchase key person insurance on such individuals, which insurance would provide the Company with insurance proceeds in the event of their death. Without key person insurance, the Company may not have the financial resources to develop or maintain its business until it replaces the individual. The development of the business of the Company will be dependent on its ability to attract and retain highly qualified management and mining personnel. The Company will face competition for personnel from other employers. If the Company is unable to attract or retain qualified personnel as required, it may not be able to adequately manage and implement its business plan.

*Acceptance and/or widespread use of cryptocurrency is uncertain*

Currently, cryptocurrencies are used relatively rarely in the retail and commercial marketplaces in comparison to purchases of overall cryptocurrencies worldwide. Cryptocurrency payment methods have not been widely adopted as a means of a payment for goods and services by major retail and commercial outlets. A significant portion of cryptocurrency demand may be attributable to speculation.

The failure of retail and commercial marketplaces to adopt cryptocurrency payment methods may result in increased volatility and/or a reduction in market prices, either of which may adversely impact the Company's operations and profitability

**Related Party Transactions**

During the three and twelve month periods ended December 31, 2020, the Company had the following transactions with related parties:

1. Bitfarms made rent payments totaling approximately \$112,000 and \$440,000 for the three and twelve month periods ended December 31, 2020 (three and twelve months ended December 31, 2019 - \$81,000 and \$528,000) to companies controlled by certain directors.
2. Bitfarms entered into consulting agreements with two of the directors, Nicolas Bonta and Emiliano Grodzki. The consulting fees charged by directors totaled approximately \$91,000 and \$379,000 for the three and twelve month periods ended December 31, 2020 (three and twelve month periods ended December 31, 2019 - \$100,000 and \$400,000).

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

## Recent and Subsequent Events

### *Private placements*

In January and February 2021, the Company entered completed three private placements for total gross proceeds of \$80 million CAD in exchange for the issuance of 26,036,177 Common Shares and 26,036,177 warrants to purchase Common Shares. Details of the three private placements are as follows:

| <b>Closing Date</b>         | <b>January 7,<br/>2021</b> | <b>January 14,<br/>2021</b> | <b>February 10,<br/>2021</b> |
|-----------------------------|----------------------------|-----------------------------|------------------------------|
| Gross proceeds (CAD)        | 20,000,000                 | 20,000,000                  | 40,000,000                   |
| Common shares issued        | 8,888,889                  | 5,586,593                   | 11,560,695                   |
| Warrants issued*            | 8,888,889                  | 5,586,593                   | 11,560,695                   |
| Warrant strike price        | 2.75 CAD                   | 3.10 USD                    | 3.01 USD                     |
| Warrant life (years)        | 3                          | 3.5                         | 3.5                          |
| Commission paid             | 8%                         | 8%                          | 8%                           |
| Broker warrants issued*     | 711,111                    | 446,927                     | 924,586                      |
| Broker warrant strike price | 2.81 CAD                   | 3.53 USD                    | 3.39 USD                     |
| Broker warrant life (years) | 3                          | 3.5                         | 3.5                          |

\* All warrants issued are for the purchase of one common share in the Company

In February 2021, 8,888,889 warrants and 615,111 of the 711,111 broker warrants related to the private placement closed on January 7, 2021 were exercised resulting in the issuance of 9,504,000 common shares for proceeds of approximately \$20.6 million (26,172,000 CAD). In March 2021, 5,027,933 warrants related to the private placement closed on January 14, 2021 were exercised resulting in the issuance of 5,027,933 common shares for proceeds of approximately \$15.6 million. In addition, 800,000 of the 924,586 broker warrants issued in connection with the private placement on February 10, 2021 were exercised resulting in the issuance of 800,000 common shares for proceeds of \$2.7 million. In total, 15,331,933 warrants have been exercised resulting in the issuance of 15,331,933 common shares for total proceeds of \$38.9 million.

### *Dominion Capital Loan and Warrants*

In January 2021, Dominion Capital exercised their option to convert \$5.0 million of debt into 8,474,576 Common Shares. In January and February 2021, Dominion Capital exercised all of their remaining outstanding warrants resulting in the issuance of 5,251,223 common shares in exchange for the Company receiving proceeds of approximately \$1.5 million. The warrant exercises described above include the cashless exercise of 1,666,667 warrants resulting in the issuance of 1,501,222 common shares.

In February 2021, the Company paid the outstanding balance of the Dominion Capital Loan and has satisfied all obligations relating to the loan. As of the date of the MD&A, the Company is no longer subject to the covenants or collateral obligations.

### *Agreement to Purchase Mining Hardware*

In March 2021, the Company entered into agreements to purchase 48,000 new miners from MicroBT, the manufacturer of WhatsMiner miners. The equipment is expected to be delivered starting in January, 2022 and continue through to December, 2022.

## Adoption of and Change in Accounting Policies

### *Revenue recognition*

The Group, through Backbone, operates server farms supporting the verification and validation of blockchain transactions in exchange for cryptocurrency, referred to as “cryptocurrency mining”. During the period, the Group changed its accounting policy with respect to revenue recognition from cryptocurrency mining and subsequent measurement of cryptocurrency on hand. Prior to this change, the Group accounted for cryptocurrency as inventory until it was sold in exchange for fiat currency. Inventories of cryptocurrency were measured at the lower of cost to produce and net realizable value. The cost of cryptocurrency inventory was comprised of the costs incurred with respect to the validation and verification of blockchain transactions, consisting mainly of electricity and depreciation. Net realizable value was measured as the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. Revenue was recognized when the cryptocurrency was converted into fiat currency or when the cryptocurrency was transferred to another party in settlement of a debt to this party. The Group now recognizes revenue upon receipt of cryptocurrency in exchange for its mining activities at the fair market value of the cryptocurrency received, as described below.

IFRS 15 provides a five step model for identifying revenue from contracts with customers, as follows:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when the Company satisfies a performance obligation

The Group has entered into contracts with Mining Pools and has undertaken the performance obligation of providing computing power to the Mining Pool in exchange for non-cash consideration in the form cryptocurrency. The Group measures the non-cash consideration received at the fair market value of the cryptocurrency received. Management estimates fair value 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 quotes on Coinmarketcap to be a level 2 input under IFRS 13 Fair Value Measurement. Any difference between the fair value of cryptocurrency recorded upon receipt from mining activities and the actual realized price upon disposal are recorded as a gain or loss on disposition of cryptocurrency.

Cryptocurrency on hand at the end of a reporting period is accounted for under IAS 38 Intangible Assets, as an intangible asset with an indefinite useful life initially measured at cost, deemed to be the fair value upon receipt as described above, and subsequently measured under the revaluation model. Under the revaluation model, increases in the cryptocurrency’s carrying amount is recognized in other comprehensive income and accumulated in equity under revaluation surplus. However, increases are recognized in profit or loss to the extent that it reverses a revaluation decrease of cryptocurrency previously recognized in profit or loss. The fair value of cryptocurrency on hand at the end of the reporting period is calculated as the quantity of cryptocurrency on hand multiplied by price quoted on Coinmarketcap as of the reporting date.

The Company has continued to classify cryptocurrency on hand at the end of a period as a current asset as management has determined that cryptocurrency markets have sufficient liquidity to allow conversion within the Company's normal operating cycle.

The Company believes that the revised policy and presentation provide more relevant financial information to the users of the financial statements. The accounting policy change has been applied retrospectively, but the Company's management has determined that the impact of the accounting policy change in previous periods is not material. The cumulative effect of retrospective application of the accounting policy change on retained earnings as of January 1, 2020 was nil as the Company did not have any cryptocurrency on hand as of December 31, 2019. Furthermore, the Group's management believes that the disclosures made in previous periods relating to the quantity and fair value of cryptocurrencies mined during the periods, the cost and fair market value of cryptocurrencies on hand at the end of the periods and the proceeds received from disposal of cryptocurrencies during the periods is sufficient to allow users of the financial statements to understand the Company's financial results. The accounting standards in the cryptocurrency mining industry are still evolving and the Group's management believes that this accounting policy change is better aligned with current industry practices. Additionally, the Group may be required to re-evaluate their accounting policy with respect to revenue recognition and subsequent remeasurement of cryptocurrency on hand in the event of the issuance of new accounting guidance or a change in the Group's business practice of regularly disposing of cryptocurrencies.

#### 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 in 2021 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, some of which were addressed in more detail under the section "Other Risks" include:

- Bitcoin halving event;
- COVID 19 pandemic;
- the availability of financing opportunities and risks associated with economic conditions, including Bitcoin price and Bitcoin network difficulty;
- the ability to service debt obligations and maintain flexibility in respect of debt covenants;
- 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;
- 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; and
- other factors beyond the Company's control.

The above is not an exhaustive list of the factors that may affect the Company's forward-looking statements. 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; and (iv) 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 Revenues minus energy and infrastructure expenses for the Backbone segment of the Company. "Gross mining margin" is defined as the percentage obtained when dividing Gross mining profit by Revenues for the Backbone segment of the Company.

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.



#### Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company and its subsidiaries is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. In designing such controls, it should be recognized that due to inherent limitations, any control, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is required to use judgment in evaluating controls and procedures.

## 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:** Bitcoin 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 Bitcoin 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. Bitcoin is created when the Bitcoin network issues Block Rewards through the Mining process.

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

**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 Bitcoin 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 Bitcoin Blockchain. As a reward for their services, Bitcoin Miners collect transaction fees for the transactions they confirm, along with newly created Bitcoins 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 Bitcoin 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 Bitcoin 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 Bitcoin 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 Bitcoin network to validate transactions on the Bitcoin Blockchain.

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

**FORM 13-502F1**  
**CLASS 1 AND CLASS 3B REPORTING ISSUERS – PARTICIPATION FEE**

**MANAGEMENT CERTIFICATION**

I, Mauro Ferrara, an officer of the reporting issuer noted below have examined this Form 13-502F1 (the **Form**) being submitted hereunder to the Ontario Securities Commission and certify that to my knowledge, having exercised reasonable diligence, the information provided in the Form is complete and accurate.

(s) “Mauro Ferrara”

March 25, 2021

Name: Mauro Ferrara

Date:

Title: CFO

**Reporting Issuer Name:**

Bitfarms Ltd.

**End date of previous financial year:**

December 31, 2020

**Type of Reporting Issuer:**

☒ **Class 1 reporting issuer**

☐ **Class 3B reporting issuer**

**Highest Trading Marketplace:**

TSXV

(refer to the definition of “highest trading marketplace” under OSC Rule 13-502 Fees)

**Market value of listed or quoted equity securities:**

(in Canadian Dollars - refer to section 7.1 of OSC Rule 13-502 Fees)

**Equity Symbol**

BITF

**1<sup>st</sup> Specified Trading Period** (dd/mm/yy)

(refer to the definition of “specified trading period” under OSC Rule 13-502 Fees)

01/01/2020

to

31/03/2020

Closing price of the security in the class or series on the last trading day of the specified trading period in which such security was listed or quoted on the highest trading marketplace

\$ 0.42 (i)

Number of securities in the class or series of such security outstanding at the end of the last trading day of the specified trading period

84,620,630 (ii)

Market value of class or series

(i) x (ii)

\$ 35,540,664.60 (A)

**2<sup>nd</sup> Specified Trading Period** (dd/mm/yy) (refer to the definition of “specified trading period” under OSC Rule 13-502 Fees)

01/04/2020

to

30/06/2020

|                                                                                                                                                                                             |              |                         |       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------------------------|-------|
| Closing price of the security in the class or series on the last trading day of the specified trading period in which such security was listed or quoted on the highest trading marketplace |              | <u>\$ 0.38</u>          | (iii) |
| Number of securities in the class or series of such security outstanding at the end of the last trading day of the specified trading period                                                 |              | <u>84,720,630</u>       | (iv)  |
| Market value of class or series                                                                                                                                                             | (iii) x (iv) | <u>\$ 32,193,839.40</u> | (B)   |

**3<sup>rd</sup> Specified Trading Period** (dd/mm/yy)

(refer to the definition of “specified trading period” under OSC Rule 13-502 *Fees*)

|  |                   |    |                   |
|--|-------------------|----|-------------------|
|  | <u>01/07/2020</u> | to | <u>30/09/2020</u> |
|--|-------------------|----|-------------------|

|                                                                                                                                                                                             |            |                         |      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-------------------------|------|
| Closing price of the security in the class or series on the last trading day of the specified trading period in which such security was listed or quoted on the highest trading marketplace |            | <u>\$ 0.305</u>         | (v)  |
| Number of securities in the class or series of such security outstanding at the end of the last trading day of the specified trading period                                                 |            | <u>85,720,630</u>       | (vi) |
| Market value of class or series                                                                                                                                                             | (v) x (vi) | <u>\$ 26,144,792.15</u> | (C)  |

**4<sup>th</sup> Specified Trading Period** (dd/mm/yy)

(refer to the definition of “specified trading period” under OSC Rule 13-502 *Fees*)

|  |                   |    |                   |
|--|-------------------|----|-------------------|
|  | <u>01/10/2020</u> | to | <u>31/12/2020</u> |
|--|-------------------|----|-------------------|

|                                                                                                                                                                                             |                |                          |        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|--------------------------|--------|
| Closing price of the security in the class or series on the last trading day of the specified trading period in which such security was listed or quoted on the highest trading marketplace |                | <u>2.50</u>              | (vii)  |
| Number of securities in the class or series of such security outstanding at the end of the last trading day of the specified trading period                                                 |                | <u>88,939,359</u>        | (viii) |
| Market value of class or series                                                                                                                                                             | (vii) x (viii) | <u>\$ 222,348,397.50</u> | (D)    |

**5<sup>th</sup> Specified Trading Period** (dd/mm/yy)

(if applicable - refer to the definition of “specified trading period” under OSC Rule 13-502 *Fees*)

|  |                             |    |                             |
|--|-----------------------------|----|-----------------------------|
|  | <u>                    </u> | to | <u>                    </u> |
|--|-----------------------------|----|-----------------------------|

|                                                                                                                                                                                             |  |                             |      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------------------------|------|
| Closing price of the security in the class or series on the last trading day of the specified trading period in which such security was listed or quoted on the highest trading marketplace |  | <u>\$</u>                   | (ix) |
| Number of securities in the class or series of such security outstanding at the end of the last trading day of the specified trading period                                                 |  | <u>                    </u> | (x)  |

Market value of class or series (ix) x (x) \$ \_\_\_\_\_ (E)

**Average Market Value of Class or Series** (Calculate the simple average of the market value of the class or series of security for each applicable specified trading period (i.e. A through E above)) \$ 79,056,923.41 (1)

(Repeat the above calculation for each other class or series of equity securities of the reporting issuer (and a subsidiary pursuant to paragraph 2.8(1)(c) of OSC Rule 13-502 *Fees*, if applicable) that was listed or quoted on a marketplace at the end of the previous financial year)

**Fair value of outstanding debt securities:**

(See paragraph 2.8(1)(b), and if applicable, paragraph 2.8(1)(c) of OSC Rule 13-502 *Fees*) \$ \_\_\_\_\_ (2)

(Provide details of how value was determined)

**Capitalization for the previous financial year** (1) + (2) \$ 79,056,923.41

**Participation Fee** (For Class 1 reporting issuers, from Appendix A of OSC Rule 13-502 *Fees*, select the participation fee) \$ 6,390

(For Class 3B reporting issuers, from Appendix A.1 of OSC Rule 13-502 *Fees*, select the participation fee)

**Late Fee**, if applicable (As determined under section 2.7 of OSC Rule 13- 502 *Fees*) \$ \_\_\_\_\_

**Total Fee Payable**  
(Participation Fee plus Late Fee) \$ 6,390

**Note: [01 Mar 2017]** – The following is a consolidation of 13-501F1. It incorporates amendments to this document that came into effect on March 1, 2017. This consolidation is provided for your convenience and should not be relied on as authoritative.

**FORM 13-501F1**  
**CLASS 1 REPORTING ISSUERS AND CLASS 3B REPORTING ISSUERS –**  
**PARTICIPATION FEE**

**MANAGEMENT CERTIFICATION**

I, Mauro Ferrara, an officer of the reporting issuer noted below have examined this Form 13-501F1 (the **Form**) being submitted hereunder to the Alberta Securities Commission and certify that to my knowledge, having exercised reasonable diligence, the information provided in the Form is complete and accurate.

“Mauro Ferrara”

Name: Mauro Ferrara

Title: CFO

March 25, 2021

Date:

**Reporting Issuer Name:**

Bitfarms Ltd.

**End date of previous financial year:**

December 31, 2020

**Type of Reporting Issuer:**

☒ **Class 1 reporting issuer**

☐ **Class 3B reporting issuer**

**Highest Trading Marketplace:**

TSXV

**Market value of listed or quoted equity securities:**

**Equity Symbol**

BITF

**1st Specified Trading Period** (dd/mm/yy) 01/01/2020 to 31/03/2020

|                                                                                                                                                                                             |     |                  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|------------------|
| Closing price of the security in the class or series on the last trading day of the specified trading period in which such security was listed or quoted on the highest trading marketplace | (i) | \$ <u>0.4200</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|------------------|

|                                                                                                                                             |      |                   |
|---------------------------------------------------------------------------------------------------------------------------------------------|------|-------------------|
| Number of securities in the class or series of such security outstanding at the end of the last trading day of the specified trading period | (ii) | <u>84,620,630</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------|------|-------------------|

|                                     |            |                       |
|-------------------------------------|------------|-----------------------|
| Market value of class or series (A) | (i) x (ii) | <u>\$35,540,664.6</u> |
|-------------------------------------|------------|-----------------------|

**2nd Specified Trading Period** (dd/mm/yy) 01/04/2020 to 30/06/2020

|                                                                                                                                                                                             |       |                  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|------------------|
| Closing price of the security in the class or series on the last trading day of the specified trading period in which such security was listed or quoted on the highest trading marketplace | (iii) | \$ <u>0.3800</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|------------------|

|                                                                                                                                             |      |                   |
|---------------------------------------------------------------------------------------------------------------------------------------------|------|-------------------|
| Number of securities in the class or series of such security outstanding at the end of the last trading day of the specified trading period | (iv) | <u>84,720,630</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------|------|-------------------|

|                                     |              |                       |
|-------------------------------------|--------------|-----------------------|
| Market value of class or series (B) | (iii) x (iv) | <u>\$32,193,839.4</u> |
|-------------------------------------|--------------|-----------------------|

**3rd Specified Trading Period** (dd/mm/yy) 01/07/2020 to 30/09/2020

|                                                                                                                                                                                             |     |                  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|------------------|
| Closing price of the security in the class or series on the last trading day of the specified trading period in which such security was listed or quoted on the highest trading marketplace | (v) | \$ <u>0.3050</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|------------------|

|                                                                                                                                             |      |                   |
|---------------------------------------------------------------------------------------------------------------------------------------------|------|-------------------|
| Number of securities in the class or series of such security outstanding at the end of the last trading day of the specified trading period | (vi) | <u>85,720,630</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------|------|-------------------|

|                                     |            |                        |
|-------------------------------------|------------|------------------------|
| Market value of class or series (C) | (v) x (vi) | <u>\$26,144,792.15</u> |
|-------------------------------------|------------|------------------------|



**4th Specified Trading Period** (dd/mm/yy) 01/10/2020 to 31/12/2020

|                                                                                                                                                                                             |                |                  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|------------------|
| Closing price of the security in the class or series on the last trading day of the specified trading period in which such security was listed or quoted on the highest trading marketplace | (vii)          | \$ 2.5000        |
| Number of securities in the class or series of such security outstanding at the end of the last trading day of the specified trading period                                                 | (viii)         | 88,939,359       |
| Market value of class or series (D)                                                                                                                                                         | (vii) x (viii) | \$ 222,348,397.5 |

**5th Specified Trading Period** (dd/mm/yy) \_\_\_\_\_ to \_\_\_\_\_

|                                                                                                                                                                                             |            |    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|----|
| Closing price of the security in the class or series on the last trading day of the specified trading period in which such security was listed or quoted on the highest trading marketplace | (ix)       | \$ |
| Number of securities in the class or series of such security outstanding at the end of the last trading day of the specified trading period                                                 | (x)        |    |
| Market value of class or series (E)                                                                                                                                                         | (ix) x (x) | \$ |

|                                                                                                                                                                                                                |  |                  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|------------------|
| <b>Average Market Value of Class or Series</b> (Calculate the simple average of the market value of the class or series of security for each applicable specified trading period (i.e. A through E above)) (1) |  | \$ 79,056,923.41 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|------------------|

(Repeat the above calculation for each other class or series of equity securities of the reporting issuer (and a subsidiary, if applicable) that was listed or quoted on a marketplace at the end of the previous financial year)

Fair value of outstanding debt securities:

|                                                |           |                  |
|------------------------------------------------|-----------|------------------|
| (Provide details of how value was determined)  |           | \$ (2)           |
| Capitalization for the previous financial year | (1) + (2) | \$ 79,056,923.41 |
| Participation Fee                              |           | \$ 3,000.0000    |
| Late Fee, if applicable                        |           | \$               |
| Total Fee Payable                              |           | \$ 3,000.0000    |
| (Participation Fee plus Late Fee)              |           |                  |

**Form 52-109FV1**  
**Certification of Annual Filings**  
**Venture Issuer Basic Certificate**

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

1. **Review:** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference into the AIF (together, the “**annual filings**”) of Bitfarms Ltd. (the “**issuer**”) for the financial year ended December 31, 2020.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual 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 annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual 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 annual filings.

Date: March 25, 2021

**“Emiliano Grodzki”**

Emiliano Grodzki  
 Chief Executive Officer

**NOTE TO READER**

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings* (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

- I. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- II. a process 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.

The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

**Form 52-109FV1**  
**Certification of Annual Filings**  
**Venture Issuer Basic Certificate**

I, **Mauro Ferrara**, interim Chief Financial Officer of Bitfarms Ltd., certify the following:

1. **Review:** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference into the AIF (together, the “**annual filings**”) of Bitfarms Ltd. (the “**issuer**”) for the financial year ended December 31, 2020.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual 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 annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual 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 annual filings.

Date: March 25, 2021

**“Mauro Ferrara”**

Mauro Ferrara

Chief Financial Officer

**NOTE TO READER**

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings* (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

- I. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- II. a process 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.

The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
18 King St. E, Suite 902  
Toronto, Ontario M5C 1C4

**Item 2 Date of Material Change**

March 25, 2021.

**Item 3 News Release**

The press release attached as Schedule “A” was disseminated on March 25, 2021.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Nicolas Bonta  
Executive Chairman & Director  
Bitfarms Ltd.  
nbonta@bitfarms.com

**Item 9 Date of Report**

March 25, 2021.

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## Bitfarms Reports Financial Results for the Fourth Quarter and Year Ended 2020

**Toronto, Ontario and Brossard, Québec (March 25, 2021)** - Bitfarms Ltd. ("Bitfarms", or the "Company") (TSXV: BITF/OTC: BFARE) today announced its financial results for the fourth quarter and year ended December 31, 2020.

(U.S.\$ in thousands except per share data and percentages)

For the periods ended as indicated

|                                             | Three months ended |                 |           |          | Twelve months ended |                 |           |          |
|---------------------------------------------|--------------------|-----------------|-----------|----------|---------------------|-----------------|-----------|----------|
|                                             | Dec. 31<br>2020    | Dec. 31<br>2019 | \$ Change | % Change | Dec. 31<br>2020     | Dec. 31<br>2019 | \$ Change | % Change |
| Revenues                                    | 11,324             | 10,536          | 788       | 7%       | 34,703              | 32,421          | 2,282     | 7%       |
| Cost of sales                               | 8,580              | 7,702           | 878       | 11%      | 31,830              | 20,982          | 10,848    | 52%      |
| Gross profit (loss)                         | 2,744              | 2,834           | (90)      | (3)%     | 2,873               | 11,439          | (8,566)   | (75)%    |
| Gross margin                                | 24%                | 27%             | -         | -        | 8%                  | 35%             | -         | -        |
| General and administrative expenses         | 2,265              | 2,409           | (144)     | (6)%     | 8,250               | 9,984           | (1,734)   | (17)%    |
| (Gain) on disposition of cryptocurrencies   | (65)               | -               | (65)      | (100)%   | (88)                | -               | (88)      | (100)%   |
| Impairment of property, plant and equipment | -                  | -               | -         | -        | -                   | 56              | (56)      | (100)%   |
| Operating income (loss)                     | 544                | 425             | 119       | 28%      | (5,289)             | 1,399           | (6,688)   | (478)%   |
| Operating margin                            | 5%                 | 4%              | -         | -        | (15)%               | 4%              | -         | -        |
| Loss on disposition of assets               | 178                | 303             | (125)     | (41)%    | 1,442               | 310             | 1,132     | 365%     |
| Net financial expenses                      | 5,456              | 1,571           | 3,885     | 247%     | 9,386               | 1,573           | 7,813     | 497%     |
| Net income (loss) before income taxes       | (5,090)            | (1,449)         | (3,641)   | (251)%   | (16,117)            | (484)           | (15,633)  | (3230)%  |
| Income tax expense (recovery)               | 284                | (2,574)         | 2,858     | 111%     | 172                 | (2,591)         | 2,763     | 107%     |
| Net income (loss)                           | (5,374)            | 1,125           | (6,499)   | (578)%   | (16,289)            | 2,107           | (18,396)  | (873)%   |
| Net earnings (loss) per share - basic       | (0.06)             | 0.02            | -         | -        | (0.19)              | 0.04            | -         | -        |
| Net earnings (loss) per share - diluted     | (0.06)             | 0.02            | -         | -        | (0.19)              | 0.04            | -         | -        |
| Gross mining profit <sup>(1)</sup>          | 5,461              | 5,488           | (27)      | -        | 13,782              | 17,681          | (3,899)   | (22)%    |
| Gross mining margin <sup>(1)</sup>          | 53%                | 56%             | -         | -        | 43%                 | 60%             | -         | -        |
| EBITDA <sup>(1)</sup>                       | (500)              | 2,299           | (2,799)   | (122)%   | 1,473               | 9,627           | (8,154)   | (85)%    |
| EBITDA margin <sup>(1)</sup>                | (4)%               | 22%             | -         | -        | 4%                  | 30%             | -         | -        |
| Adjusted EBITDA <sup>(1)</sup>              | 3,556              | 2,986           | 570       | 19%      | 8,019               | 10,617          | (2,598)   | (24)%    |
| Adjusted EBITDA margin <sup>(1)</sup>       | 31%                | 28%             | -         | -        | 23%                 | 33%             | -         | -        |

(1) Gross mining profit, Gross mining margin, EBITDA, EBITDA margin, Adjusted EBITDA, and Adjusted EBITDA margin, are non-IFRS performance measures; please refer to the Caution Regarding Non-IFRS Financial Performance Measures section of Bitfarms' 2020 Management Discussion and Analysis (MD&A).

(2) Represents the break-even cost of Bitcoin based on variable cost of electricity and is calculated by taking the total electricity costs related to the Mining of Bitcoin, excluding hosting contracts, divided by the total number of Bitcoin mined.

### Fourth Quarter 2020 Highlights

- Revenues of \$11.3 million; gross profit of \$2.7 million (24% gross margin), operating income of \$0.5 million (5% operating margin), and net loss of 5.4 million;
- Gross mining profit<sup>1</sup> of \$5.5 million (53% gross mining margin<sup>1</sup>);
- Negative EBITDA<sup>1</sup> of \$0.5 million (-4% EBITDA margin<sup>1</sup>), \$3.6 million Adjusted EBITDA<sup>1</sup> (31% Adjusted EBITDA margin<sup>1</sup>);
- Mined 577 Bitcoin with an average break-even<sup>2</sup> Bitcoin price of approximately \$7,500;
- 3,000 miners were received and installed during the quarter, adding approximately 218 PH/s.

## Full Year 2020 Highlights

- Revenues of \$34.7 million; gross profit of \$2.9 million (8% gross margin), operating loss of \$5.3 million (-15% operating margin), and net loss of \$16.3 million;
- Gross mining profit<sup>1</sup> of \$13.8 million (43% gross mining margin<sup>1</sup>);
- EBITDA<sup>1</sup> of \$1.5 million (4% EBITDA margin<sup>1</sup>), \$8.0 million Adjusted EBITDA<sup>1</sup> (23% Adjusted EBITDA margin<sup>1</sup>);
- Mined 3,014 Bitcoin with an average break-even<sup>2</sup> Bitcoin price of approximately \$5,600;
- 5,865 miners were received and installed during the year, adding approximately 433 PH/s.

“As anticipated, the May 2020 Bitcoin Halving event negatively impacted some of our key financial metrics for both the quarter and full year results. However, significant improvements in Bitcoin mining economics provided a healthy boost to our fourth quarter results. Operationally, we added three thousand miners in the quarter, increasing mining computing power to approximately 965PH/s as of the end of 2020,” commented Mauro Ferrara, Interim Chief Financial Officer.

Emiliano Grodzki, Chief Executive Officer of Bitfarms added, “With the addition of 218PH/s to our mining pool and the increase in Bitcoin price in the fourth quarter of 2020, we ended the year on a very positive note, providing us great momentum going forward. Thus far in 2021, we have raised CAD\$80 million in equity, repaid our term debt in full, added miners to our pool to reach 1.2PH/s in computing power and placed orders for 48,000 miners for delivery in 2022, with our supplier of choice, MicroBT, all in line with our growth plans for 2021 and beyond. With Bitcoin prices recently surpassing \$60,000 and with over 500 Bitcoin in inventory by the end of the quarter, our financial position has never been stronger and we are very excited about our prospects for the future.”

## Webcast

The Company will be hosting a webcast presentation at 10:00 AM ET on March 25, 2021. To view the webcast presentation, please register at:

<https://onlinexperiences.com/Launch/QReg/ShowUUID=DEB9E64C-E583-46A9-B591-FEAEAD9CA5AD>

The financial results and presentation will also be available on our website at [www.bitfarms.com](http://www.bitfarms.com).

## About Bitfarms Ltd.

Founded in 2017 Bitfarms is one of the largest, oldest, and most cost-effective public bitcoin mining operations in the world. Bitfarms runs vertically integrated mining operations with onsite technical repair, data analytics and engineers to deliver high performance and uptime of operations.

Having demonstrated rapid growth and stellar operations, Bitfarms became the first Bitcoin mining company to complete its long form prospectus with the Ontario Securities Commission and started trading on the TSX-V in July 2019. Bitfarms is currently listed as a Rising Star by the TSX-V.

Bitfarms has a diversified production platform with five industrial scale facilities located in Quebec. Each facility is 100% powered with environmentally friendly hydro power and secured with long-term power contracts. Bitfarms is currently the only publicly traded pure-play mining company audited by a Big Four audit firm.

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/>

**For Corporate inquiries, please contact:**

Mauro Ferrara

Interim Chief Financial Officer and Corporate Secretary

Bitfarms Ltd.

+1.514.691-6228

[MFerrara@bitfarms.com](mailto:MFerrara@bitfarms.com)

**For Investor Relations, please contact:**

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Tristan Traywick

Managing Director

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[tt@coreir.com](mailto:tt@coreir.com)

And

Ellis Ballard

[ellis@yapglobal.com](mailto:ellis@yapglobal.com)

***Defined Terms***

PH/s: Petahash per second.

EH/s: Exahash per second.



### **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 TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

### **Forward-Looking Statements**

- *This news release contains certain “forward-looking information” within the meaning of applicable Canadian securities laws that are based on expectations, estimates and projections as at the date of this news release. The information in this release about any 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 resulting significant negative impact on the Company’s operations, the construction and operation of expanded blockchain infrastructure as currently planned, and the regulatory environment of cryptocurrency in the Provinces of Canada.*
- *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 reasonable assumptions and estimates of management of the Company at the time it was 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; 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; 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; and volatile securities markets impacting security pricing unrelated to operating performance. In addition, particular factors which could impact future results of the business of Bitfarms include but are not limited to: the construction and operation of blockchain infrastructure 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 Province of Québec, 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; and there will be no regulation or law that will prevent Bitfarms from operating its business. The Company has also assumed that no significant events occur outside of the Bitfarms' normal course of business. Although the Company has attempted to identify important factors that could cause actual results to differ materially, 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 forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.



## Bitfarms Reports Financial Results for the Fourth Quarter and Year Ended 2020

**Toronto, Ontario and Brossard, Québec (March 25, 2021)** - Bitfarms Ltd. ("Bitfarms", or the "Company") (TSXV: BITF/OTC: BFARF) today announced its financial results for the fourth quarter and year ended December 31, 2020.

(U.S.\$ in thousands except per share data and percentages)

| For the periods ended as indicated          | Three months ended |                 |              |             | Twelve months ended |                 |              |             |
|---------------------------------------------|--------------------|-----------------|--------------|-------------|---------------------|-----------------|--------------|-------------|
|                                             | Dec. 31<br>2020    | Dec. 31<br>2019 | \$<br>Change | %<br>Change | Dec. 31<br>2020     | Dec. 31<br>2019 | \$<br>Change | %<br>Change |
| Revenues                                    | 11,324             | 10,536          | 788          | 7%          | 34,703              | 32,421          | 2,282        | 7%          |
| Cost of sales                               | 8,580              | 7,702           | 878          | 11%         | 31,830              | 20,982          | 10,848       | 52%         |
| Gross profit (loss)                         | 2,744              | 2,834           | (90)         | (3%)        | 2,873               | 11,439          | (8,566)      | (75%)       |
| Gross margin                                | 24%                | 27%             | -            | -           | 8%                  | 35%             | -            | -           |
| General and administrative expenses         | 2,265              | 2,409           | (144)        | (6%)        | 8,250               | 9,984           | (1,734)      | (17%)       |
| (Gain) on disposition of cryptocurrencies   | (65)               | -               | (65)         | (100%)      | (88)                | -               | (88)         | (100%)      |
| Impairment of property, plant and equipment | -                  | -               | -            | -           | -                   | 56              | (56)         | (100%)      |
| Operating income (loss)                     | 544                | 425             | 119          | 28%         | (5,289)             | 1,399           | (6,688)      | (478%)      |
| Operating margin                            | 5%                 | 4%              | -            | -           | (15%)               | 4%              | -            | -           |
| Loss on disposition of assets               | 178                | 303             | (125)        | (41%)       | 1,442               | 310             | 1,132        | 365%        |
| Net financial expenses                      | 5,456              | 1,571           | 3,885        | 247%        | 9,386               | 1,573           | 7,813        | 497%        |
| Net income (loss) before income taxes       | (5,090)            | (1,449)         | (3,641)      | (251%)      | (16,117)            | (484)           | (15,633)     | (3230%)     |
| Income tax expense (recovery)               | 284                | (2,574)         | 2,858        | 111%        | 172                 | (2,591)         | 2,763        | 107%        |
| Net income (loss)                           | (5,374)            | 1,125           | (6,499)      | (578%)      | (16,289)            | 2,107           | (18,396)     | (873%)      |
| Net earnings (loss) per share - basic       | (0.06)             | 0.02            | -            | -           | (0.19)              | 0.04            | -            | -           |
| Net earnings (loss) per share - diluted     | (0.06)             | 0.02            | -            | -           | (0.19)              | 0.04            | -            | -           |
| Gross mining profit <sup>(1)</sup>          | 5,461              | 5,488           | (27)         | -           | 13,782              | 17,681          | (3,899)      | (22%)       |
| Gross mining margin <sup>(1)</sup>          | 53%                | 56%             | -            | -           | 43%                 | 60%             | -            | -           |
| EBITDA <sup>(1)</sup>                       | (500)              | 2,299           | (2,799)      | (122%)      | 1,473               | 9,627           | (8,154)      | (85%)       |
| EBITDA margin <sup>(1)</sup>                | (4%)               | 22%             | -            | -           | 4%                  | 30%             | -            | -           |
| Adjusted EBITDA <sup>(1)</sup>              | 3,556              | 2,986           | 570          | 19%         | 8,019               | 10,617          | (2,598)      | (24%)       |
| Adjusted EBITDA margin <sup>(1)</sup>       | 31%                | 28%             | -            | -           | 23%                 | 33%             | -            | -           |

(1) Gross mining profit, Gross mining margin, EBITDA, EBITDA margin, Adjusted EBITDA, and Adjusted EBITDA margin, are non- IFRS performance measures; please refer to the Caution Regarding Non-IFRS Financial Performance Measures section of Bitfarms' 2020 Management Discussion and Analysis (MD&A).

(2) Represents the break-even cost of Bitcoin based on variable cost of electricity and is calculated by taking the total electricity costs related to the Mining of Bitcoin, excluding hosting contracts, divided by the total number of Bitcoin mined.

### Fourth Quarter 2020 Highlights

- Revenues of \$11.3 million; gross profit of \$2.7 million (24% gross margin), operating income of \$0.5 million (5% operating margin), and net loss of 5.4 million;
- Gross mining profit<sup>1</sup> of \$5.5 million (53% gross mining margin<sup>1</sup>);
- Negative EBITDA<sup>1</sup> of \$0.5 million (-4% EBITDA margin<sup>1</sup>), \$3.6 million Adjusted EBITDA<sup>1</sup> (31% Adjusted EBITDA margin<sup>1</sup>);
- Mined 577 Bitcoin with an average break-even<sup>2</sup> Bitcoin price of approximately \$7,500;
- 3,000 miners were received and installed during the quarter, adding approximately 218 PH/s.

## Full Year 2020 Highlights

- Revenues of \$34.7 million; gross profit of \$2.9 million (8% gross margin), operating loss of \$5.3 million (-15% operating margin), and net loss of \$16.3 million;
- Gross mining profit<sup>1</sup> of \$13.8 million (43% gross mining margin<sup>1</sup>);
- EBITDA<sup>1</sup> of \$1.5 million (4% EBITDA margin<sup>1</sup>), \$8.0 million Adjusted EBITDA<sup>1</sup> (23% Adjusted EBITDA margin<sup>1</sup>);
- Mined 3,014 Bitcoin with an average break-even<sup>2</sup> Bitcoin price of approximately \$5,600;
- 5,865 miners were received and installed during the year, adding approximately 433 PH/s.

“As anticipated, the May 2020 Bitcoin Halving event negatively impacted some of our key financial metrics for both the quarter and full year results. However, significant improvements in Bitcoin mining economics provided a healthy boost to our fourth quarter results. Operationally, we added three thousand miners in the quarter, increasing mining computing power to approximately 965PH/s as of the end of 2020,” commented Mauro Ferrara, Interim Chief Financial Officer.

Emiliano Grodzki, Chief Executive Officer of Bitfarms added, “With the addition of 218PH/s to our mining pool and the increase in Bitcoin price in the fourth quarter of 2020, we ended the year on a very positive note, providing us great momentum going forward. Thus far in 2021, we have raised CAD\$80 million in equity, repaid our term debt in full, added miners to our pool to reach 1.2PH/s in computing power and placed orders for 48,000 miners for delivery in 2022, with our supplier of choice, MicroBT, all in line with our growth plans for 2021 and beyond. With Bitcoin prices recently surpassing \$60,000 and with over 500 Bitcoin in inventory by the end of the quarter, our financial position has never been stronger, and we are very excited about our prospects for the future.”

## Webcast

The Company will be hosting a webcast presentation at 10:00 AM ET on March 25, 2021. To view the webcast presentation, please register at:

<https://onlinexperiences.com/Launch/QReg/ShowUUID=DEB9E64C-E583-46A9-B591-FEAEAD9CA5AD>

The financial results and presentation will also be available on our website at [www.bitfarms.com](http://www.bitfarms.com).

## About Bitfarms Ltd.

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Having demonstrated rapid growth and stellar operations, Bitfarms became the first Bitcoin mining company to complete its long form prospectus with the Ontario Securities Commission and started trading on the TSX-V in July 2019. Bitfarms is currently listed as a Rising Star by the TSX-V.

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And

Ellis Ballard

[ellis@yapglobal.com](mailto:ellis@yapglobal.com)

***Defined Terms***

PH/s: Petahash per second.

EH/s: Exahash per second.

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- 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 reasonable assumptions and estimates of management of the Company at the time it was 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; 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; 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; and volatile securities markets impacting security pricing unrelated to operating performance. In addition, particular factors which could impact future results of the business of Bitfarms include but are not limited to: the construction and operation of blockchain infrastructure 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 Province of Québec, 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; and there will be no regulation or law that will prevent Bitfarms from operating its business. The Company has also assumed that no significant events occur outside of the Bitfarms’ normal course of business. Although the Company has attempted to identify important factors that could cause actual results to differ materially, 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 forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.

**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
18 King St. E, Suite 902  
Toronto, Ontario M5C 1C4

**Item 2 Date of Material Change**

April 1, 2021.

**Item 3 News Release**

The press release attached as Schedule “A” was disseminated on April 1, 2021.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Nicolas Bonta  
Executive Chairman & Director  
Bitfarms Ltd.  
nbonta@bitfarms.com

**Item 9 Date of Report**

April 1, 2021.

---

**Bitfarms Announces the Appointment of Officer and Grant of Options**

**Toronto, Ontario and Brossard, Québec (April 1, 2021)** - Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) ([TSXV:BITF](#) // [OTC:BFARF](#)), one of the largest, oldest and most cost-effective public Bitcoin mining operations in the world, today announces the appointment of Mr. Darcy Donelle as Vice President of Corporate Development, effective immediately. The Company has granted Mr. Donelle 50,000 incentive stock options, pursuant to the Company’s Stock Option Plan (the “**Options**”). The Options are exercisable into one common share of the Company at a price of \$6.39, for a period of five years from the date of grant and are subject to vesting conditions.

Mr. Donelle is a CFA® charterholder and a Chartered Professional Accountant (CA). He has vast capital markets experience, having spent the past ten years with an international investment company listed on the Toronto Stock Exchange. During his tenure with that company, he spent time on the sell-side as a research associate, covering junior mining equities. Later, he transitioned to a principal analyst role where he oversaw the finance and operations function for the company’s managed investment funds and actively assisted front- line executives with support for acquisition, divestiture, fund-raising, structuring, and financing activities. He brings in-depth experience in financial statement analysis and investment valuation, and has built a reputation as a trusted technical advisor to management and shareholders. Prior to 2010, Mr. Donelle worked for PricewaterhouseCoopers and Grant Thornton where he was involved with audit engagements and advisory assignments related to private equity, fair value, and corporate taxation. He is a graduate of the University of New Brunswick, earning a BA degree in Economics and Political Science and was a recipient of UNB’s Dean Scholar Award.

**About Bitfarms Ltd.**

Founded in 2017, Bitfarms is one of the largest, oldest, and most cost-effective public bitcoin mining operations in the world. Bitfarms runs vertically integrated mining operations with onsite technical repair, proprietary data analytics and Company-owner electrical engineering and installation services to deliver high operational performance and uptime.

Having demonstrated rapid growth and stellar operations, Bitfarms became the first Bitcoin mining company to complete its long form prospectus with the Ontario Securities Commission and started trading on the TSX-V in July 2019. As mentioned above, we recently filed our first Annual Information Report. On February 24, 2021 Bitfarms was honoured to be announced as a Rising Star by the TSX-V.

Bitfarms has a diversified production platform with five industrial scale facilities located in Quebec. Each facility is 100% powered with environmentally friendly hydro power and secured with long-term power contracts. Bitfarms is currently the only publicly traded pure- play mining company audited by a Big Four audit firm.



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**Ryan Affaires publiques**

Mark Duschene, Directeur / Director

marc@ryanap.com



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**Ryan Affaires publiques**

Mark Duschene, Directeur / Director

marc@ryanap.com

---



**TSX TRUST COMPANY**

**VIA ELECTRONIC TRANSMISSION**

April 1, 2021

**TO ALL APPLICABLE EXCHANGES AND COMMISSIONS:**

**RE: BITFARMS LTD.**

**Confirmation of Notice of Record and Meeting Dates**

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We are pleased to confirm that Notice of Record and Meeting Dates was sent to The Canadian Depository for Securities.

We advise the following with respect to the upcoming Annual General and Special Meeting of Security Holders for the subject issuer:

|    |                                                                                                  |                                                     |
|----|--------------------------------------------------------------------------------------------------|-----------------------------------------------------|
| 1  | ISIN:                                                                                            | CA09173B1076                                        |
|    | CUSIP:                                                                                           | 09173B107                                           |
| 2  | Date Fixed for the Meeting:                                                                      | June 7, 2021                                        |
| 3  | Record Date for Notice:                                                                          | April 28, 2021                                      |
| 4  | Record Date for Voting:                                                                          | April 28, 2021                                      |
| 5  | Beneficial Ownership Determination Date:                                                         | April 28, 2021                                      |
| 6  | Classes or Series of Securities that entitle                                                     | COMMON the holder to receive Notice of the Meeting: |
| 7  | Classes or Series of Securities that entitle                                                     | COMMON the holder to vote at the meeting:           |
| 8  | Business to be conducted at the meeting:                                                         | Annual General and Special                          |
| 9  | Notice-and-Access:                                                                               |                                                     |
|    | Registered Shareholders:                                                                         | NO                                                  |
|    | Beneficial Holders:                                                                              | NO                                                  |
|    | Stratification Level:                                                                            | Not Applicable                                      |
| 10 | Reporting issuer is sending proxy-related materials directly to Non-Objecting Beneficial Owners: | YES                                                 |
| 11 | Issuer paying for delivery to Objecting Beneficial Owners:                                       | NO                                                  |

Yours truly,  
**TSX Trust Company**

*“Kieran Webb”*  
Relationship Manager  
kieran.webb@tmx.com

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T 514 395-5964

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**BITFARMS LTD.**

**ANNUAL INFORMATION FORM**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020**

**April 7, 2021**

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## GLOSSARY OF DEFINED TERMS

In this Annual Information Form, the following capitalized words and terms shall have the following meanings:

“**Additional Server Farms**” means the additional servers farms that Backbone is presently planning to establish and operate, namely the Sherbrooke Expansion and the Cowansville Expansion

“**Arrangement**” means the arrangement pursuant to Sections 350-351 of the *Israeli Companies Law* between Bitfarms Canada and Bitfarms Israel, pursuant to which Bitfarms Canada acquired 100% of the issued and outstanding shares of Bitfarms Israel in exchange for 39,739,785 Bitfarms Canada Shares, on a one Bitfarms Israel Share for one Bitfarms Canada Share basis, and exchanged the Legacy Options for non-tradeable options of Bitfarms Canada with similar terms;

“**ASIC**” means application specific integrated circuit;

“**Backbone**” means Backbone Hosting Solutions Inc.;

“**Backbone Class A Shares**” mean Class A voting common shares without par value in the capital of Backbone, the holders of which receive all dividends equally with the Backbone Class B Shares, and share equally with the holders of Backbone Class B Shares all remaining property in the event of liquidation, dissolution or winding-up of the Corporation;

“**Backbone Class B Shares**” mean Class B non-voting common shares without par value in the capital of Backbone, the holders of which receive all dividends equally with the Backbone Class A Shares, and share equally with the holders of Backbone Class A Shares all remaining property in the event of liquidation, dissolution or winding-up of the Corporation;

“**Backbone Exchangeable Shareholders**” means 9264-2644 Québec Inc. and Prosum Management Inc., companies which are controlled by, respectively, Mathieu Vachon and Pierre-Luc Quimper;

“**Backbone Exchangeable Shares**” mean a former class of preference shares without par value in the capital of the Backbone exchangeable for common shares of Bitfarms Israel;

“**Backbone Formation Agreements**” means the series of contracts entered into in 2017 to establish the business of Backbone;

“**Backbone Shares**” means, collectively, the Backbone Class A Shares, the Backbone Class B Shares and the Backbone Exchangeable Shares;

“**Binance Pool**” means the Binance mining pool;

“**Bitfarms**” means the operating business name and trademarked name of Backbone;

“**Bitfarms Canada**” or the “**Company**” means Bitfarms Ltd., a corporation incorporated pursuant to the laws of Canada;

“**Bitfarms Canada Board**” means the board of directors of Bitfarms Canada;

“**Bitfarms Canada Shares**” or “**Common Shares**” means the common shares in the capital of Bitfarms Canada;



“**Bitfarms Israel**” means Bitfarms Ltd., a corporation incorporated pursuant to the laws of Israel;

“**Bitfarms Israel Shares**” means the common shares in the capital of Bitfarms Israel;

“**Bitfarms Israel Board**” means the board of directors of Bitfarms Israel;

“**BlockFills Lease Facility**” has the meaning as provided for in “*Prior Sales*”;

“**Blockware**” has the meaning as provided for in “*GENERAL DEVELOPMENT OF THE BUSINESS – Three Year History – Fiscal 2021 – Development of Operations*”;

“**botnet**” means a number of Internet-connected devices, each of which is running one or more bots (a computer program that does automated tasks). Botnets can be used to perform distributed denial-of-service attack, steal data, send spam, and allows the attacker to access the device and its connection;

“**CBCA**” means the *Canada Business Corporations Act*;

“**CEO**” means Chief Executive Officer;

“**CFO**” means Chief Financial Officer;

“**Cowansville Expansion**” means the planned expansion of the existing server farm facility in Cowansville, Québec;

“**cryptocurrency**” means a form of encrypted and decentralized digital currency, transferred directly between peers across the Internet, with transactions being settled, confirmed and recorded in a distributed public ledger through Mining. Cryptocurrency is either newly “minted” through an initial coin/token offering or Mined, which results in a new coin generated as a reward to incentivize miners for verifying transactions on the blockchain;

“**Current Facilities**” means the five operational Mining facilities operated by Backbone in the Province of Québec as of the date of this AIF, namely the facilities at Farnham, Saint-Hyacinthe, Cowansville, Sherbrooke and Magog;

“**Dominion Facility**” has the meaning as provided for in “*GENERAL DEVELOPMENT OF THE BUSINESS – Three Year History – Fiscal 2019 – Debt Financing*”;

“**Exchange Agreement**” means the exchange agreement among Bitfarms Canada, Backbone and each of the Backbone shareholders listed in Schedule A of the Exchange Agreement (the “**Minority Shareholders**”) dated August 12, 2019, pursuant to which Bitfarms Canada acquired all of Backbone Class A Shares owned by the Minority Shareholders;

“**Fiscal 2018**” means the fiscal year ended December 31, 2018.

“**Fiscal 2019**” means the fiscal year ended December 31, 2019.

“**Fiscal 2020**” means the fiscal year ended December 31, 2020.

“**Fiscal 2021**” means the fiscal year ended December 31, 2021.

“**Governance, Nomination and Compensation Committee**” has the meanings as provided in “*DIRECTORS AND OFFICERS – Committees of the Board of Directors – Governance, Nomination and Compensation Committee*”;

“**Hash**” means the output of a hash function, i.e. the output of the fundamental mathematical computation of a particular cryptocurrency’s computer code which Miners execute, and “**Petahash**” or “**PH**” and “**Exahash**” or “**EH**” mean, respectively,  $1 \times 10^{15}$  and  $1 \times 10^{18}$  Hashes;

“**Hosting Agreement**” means the hosting agreement between Bitfarms and Blockware Mining, LLC dated March 2, 2021.

“**Hydro-Magog**” means the regional public utility company that manages the generation and distribution of electricity in the region of Magog, Québec;

“**Hydro-Québec**” means “Commission hydroélectrique du Québec”, the provincial public utility company that manages the generation and distribution of electricity in the Province of Québec;

“**Hydro-Sherbrooke**” means the regional public utility company that manages the generation and distribution of electricity in the region of Sherbrooke, Québec;

“**Israel**” means the State of Israel;

“**Israeli Companies Law**” means the *Companies Law*, as amended, of Israel;

“**Legacy Options**” means the non-tradeable Bitfarms Israel options granted on January 15, 2018 entitling the holders to acquire up to 300,000 Bitfarms Israel Shares at a price of 3.00 NIS per share for a period of five years;

“**Lender**” or “**Dominion**” means DC BFL SPV, LLC, in the loan agreement (the “**Loan Agreement**”) dated March 14, 2019 between Dominion, as lender and Backbone, as borrower, pursuant to which the Lender provided the Dominion Facility;

“**Lender Warrants**” means the 1,666,667 warrants issued to the Lender for each Loan drawn, pursuant to the Loan Agreement, all of which have been exercised as of the date hereof;

“**Loan**” and “**Loans**” have the meaning as provided for in “*GENERAL DEVELOPMENT OF THE BUSINESS – Three Year History – Fiscal 2019 – Debt Financing*”;

“**Loan Agreement**” has the meaning as provided for in “*GENERAL DEVELOPMENT OF THE BUSINESS – Three Year History – Fiscal 2019 – Debt Financing*”;

“**MD&A**” means management’s discussion and analysis;

“**Miner**” means a computer configured for the purpose of performing blockchain computer operations;

“**Mining**” means the process of using Miners to provide the service of verifying and validating cryptographic blockchain transactions and being rewarded with cryptocurrency in return for such service;

“**NI 52-102**” means National Instrument 52-102 – *Continuous Disclosure Obligations*;

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees*;

“**NEO**” or “**Named Executive Officer**” has the meaning ascribed to that term in Form 51-102F6 *Statement of Executive Compensation – Venture Issuers*;

“**NIS**” means the Israeli new shekel and the official currency of Israel;

“**Onyx**” means Onyx Hosting Inc.;

“**Onyx License Agreement**” means the agreement entered into between Onyx and Backbone dated December 15, 2017 pursuant to which Onyx licensed to Backbone the use of the Farnham and Saint-Hyacinthe facilities in consideration for payment of the underlying leasehold expenses;

“**Promoters**” means Emiliano Joel Grodzki and Nicolas Bonta;

“**Prospectus**” means the final long form non-offering prospectus dated June 12, 2019;

“**PSU**” means power supply unit;

“**Régie**”, “**Municipal Electrical Networks**”, “**Preferential Rate**”, “**Phase 1**”, “**Phase 2**” and “**Phase 3**” have the meanings as provided in “DESCRIPTION OF BUSINESS – *Supply of Electrical Power, Electricity Rates, Terms of Service and the Régie de l’Énergie*”;

“**server farms**” means specialized computers often held in large warehouses where the computers, also known as Miners, validate and verify transactions on a public blockchain. Digital coins or tokens are issued by the applicable cryptocurrency network when miners solve hash functions;

“**Sherbrooke Expansion**” means the planned construction of a server farm facility in stages in Sherbrooke, Québec;

“**Stage**” has the meaning as provided for in “*DESCRIPTION OF BUSINESS – Development and Future Growth – Sherbrooke Expansion*”;

“**TASE**” means the Tel Aviv Stock Exchange;

“**TSXV**” or the “**Exchange**” means the TSX Venture Exchange;

“**Share Exchange Agreement**” means the share exchange agreement dated January 10, 2018, as amended April 12, 2018, between Bitfarms Israel, Backbone, and certain founding shareholders of Backbone, which closed on April 12, 2018 (the “**Share Exchange**”) pursuant to which Emiliano Joel Grodzki, Nicolas Bonta and Rodrigo Menendez exchanged 23,124,861 Backbone Shares for 23,124,861 Bitfarms Israel Shares; and

“**Volta**” means 9159-9290 Québec Inc., which also operates under the name Volta Électronique Inc.

## GENERAL

In this annual information form (“**AIF**”), Bitfarms Ltd., as the context requires, is referred to as the “**Company**” and “**Bitfarms Canada**”. As the Company is a venture issuer, the Company is not required to file an annual information form but is doing so voluntarily with the intention of enhancing its corporate disclosure and improving its access to capital markets. Accordingly, all information contained in this AIF is at April 7, 2021, unless otherwise stated.

Reference is made in this AIF to the Financial Statements and MD&A for Bitfarms Canada for Fiscal 2020, together with the auditor’s report thereon. The Financial Statements and MD&A are available for review on the SEDAR website located at [www.sedar.com](http://www.sedar.com).

All financial information in this AIF for Fiscal 2020 has been prepared in accordance with IFRS.

## STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Certain statements in this AIF are forward-looking statements or information (collectively “**forward-looking statements**”). Bitfarms Canada is providing cautionary statements identifying important factors that could cause the actual results of Bitfarms Canada to differ materially from those projected in these forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases including, but not limited to, and including grammatical tense variations of such words as: “may”, “anticipates”, “is expected to”, “estimates”, “intends”, “plans”, “projection”, “could”, “vision”, “goals”, “objective” and “outlook”) are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. In making these forward-looking statements, the Company has assumed that the current market will continue and grow and that the risks listed below will not adversely impact the Company.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as of the date they are made and are based on information currently available and on the then current expectations and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest;
- the ability to service debt obligations and maintain flexibility in respect of debt covenants;
- economic dependence on regulated terms of service and electricity rates;
- the speculative and competitive nature of the technology sector;
- dependency in continued growth in blockchain and cryptocurrency usage;
- lawsuits and other legal proceedings and challenges;
- conflict of interests with directors and management;
- government regulations;
- other risks described in this AIF and described from time to time in documents filed with Canadian securities regulatory authorities; and
- other factors beyond the Company’s control.

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 include, among others, risks relating to: the Company's limited operating history; future capital needs and uncertainty of additional financing; share price fluctuations; the need for the Company to manage its planned growth and expansion; cybersecurity threats and hacking; possibility of cessation of monetization of cryptocurrencies; limited history of de-centralized financial system; technological obsolescence and difficulty in obtaining hardware; price volatility of cryptocurrencies; the Bitcoin Halving Events; cryptocurrency network difficulty and impact of increased global computing power; economic dependence on regulated terms of service and electricity rates risks; future profits/losses and production revenues/expenses; cryptocurrency exchanges are new and mostly unregulated; discretion regarding by the Company of available funds; political and regulatory risk; permits and licenses; server failures; global financial conditions; tax consequences; environmental regulations; environmental liability; erroneous transactions and human error; the continued development of existing and planned facilities; risks of non-availability of insurance; competition; reliance on key personnel; credit risk; uncertainty of widespread use of cryptocurrency; interest rate risk; fluctuations in currency exchange rates; controlling shareholder risk; and COVID-19 pandemic risk. Particular factors which could impact future results of the business of the Company include but are not limited to: the construction and operation of blockchain infrastructure 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; the volatility of digital currency prices; the anticipated sustainability of hydroelectricity at economical prices for the purposes of cryptocurrency mining in the Province of Québec; the ability to complete current and future financings; any regulations or laws that will prevent the Company from operating its business; historical prices of digital currencies and the ability to mine digital currencies that will be consistent with historical prices.

Further, any forward-looking statement speaks only as of the date on which such statement is made and, except as required by applicable law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the business of the Company or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. See "*RISK FACTORS*".

## CURRENCY

Unless otherwise indicated, all references to "\$", "USD\$" or "dollars" refer to United States dollars, references to CAD\$ refer to Canadian dollars, and references to NIS refer to Israeli new shekels.

## CORPORATE STRUCTURE

### Name, Address and Incorporation

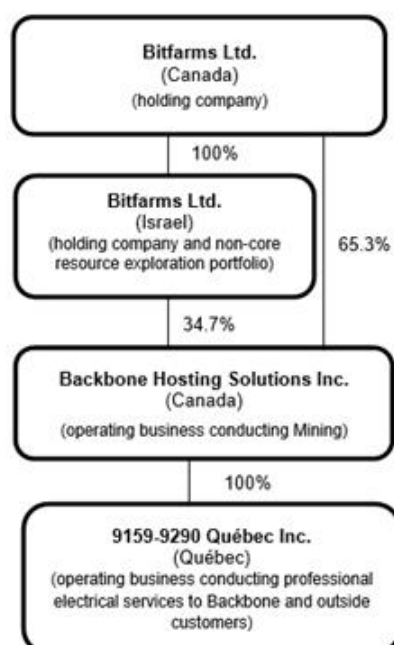
Bitfarms Canada was incorporated under the CBCA on October 11, 2018. Bitfarms Canada has its registered and head office located at 18 King St. E, Suite 902, Toronto, ON M5C 1C4. The Company's common shares are listed under the symbol "BITF" on the TSXV and under "BFARF" on the OTC market in the USA.

### Intercorporate Relationships

Bitfarms Canada has three wholly-controlled subsidiaries, Bitfarms Israel, Backbone, and 9159-9290 Québec Inc. Bitfarms Canada holds 100% of the issued and outstanding ordinary shares of Bitfarms Israel. Bitfarms Israel was incorporated pursuant to the Israeli Companies Law on June 17, 1981. Bitfarms Israel has its registered and head office located at 7 Menachem Begin Road, Tel-Aviv, 5268102, Israel. The provisions of the "Israeli Companies Law" are substantially similar to the CBCA, including provisions relating to shareholder voting rights, dividends, authority to issue shares, amendments to constating documents, appointment of directors and fiduciary duties.

Bitfarms Canada holds 43,541,866 common shares of Backbone directly and it holds the remaining 23,124,861 common shares of Backbone indirectly through Bitfarms Israel, for aggregate control of 100% of the issued and outstanding common shares of Backbone. Backbone was incorporated under the CBCA on June 13, 2017 and commenced operations November 6, 2017. Backbone is also known under its operating name, "Bitfarms". Backbone's registered and head office is located at 9160 Boulevard Leduc, Suite 312, Brossard, Québec, J4Y 0E3.

Backbone holds 100% of the issued and outstanding common shares of Volta. Volta was incorporated on September 1, 2005 under the Companies Act (Québec) on September 1, 2005, and now exists under the statute which replaced it, the Business Corporations Act (Québec).



### Note:

(1) Bitfarms Canada has direct (65.3%) and indirect (34.7%) ownership of an aggregate of 100% of the issued and outstanding Backbone Class A Shares.

## GENERAL DEVELOPMENT OF THE BUSINESS

### Three Year History

#### Fiscal 2018

##### *Development of Operations*

In 2018, Backbone focused on the vertical integration of its mining business. In January of 2018, Backbone completed the purchase of Volta, an electrical contractor with a team of electricians available twenty-four hours a day and seven days a week (as needed) to support the operational expansion of Backbone. In April 2018, Backbone completed the construction of a custom micro-electronics repair facility. This facility has enabled Backbone to maximize operating margins by maintaining leading equipment “up time” and reducing the reliance on manufacturer warranty programs (if available), and long lead times generally associated with equipment repair.

For most of 2018, Backbone participated in Antpool; presently, it participates in Binance Pool and allocates its full mining capacity to this pool.

##### *Incorporation of Bitfarms Canada*

Bitfarms Canada was incorporated under the CBCA on October 11, 2018.

#### Fiscal 2019

##### *Debt Financing*

Backbone entered into a secured debt financing facility (the “**Dominion Facility**”) for up to \$20.0 million with the Lender on March 14, 2019 (the “**Loan Agreement**”). The debt facility is structured into four separate loans in tranches of \$5.0 million per tranche (each a “**Loan**” and collectively, the “**Loans**”), each such Loan which bears interest at 10% per annum on the full principal balance of each tranche regardless of principal repayments made during the term of the Loan. The term of each Loan is 24 months with a balloon payment for any remaining outstanding balance at the end of the term. A monthly payment equivalent to 10% of the value of cryptocurrencies mined by Backbone during the month is required in repayment of the total Loans drawn. This amount shall be applied to interest and the balance to principal and, in the event that the amount of the cryptocurrency mined is less than the amount of interest owing, such additional amount shall be remitted such that the interest is payable in full. The Loans are fully secured by the assets of Backbone on a first priority basis. In addition to interest, the Company agreed to issue 1,666,667 Lender Warrants for each Loan drawn. An aggregate of 6,666,668 Lender Warrants have been issued for the Loans drawn down. As of the date of this AIF, the Dominion Facility has been repaid in its entirety and all Lender Warrants have been exercised.

##### *Prospectus Filings*

On March 27, 2019, a preliminary long form non-offering prospectus of Bitfarms Canada was filed with the Ontario Securities Commission to become a reporting issuer. Subsequently Bitfarms Canada became a reporting issuer upon receipt of the Prospectus filed with the Ontario Securities Commission on June 12, 2019.

##### *Arrangement with Bitfarms Israel*

On June 12, 2019, pursuant to Sections 350-351 of the *Israeli Companies Law*, Bitfarms Canada entered into the Arrangement with Bitfarms Israel, pursuant to which, Bitfarms Canada acquired 100% of the issued and outstanding shares of Bitfarms Israel in exchange for 39,739,785 Bitfarms Canada Shares, on a one Bitfarms Israel Share for one Bitfarms Canada Share basis and exchanged the Legacy Options for non-tradeable options of Bitfarms Canada with similar terms.

The Arrangement was approved by Bitfarms Israel shareholders on April 8, 2019 and approved by the District Court of Law (Israel) on May 23, 2019. The Arrangement became effective on June 12, 2019, and on that same date, the Bitfarms Israel Shares were delisted from the TASE. In addition, the Backbone Exchangeable Shares were exchanged for Bitfarms Canada Shares on June 12, 2019.

#### *Exchange Agreement*

Bitfarms Canada acquired 100% beneficial ownership of Backbone pursuant to the terms of the agreement entered into by the shareholders of Backbone. Bitfarms acquired an aggregate of 26,295,655 class A voting common shares of Backbone being the remaining 39.3% of the issued and outstanding shares of Backbone not already owned by Bitfarms Canada. The acquisition was completed on August 15, 2019.

#### *Acquisition of Operation Equipment*

Aggregate expansion highlights across all five of the Company's computing centres during Fiscal 2019 were as follows:

- 13,300 new generation miners were purchased for USD\$17.7M;
- Growth of 605PH/s, or 291% increase to computational hash power;
- Increase infrastructure capacity to 64MW from 34MW at the beginning of the year; and
- Overall operational efficiency had improved to approximately 14.3 petahash per MW.

#### **Fiscal 2020**

##### *Board and Management Changes*

In Fiscal 2020, the following changes to the Board and Management were made:

- On March 11, 2020, Wes Fulford resigned as CEO and as a director of the Company and was issued 500,000 common shares in consideration for past services rendered and to satisfy certain historical entitlements. These Common Shares have a deemed value of \$0.54 per share.
- On April 17, 2020, Brian Howlett was appointed as a director of the Company.
- Effective May 15, 2020, Wendi Locke and Sophie Galper-Komet resigned as directors of the Company.
- On May 19, 2020, Geoffrey Morphy was appointed as a director of the Company.
- On June 1, 2020, the Company appointed John Rim as Chief Operating Officer and Nicolas Bonta as Chief Development Officer. Ryan Hornby resigned as Executive Vice President and General Counsel of the Company effective June 1, 2020.
- On August 31, 2020, Geoffrey Morphy was appointed Executive Vice-President – Finance, Administration & Corporate Development. Mr. Morphy resigned his position as a director of the Company to facilitate his role as a senior officer. John Rim resigned as Chief Operating Officer and CFO of the Company. In addition, Andres Finkielsztain was appointed as a director of the Company.
- On October 28, 2020, Mauro Ferrara was appointed Interim Chief Financial Officer and Corporate Secretary.
- On December 29, 2020, Nicolas Bonta was appointed Executive Chairman, Brian Howlett was appointed Lead Director, Emiliano Grodzki was appointed Chief Executive Officer, Mathieu Vachon was appointed Chief Information Officer and Geoffrey Morphy was appointed President.



## COVID-19 Updates

In response to COVID-19, the Company has taken temporary steps to reduce staffing in line with government guidance to help combat the spread of COVID-19, the Company has also implemented permanent measures to reduce overhead costs to ensure the Company continues to be well positioned to absorb short term economic changes and maintain long term viability.

## Development of Operations

A summary of the development of computing power in Fiscal 2020 is as follows:

| <b>Announced:</b>                | <b>Installed:</b> | <b>Equipment:</b>                                                                                         |
|----------------------------------|-------------------|-----------------------------------------------------------------------------------------------------------|
| June, 2020                       | June, 2020        | Purchased: 1,847 MicroBT's WhatsMiner M20S adding 133 PH of computing power                               |
| August, 2020                     | September, 2020   | Leased: 1,000 MicroBT's WhatsMiner M31S <sup>+</sup> adding 82 PH of computing power                      |
| October, 2020                    | November, 2020    | Leased: 2,000 MicroBT's WhatsMiner M31S adding 144 PH of computing power                                  |
| September 2020 and October, 2020 | December, 2020    | Leased: 1,000 MicroBT's WhatsMiner M31S units adding 74 PH of computing power                             |
| December, 2020                   | Q1 2021           | Leased: 3,000 MicroBT's WhatsMiner M31S <sup>+</sup> units adding approximately 240 PH of computing power |

On October 26, 2020, the Company announced that it signed a nonbinding memorandum of understanding (“**MOU**”) with a private energy producer to secure exclusive use of up to 200 MW of electricity in South America at an average price of US 2 cents per kilowatt hour. The Company is presently in discussions with contractors to operationalize the first 60 MW of this 200 MW.

## Debt Financing

In September 2020, the Company entered into an agreement with Dominion to amend its second loan tranche and third loan tranche. The amendment in respect of the second loan tranche of \$5,000,000 resulted in the extension of the maturity date from the original due date of April 17, 2021 to November 1, 2021 (the “**Tranche #2 Restructuring**”). As consideration for the Tranche #2 Restructuring, the Company issued 1 million Common Shares to Dominion, and reduced the term of the 1,666,667 warrants, exercisable at USD\$0.40 from the original expiry date of April 16, 2024 to November 1, 2021.

The amendment in respect of the third loan tranche of \$5,000,000, due June 20, 2021, resulted in this tranche being made convertible, at the option of Dominion, into Common Shares at a fixed conversion of USD\$0.59 per share, a premium of approximately 100% to the current market price of the Common Shares (the “**Tranche #3 Restructuring**”). Further pursuant to the Tranche #3 Restructuring, the previously issued 1,666,667 warrants exercisable at \$0.40 per Common Share, expiring on June 20, 2024 were cancelled and 1,666,667 new warrants were issued, at an exercise price of USD\$0.304 per share, expiring on June 20, 2021.

As of the date of this AIF, the Dominion Facility has been repaid in its entirety and all Lender Warrants have been exercised.

## Fiscal 2021

### Private Placements

On January 7, 2021, the Company closed a private placement (the “**January 7, 2021 Offering**”) for gross proceeds of approximately CAD\$20.0 million, comprised of 8,888,889 Common Shares along with warrants to purchase an aggregate of up to 8,888,889 Common Shares at a purchase price of CAD\$2.25 per Common Share and associated warrant. The warrants have an exercise price of CAD\$2.75 per Common Share and exercise period of three years. The net proceeds of the private placement will be used by the Company principally to acquire additional miners, expand infrastructure, and improve its working capital position. H.C. Wainwright & Co. acted as the agent and received (i) a cash commission equal to 8.0% of the gross proceeds of the January 7, 2021 Offering and (ii) 711,111 broker warrants, with each broker warrant exercisable for one Common Share of the Company at a price of CAD\$2.81 at any time on or before January 8, 2024.

On January 11, the Company received notice from Dominion of its election to convert \$5,000,000, the principal amount of the third loan tranche into equity. The conversion to equity took place in January 2021.

On January 13, 2021, the Company closed a private placement (the “**January 13, 2021 Offering**”) for gross proceeds of approximately CAD\$20.0 million, comprised of 5,586,593 Common Shares along with warrants to purchase an aggregate of up to 5,586,593 Common Shares at a purchase price of CAD\$3.58 per Common Share and associated warrant. The warrants have an exercise price of USD\$3.10 per Common Share and exercise period of three and a half years. The net proceeds of the private placement will be used by the Company principally to acquire additional miners, expand infrastructure, and improve its working capital position. H.C. Wainwright & Co. acted as the agent and received (i) a cash commission equal to 8.0% of the gross proceeds of the January 13, 2021 Offering and (ii) 446,927 broker warrants, with each such broker warrant exercisable for one Common Share of the Company at a price of USD\$3.53 at any time on or before July 15, 2024.

Ten percent of the gross proceeds of the January 7, 2021 Offering and January 13, 2021 Offering were utilized to reduce the amount of the respective outstanding Loans due in March and November 2021.

On February 10, 2021, the Company closed a private placement (the “**February 2021 Offering**”) for gross proceeds of approximately CAD\$40.0 million, comprised of 11,560,695 common shares along with warrants to purchase an aggregate of up to 11,560,695 common shares at a purchase price of CAD\$3.46 per common share and associated warrant. The warrants have an exercise price of USD\$3.01 per common share and exercise period of three and one-half years. The net proceeds of the private placement will be used by the Company principally to acquire additional miners, expand infrastructure, and improve its working capital position. H.C. Wainwright & Co. acted as the agent and received (i) a cash commission equal to 8.0% of the gross proceeds of the February 2021 Offering and (ii) 924,856 broker warrants, with each broker warrant exercisable for one Common Share of the Company at a price of USD\$3.39 at any time on or before August 12, 2024.

*Development of Operations*

A summary of the development of computing power in Fiscal 2021 is as follows:

| <b>Announced:</b> | <b>Installed:</b>                        | <b>Equipment:</b>                                                                                                                                                    |
|-------------------|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| February 18, 2021 | Q1 2021                                  | Acquired: 1,500 MicroBT’s WhatsMiner M31S; once deployed, it is expected that these units will add approximately 120 PH of computer power                            |
| March 2, 2021     | January 2022 – December 2022 (estimated) | Entered into agreements to acquire: 48,000 MicroBT’s WhatsMiner units once deployed, it is expected that these units will add approximately 5.0 EH of computer power |
| March 24, 2021    | June 2021 – October 2021 (estimated)     | Acquired: 1,500 MicroBT M31S+ and 700 Bitmain S19j; once deployed, the 2,200 miners will produce an additional 183 PH of production                                  |

On March 2, 2021, the Company entered into a hosting agreement with Blockware Solutions and Blockware Mining, LLC (“**Blockware**”) in the United States (the “**Hosting Agreement**”). Pursuant to the Hosting Agreement, the Company shall deliver older generation equipment for hosting at one of Blockware’s facilities located in the United States in order to free up capacity at the Current Facilities for more efficient and profitable mining equipment.

The Company has also taken further steps towards completing the Sherbrooke Expansion. Significant steps taken as of the date of this AIF include placing orders and deposits on transformers required for the remaining 68MW of contractually secured energy with Hydro-Sherbrooke. The Company has also placed deposits and ordered transformers for the renovation at the Cowansville facility to increase its power capacity from 4 MW to 16.7 MW, which are expected to be completed in July 2021.

#### *Board and Management Changes*

Mathieu Vachon resigned as the Chief Information Officer and Director of the Company on January 14, 2021.

#### *Current Computing Power*

The Company's total operating hashrate is approximately 1.2 EH/s as of the date of this AIF.

#### *Pilot Bitcoin Retention Program*

In early January 2021, the Company implemented a pilot Bitcoin retention program, pursuant to which the Company has added approximately 600 Bitcoin to its balance sheet as of the date hereof. See "*Risk Factors – Possibility of Less Frequent or Cessation of Monetization of Cryptocurrencies*".

#### *Prospectus Filings*

On March 12, 2021, the Company filed a preliminary base shelf short form prospectus.

## **DESCRIPTION OF BUSINESS**

### **Description of the Business**

The Company's primary business is the mining of cryptocurrency coins and tokens. Through Backbone, the Company owns and operates server farms, comprised of computers (each herein referred to as, a "**Miner**") primarily configured for the purpose of validating transactions on cryptocurrency network blockchains, and predominately the Bitcoin network blockchain. Backbone's server farms currently mine Bitcoin and Litecoin, and in the past have also mined Bitcoin Cash, Dash and Ethereum. Income is earned from the transaction fees it receives in return for securing and processing transactions during all hours of the day (herein referred to as, "**Mining**"), and the cryptocurrencies rewarded for validating a "block" of transactions. Backbone exchanges cryptocurrencies mined into U.S. dollars, as needed, through reputable cryptocurrency trading platforms.

The Company operates through two operating corporate subsidiaries and reportable segments: Backbone Hosting Solutions Inc. ("**Backbone**") and 9159-9290 Quebec Inc. ("**Volta**"). Backbone owns and operates server farms, comprised of computers (referred to as a "**Miners**") designed for the purpose of validating transactions, primarily on the Bitcoin 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 Bitcoin network to a Mining Pool from which the Company receives cryptocurrencies in return for contributing its hashrate which the Mining Pool uses to validate transactions (referred to as "**Mining**").

As of the date of this AIF, Bitfarms Canada operates five server farm facilities in Québec, Canada, with electrical infrastructure capacity of 69 MW for Mining Bitcoin. The Company has contracts securing an aggregate of 160 MW of hydro-electric green energy in Quebec. In addition, Bitfarms owns proprietary software that is used to control, manage, report and secure mining operations. The software scans and reports the location, computing power and temperature of all Miners at regular intervals to allow the Company to monitor performance and maximize up-time.

Volta provides electrician services to both commercial and residential customers in Québec, while assisting Bitfarms Canada in building and maintaining its server farms.

## Cryptocurrency Background

Bitcoin Blockchain technology was developed around 2009 by a pseudonymous person or organization known as Satoshi Nakamoto. It is often defined as a distributed ledger or database with decentralized control. The types of databases that could be implemented using blockchain technology are broad and include, among others, databases similar to a bank ledger that record statements of accounts or transactions, or any other digital record of asset ownership, such as an identity system, land registry or even the rights and obligations defined in a contract. In the traditional centralized ledger models, a master version of such ledgers is controlled by a bank, government or a trusted third party. Disputes are resolved by checking the master version, through a manual and often redundant reconciliation process. In the decentralized blockchain model, a master ledger is not stored in one place or controlled by one entity. Every counterparty on the network receives an identical real-time copy of the ledger; the data in the ledger is tamper-proof using cryptography; new states of the ledger are agreed upon by consensus among all parties.

The shared ledger is made tamper-proof using a cryptographic technique called hashing. A hashing algorithm is a mathematical transformation function with two key properties. First, it accepts any alphanumeric dataset as an input and produces a unique 256-bit code as an output. Second, the smallest change in the dataset results in a significant change in the unique code. Any tampering of the dataset can be detected by re-hashing the data and checking for a change in the unique code. Any user that runs the hash algorithm on the same strings will derive the same unique code. Consequently, the data on the distributed ledger can be run through a series of hash algorithms to create a unique code, which ensures the entire ledger is immutable. Whenever a new set or block of transactions is added to the ledger, it is appended with the code from the prior state of the ledger before it is hashed. This chain links both states of the ledger by combining them into a single unique code. Tampering of any historical state of the ledger can be automatically detected by the blockchain network. The historical state of the ledger can be changed if control of more than 50% of the network is obtained; however, in the case of widely held cryptocurrencies with non-trivial valuations, it is likely economically prohibitive for any actor or group of actors acting in concert to obtain the requisite control, being more than 50% of the network.

## Mining

The process by which cryptocurrency coins or tokens are created and transactions are verified is called mining. A user or Miner operates a publicly distributed mining client, which turns the user's computer into a "node" on the network that validates blocks. In order to add blocks to the Bitcoin blockchain, a miner must map an input data set (i.e., the blockchain, plus a block of the most recent transactions and an arbitrary number called a "nonce") to a desired output data set of a predetermined length using the SHA256 cryptographic hash algorithm. Each unique block can only be solved and added to the blockchain by one miner. As more miners join the network and its processing power increases, the network adjusts the complexity of the block solving equation to maintain a predetermined pace of adding a new block to the blockchain approximately every ten minutes. The prevailing level of complexity in the context of cryptocurrency mining is often referred to as the "difficulty". See "*DESCRIPTION OF BUSINESS – Principal Market Overview – Mining Pools*" and "*Risk Factors - Cryptocurrency Network Difficulty and Impact of Increased Global Computing Power*".

A miner's proposed block is added to the blockchain once a majority of the nodes on the network confirms the miner's work. Miners that are successful in adding a block to the blockchain are automatically awarded coins or tokens for their effort plus any transaction fees paid by transferors whose transactions are recorded in the block. This reward system is the method by which new coins enter into circulation to the public.

## Principal Market Overview

### *Backbone's Business and Strategy*

Backbone's strategy consists of constructing server farms using sustainable energy sources, ensuring that the computing power supporting Backbone's operations is sourced from clean energy. In support of the strategy, Backbone has sourced electrical power from Hydro-Québec, Hydro-Sherbrooke and Hydro-Magog. Power from these sources is derived from hydro-electricity as opposed to, for instance, coal-fired or gas-fired plants. The Company has also entered into a non-binding MOU with a private energy producer to secure exclusive use of up to 200 MW of electricity in South America. The South American project utilizes natural gas. Hydro-electric power is generated through exploitation of the natural water cycle, which is renewable, sustainable, and abundant owing to the natural geography of the Province of Québec. As a result of these efforts, the management of Backbone has developed a business model utilizing substantially low-cost clean power capacity and a supply of computer hardware from leading manufacturers.

Backbone's server farms are operated with a suite of three pieces of proprietary software owned by Backbone that control, manage, report and secure the operation. The first piece in the suite of software scans and reports the status of Backbone's Miners every 10 seconds. The second piece of software in the suite displays the report from the first software in readable and digestible format that assists operators in identifying machines at issue. The third piece of software in the suite is a cooling management system which autonomously controls exhaust fans to maintain the optimal temperature for the machines at the locations in which they are operated. In addition, the software collects data from various sources in order to check, at any given time, the cryptographic currency that is the most profitable for Backbone to mine. The software is configured to notify operators of profitability conditions, enabling operators to manually optimize margins under different economic conditions. See "*DESCRIPTION OF BUSINESS – Hardware and Software*".

### ***Mining Pools***

Miners may organize themselves in "mining pools". A mining pool is created when cryptocurrency miners pool their processing power over a network and mine transactions together. Whereas distributed mining power spread across the Internet results in only a miniscule probability of solving the mathematical problem for any single computer, by pooling mining resources, groups of Miners can increase the likelihood that the group solves the problem as a collective. Rewards are then distributed proportionately to each miner based on the work or the hash power contributed. By extension, the greater the computing power a server farm has, the more likely it is to, as a collective, be the first to validate a block (i.e. solve the mathematical problem) and earn cryptographic currencies. Consequently, there is a direct relationship between the computing power of a farm and the number of cryptographic coins it receives.

By design of the cryptocurrency source code, the difficulty of solving a block is determined automatically as a function of the number of blocks (and in the case of Bitcoin, 2016 blocks in each 14-day period) and the calculation power available in the current network in order to maintain a fixed interval (and in the case of Bitcoin, 10 minutes) on average to "solve" a block on the blockchain network of that particular cryptocurrency. The higher the computational power available (defined by the number of Miners and their individual computational power), the greater the difficulty in solving a block (and, accordingly, the more computing power will be required). After successfully validating a block, the transaction is recorded in a public ledger known as a blockchain (or chain of transactions/blocks). Upon a successfully solved block, the entire process is repeated with the next block in the queue being linked (by a stack) to its predecessor. The place of the blocks is fixed and remains on the public ledger permanently.

Given that collaborating Mining effort permits Miners to share risks and rewards of Mining, most cryptocurrency Miners join pools. As of the date of this AIF, the five largest pools in the world are: BTC.com, F2Pool, AntPool (operated by Bitmain Technologies Inc.), Binance Pool and Poolin.com. F2Pool is known as the largest pool, accounting for about 17% of the total hash power computing power) of Bitcoin.

Backbone presently participates in Binance Pool and allocates its full mining capacity to this pool.

### ***Current Farming Operations***

The following table sets out summary information regarding the five operational farming facilities operated by Backbone as at the date of this AIF.

| <b>Location</b>                 | <b>Facility<br/>Size (ft<sup>2</sup>)</b> | <b>Power<br/>Capacity<br/>(Megawatts)</b> | <b>Hash-power<br/>per second</b> | <b>Property Information</b> | <b>Energy Source</b> |
|---------------------------------|-------------------------------------------|-------------------------------------------|----------------------------------|-----------------------------|----------------------|
| Farnham, Québec, Canada         | 60,000                                    | 10.0                                      | 208 Petahash                     | Leased                      | Hydroelectric        |
| Saint-Hyacinthe, Québec, Canada | 40,000                                    | 15.0                                      | 305 Petahash                     | Leased                      | Hydroelectric        |
| Cowansville, Québec, Canada     | 50,000                                    | 4.0                                       | 88 Petahash                      | Leased                      | Hydroelectric        |
| Magog, Québec, Canada           | 22,000                                    | 10.0                                      | 155 Petahash                     | Leased                      | Hydroelectric        |
| Sherbrooke 1&2, Québec, Canada  | 78,000                                    | 30.0                                      | 480 Petahash                     | Owned & Leased              | Hydroelectric        |

Backbone ceased operations at the Notre-Dame-de-Stanbridge facility at the end of day on November 30, 2018.

## Development and Future Growth

Backbone is planning to establish and operate the following Additional Server Farms.

### *Sherbrooke Expansion*

On March 8, 2018, Backbone announced a 98.0-megawatt power contract in the municipality of Sherbrooke, Québec for a new server farm facility (herein referred to as, the “**Sherbrooke Expansion**”). These properties in Sherbrooke consisted of a 78,000 sq. foot facility (the “**Sherwood Property**”), and a 36,000 sq. foot facility (the “**Leger Property**”). On February 11, 2019, the Leger Property was sold for CAD\$1,750,000 and as part of the agreement reached with the buyer, a real estate developer, the buyer agreed to construct a purpose-built addition to the building for crypto-mining that would be leased to Bitfarms and allow it to realize net savings in its overall future buildout costs for the Sherbrooke Expansion while also providing immediate working capital from the proceeds of the building sale.

The construction of the Sherbrooke Expansion is anticipated to be completed in six stages (each a “**Stage**”) based on megawatt capacity: Stage 1 – 12MW; Stage 2 – 18MW; Stage 3 – 12 MW; Stage 4 - 18 MW; Stage 5 – 19 MW; and, Stage 6 – 19 MW.

As of the date of this AIF, the Company has successfully completed Stages 1 and 2 and has commenced preliminary steps to complete Stages 3 through 6, including placing orders and deposits on longer lead-time infrastructure, such as transformers and exhaust components. To complete each remaining phase of the Sherbrooke Expansion, Bitfarms Canada will need to incur infrastructure buildout costs including noise and exhaust structures, mining structures, and building modifications, as well as sourcing of mining hardware and electrical components.

The capital cost for the construction of the remaining Stages 3 through 6 is currently estimated to range between \$60.0 million to \$75.0 million, inclusive of Miner purchases based on recent hardware pricing. These costs will be divided between the Sherwood and Leger properties, with the majority being allocated to the Leger Property. The ability to undertake the construction of Stages 3 through 6 of the Sherbrooke Expansion depends, among other things, on the Company’s ability to raise the required financing. As a result, there is no definitive or planned timetable for Stages 3 through 6 of the Sherbrooke Expansion. The Company intends to finance the remainder of the construction of Stages 3 through 6 of the Sherbrooke Expansion by raising additional debt or equity capital or a combination of these means, as well as through the cash flow generated from its operations. There can be no assurance that the remaining Sherbrooke Expansion will be fully funded and undertaken at this time on any particular schedule or at all. In response to both a complaint concerning noise at the Sherwood Property and indications from officials at the municipality of Sherbrooke that they were reviewing applicable regulations, the Company has met with community residents and city officials on several occasions. While the Company believes it is compliant with all applicable regulations, the Company has already constructed a sound barrier wall, at a cost of approximately \$0.3 million, and has hired a sound engineering firm to develop further solutions to address this issue. Implementation and timing of additional remediation measures were discussed with government and city officials in January 2021 with the goal of further reducing ambient sound levels by March 31, 2021. Due to shipping delays for certain components, the Company has revised its target to complete the remediation measures from March 31, 2021 to April 30, 2021.

Backbone estimates that if the construction of the Sherbrooke Expansion is completed and operated at capacity, Backbone's aggregate computing power will substantially increase its current computing power. Furthermore, its workforce in Québec will be expanded. Estimates are based on, among other factors, the size of the facility, the planned capital expenditures associated with the project, the number of Miners which may be configured within the facility, as well as prevailing economic circumstances. In the event that the assumptions used to project the impact of the new server farms prove to be inaccurate or incorrect, there can be no guarantee that the new servers will substantially increase its current computing power. For instance, there can be no guarantee that the Company will be able to obtain a continued supply of electricity to power its new facilities at commercially attractive rates. See "*RISK FACTORS – Economic Dependence on Regulated Terms of Service and Electricity Rates Risks*".

Furthermore, regardless of the size of the facility there can be no assurance that it can be operated on a profitable basis. The foregoing information is forward-looking information for the purposes of applicable securities laws in Canada and readers are cautioned that actual results may vary from those described. See "*STATEMENT REGARDING FORWARD LOOKING STATEMENTS*" and "*RISK FACTORS*".

## ***Saint-Hyacinthe 2***

In 2020, the Company increased its infrastructure in the Saint-Hyacinthe farm by 5 MW at a cost of approximately \$800,000.

## ***Cowansville Expansion***

The Company recently began construction of Phase II at its server farm in Cowansville. This will expand the site capabilities from 4 MW to its full 16.7MW capacity and be able to accommodate up to 4,700 new generation miners. The buildout also includes a new repair lab and an operations command center which is expected to be operational in Q2 2021.

## ***Financing***

Since its inception, Backbone has been principally self-funded by the free cash flow generated over time by the sale of cryptographic currencies it mines; however, it has used both short-term (i.e. with a term of less than one year) and long-term financing to acquire new equipment and preserve an adequate working capital position, and may continue to do so in the future.

On March 14, 2019, Backbone entered into the Dominion Facility, composed of a secured debt financing facility for up to \$20.0 million with the Lender, structured into four separate tranches. As of August 2019, all of the Loans were drawn down. See "*GENERAL DEVELOPMENT OF THE BUSINESS – Three Year History – Fiscal 2019 – Debt Financing*".

On September 12, 2020, the Company entered into an agreement with Dominion to effect the Tranche #2 Restructuring and Tranche #3 Restructuring. See "*GENERAL DEVELOPMENT OF THE BUSINESS – Three Year History – Fiscal 2020 – Debt Financing*". On January 11, the Company received notice from Dominion of its election to convert \$5,000,000, the principal amount of the third loan tranche into equity. The conversion to equity took place in January 2021.

As of September 30, 2020, the warrants impacted by the Tranche #2 Restructuring and Tranche #3 Restructuring were classified as equity. Management has reviewed the restructured warrant terms and determined that the removal of a cashless exercise restriction will result in the warrants being classified as a liability as of December 31, 2020, recorded at fair value through profit or loss.

An aggregate of 6,666,668 Lender Warrants have been issued for the Loans drawn down. As of the date of this AIF, the Dominion Facility has been repaid in its entirety and all Lender Warrants have been exercised.

As of the date of this AIF, proceeds from the Loans have been used to complete the buildout of infrastructure for Stage 1 and Stage 2 of the Sherbrooke Expansion and make purchases of new Miners for the Sherbrooke facility and for the other existing facilities.

Upon receipt of additional funds and completion of Stage 3 through to Stage 6, there would be an additional 68.0 megawatts of power capacity. There is no assurance that the Company will be able to raise any additional funds required to accelerate its operational expansion. See "*RISK FACTORS*".

On January 7, 2021, the Company closed the January 7, 2021 Offering for gross proceeds of approximately CAD\$20.0 million, composed of the sale of 8,888,889 Common Shares along with warrants to purchase an aggregate of up to 8,888,889 Common Shares at a purchase price of CAD\$2.25 per Common Share and associated warrant. See “*GENERAL DEVELOPMENT OF THE BUSINESS – Three Year History – Fiscal 2021 – Private Placements*”.

On January 13, 2021, the Company closed the January 13, 2021 Offering for gross proceeds of approximately CAD\$20.0 million, composed of the sale of 5,586,593 Common Shares along with warrants to purchase an aggregate of up to 5,586,593 Common Shares at a purchase price of CAD\$3.58 per Common Share and associated warrant. See “*GENERAL DEVELOPMENT OF THE BUSINESS – Three Year History – Fiscal 2021 – Private Placements*”.

On February 10, 2021, the Company closed the February 2021 Offering for gross proceeds of approximately CAD\$40.0 million, composed of the sale of 11,560,695 Common Shares along with warrants to purchase an aggregate of up to 11,560,695 common shares at a purchase price of CAD\$3.46 per common share and associated warrant. See “*GENERAL DEVELOPMENT OF THE BUSINESS – Three Year History – Fiscal 2021 – Private Placements*”.

## **Revenue**

In the twelve-month period ending December 31, 2018, Bitfarms Israel, including the operations of Volta acquired during the period, generated revenues of \$33,805,000 from the sale of mined cryptocurrencies and provision of electrical services, plus an additional \$39,000 of cryptocurrencies mined but not sold, carried at fair market value at December 31, 2018, which was the lower of cost, including amortization, and net realizable value. In the twelve-month period ending December 31, 2019, Bitfarms Canada generated revenues of \$32,421,000 from the mining of cryptocurrencies and provision of electrical services and did not hold cryptocurrency as at December 31, 2019. In the twelve-month period ending December 31, 2020 Bitfarms Canada generated revenues of \$34,703,000 from the mining of cryptocurrencies, provision of electrical services and hosting of third-party mining hardware and did not hold cryptocurrency as at December 31, 2020.

## **Products and Services**

Backbone provides the service of validating and verifying transactions on the blockchain for various cryptocurrencies, generating cryptocurrency coins and transaction fees through the Mining process, as well as provision of electrical services through Volta.

## **Specialized Skill and Knowledge**

Nicolas Bonta and Emiliano J. Grodzki have been engaged in both small and commercial-scale cryptocurrency mining for several years. See “*DIRECTORS AND OFFICERS*”.

## **Competitive Conditions**

The cryptocurrency mining industry is highly competitive. There are several companies competing in Backbone’s industry, including Hut 8 Mining Corp. (TSX: HUT), HyperBlock Inc. (CSE: HYPR), Hive Blockchain Technologies Ltd. (TSXV: HIVE), Digihost Technology Inc. (TSXV: DGHI), Riot Blockchain, Inc. (NASDAQ: RIOT), Marathon Digital Holdings Inc (NASDAQ: MARA) and MGT Capital Investments Inc. (OTCQB: MGTI).

It is difficult to obtain an accurate estimate of market share. As at the date of the AIF, the hash rate capacity of Backbone’s installed facilities represented an estimated 0.72% of the entire Bitcoin network hash-rate, being approximately 165 Exahash. Estimates of the Bitcoin network hash-rate can be retrieved at [www.blockchain.com/en/charts/hash-rate](http://www.blockchain.com/en/charts/hash-rate). According to internal estimates, management believes that its facilities collectively rank as one of the largest and most cost-effective public cryptocurrency mining operations in North America by installed energy and hash power.



The Company believes that the vertical integration of its mining business will provide a long-term competitive advantage in the marketplace. In January of 2018, Backbone completed the purchase of Volta, an electrical contractor with a team of electricians available twenty-four hours a day and seven days a week (as needed) to support the operational expansion of Backbone. This acquisition has enabled Backbone to significantly expedite the timelines associated with electrical infrastructure buildout and to reduce the prices paid to infrastructure component vendors. In addition, in April 2018, Backbone completed the construction of a custom micro-electronics repair facility which is believed to be unique in the Canadian marketplace. This facility has enabled Backbone to maximize operating margins by maintaining leading equipment “up time” and reducing the reliance on manufacturer warranty programs (if available), and long lead times generally associated with equipment repair.

## Hardware and Software

The main components of Backbone’s cryptocurrency mining operation are specialized computers frequently referred to as “application specific integrated circuit” Miners (an “ASIC”) in each of the Backbone server farms (e.g. WhatsMiners), a power supply unit (“PSU”), network components, security components, electronic components, cooling components and other hardware.

The hardware is composed primarily of: (i) WhatsMiner M20s, M31s and M31s+, which currently generate most of Backbone’s mining power; and (ii) peripheral computer hardware required to operate the Miners. As the date of this AIF, Backbone owns over 25,000 ASIC Miners.

The majority of Backbone’s currently operating ASIC Miners and those recently secured by purchase order in connection with the expansion plans are primarily manufactured by MicroBT, Bitmain Technologies Inc. and Innosilicon Technology Ltd., each leading suppliers of ASIC Miners for the blockchain and Mining industry. The Miners are typically purchased directly from the manufacturer; however, during elevated demand and pricing conditions, Backbone has made purchases through secondary suppliers on occasion.

Software is used to control and to provide management, reporting and security of cryptographic coin mining systems. Backbone’s software suite consists of three operating programs: (i) a software program that provides a real-time status report and reports problems in near-real time; (ii) a web interface, management software program that displays various events and alerts by sending short message service (“SMS”) messages or other alert methods; and, (iii) a software program that enables management and supervision of the cooling equipment (efficient cooling is an essential condition for the operation of the server farm). The software can be configured to manage an unlimited number of ASIC components and sites. The software is regularly updated by Backbone to incorporate new or upgraded features. One feature developed by Backbone is the ability of the software to collect data from various sources in order to check, at any given time, the cryptographic currency that is the most profitable for Backbone to mine. The software is configured to notify operators of profitability conditions, enabling operators to manually optimize margins under different economic conditions.

## Custody of Crypto Assets

Backbone’s crypto assets, currently Bitcoin, is mined to multi-signature wallets that Backbone controls. Backbone transfers Bitcoin from its multi-signature wallets to an external third-party custodian, Gemini Trust Company, LLC (“**Gemini Custody**”), on a regular basis. Gemini 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, Gemini Custody only provides custodial services to Backbone and does not use a sub-custodian. Gemini Custody is not a related party to the Company. Gemini Trust Company, LLC is a New York State-chartered limited purpose trust company that is authorized under Article III § 96 of the New York Banking Law to provide certain custodial services, and it is a “Qualified Custodian” as defined by the New York Codes, Rules and Regulations Title 23, Part 200.2(n).

As of the date of this AIF, the Company currently holds approximately 600 Bitcoin, representing 100% of its cryptocurrency holdings, with Gemini Custody. Gemini Custody maintains an insurance policy of \$200 million for its cold storage. Gemini Custody recently announced in excess of \$20 billion in cryptocurrencies under custody. The Company is unaware of any security breaches that have occurred involving Gemini Custody which have resulted in crypto assets being lost or stolen.

Regardless of efforts made by the Company to securely store and safeguard assets, there can be no assurance that crypto assets will not be defalcated through hacking or other forms of theft. See “*RISK FACTORS*”.

## **Intangible Properties**

The Company is presently investing in improvements to its proprietary software. The source code used to operate the farms is owned by Backbone and is in its possession and held in a private account. No patents have been registered on the software and no applications have been made to register or otherwise protect copyrights in the software or its components.

## **Supply of Electrical Power, Electricity Rates, Terms of Service and the Régie de l'Énergie**

Currently, Backbone sources its energy from Hydro-Québec for certain of the Company's facilities and the Saint-Jean-Sur-Richelieu server farm (one of the Additional Server Farms), and from Hydro-Magog and Hydro-Sherbrooke for the Magog server farm (one of the Current Facilities) and the Sherbrooke Expansion, respectively. The delivery of power by Hydro-Québec is supplied under an obligation to serve power delivery regime. The power agreements (with respect to the Current Facilities and Additional Server Farms) are renewable on a year-to-year basis. Subject to compliance with conditions of service, the agreements are renewed automatically. Modifications to the rates are approved on a yearly basis by a provincial administrative tribunal, the Régie de l'Énergie (the “**Régie**”), on a tariff class basis such that any adjustment would apply equally to all M tariff users or LG tariff users regardless of end use. See “*RISK FACTORS –Economic Dependence on Regulated Terms of Service and Electricity Rates Risks*” and “*MATERIAL CONTRACTS*”.

The Company's operations are dependent on its ability to maintain reliable and economical sources of power to run its cryptocurrency mining assets. The Province of Québec mandates electrical service providers to supply their customers under the obligation to serve power delivery regime; consequently, the Company believes these power suppliers are reliable. Any suspension of power or failure of electrical networks, however, could result in a material adverse effect on the Company.

The price of electricity supplied directly by Hydro-Québec is set by the Régie. Electricity supplied by Hydro-Sherbrooke and Hydro-Magog (the “**Municipal Electrical Networks**”), is predominantly sourced from Hydro-Québec, and provided to the Municipal Electrical Networks at a price set by the Régie. The Municipal Electrical Networks in turn supply their customers at prices which they may set. In an effort to encourage investment and development in particular regions, both Hydro-Québec and the Municipal Electrical Networks may offer a discretionary preferential rate (“**Preferential Rate**”) to certain customers, such rate being lower than the rate set by the Régie, notwithstanding that Hydro-Québec and the Municipal Electric Networks may suffer a financial loss on the supply of electricity to those customers. As of the date of this AIF, Backbone currently enjoys a Preferential Rate at the Farnham and Cowansville server farms, which are Current Facilities. If a Preferential Rate is changed or no longer available to Backbone, the Company's operations and profitability may experience a material adverse effect. In addition, although power is supplied by the Municipal Networks to Backbone under the long-term power contracts, the rates in those contracts are adjusted in response to tariff changes imposed by the Régie. The cost of electricity to each of Backbone's facilities is calculated using two key components: (i) a onetime monthly capacity charge based on the maximum capacity of such facility during the month (measured in kW), and (ii) an hourly charge of actual consumption (measure in kWh). The two tariff classes applicable to Backbone's pre-existing operations at the Current Facilities and Additional Server Farms are the M tariff and the LG tariff. M tariff applies to an annual contract if the maximum power demand is at least 50 kW and has a capacity charge of CAD\$14.58 per kW of billing demand, plus a variable component of CAD 5.03¢ per kWh for the first 210,000 kWh, and CAD3.73¢ per kWh for the remaining consumption. LG tariff applies to an annual contract whose minimum billing demand is 5,000 kW or more and has capacity charge of CAD\$13.26 per kW of billing demand, plus a single variable component of CAD3.46¢ per kWh. When averaged over all of the Company's operations and adjustments such as the Preferential Rate at the Farnham and Cowansville server farms are applied, the average rate per kWh paid by the Company was USD\$0.04 per kWh as of the date of the AIF.

On June 14, 2018, Hydro-Québec requested the Régie to set rates and service conditions specifically for enterprises involved in cryptocurrency mining as a result of increased electricity demand from cryptocurrency miners. The Company is currently participating in these regulatory proceedings as an intervenor. On July 13, 2018, the Régie provisionally ordered that a new tariff be established for cryptocurrency miners and, on July 19, 2018, the Régie approved a provisional tariff of CAD\$0.15/kWh on cryptocurrency mining facilities built after that date. The provisional tariff constituted the first phase (“**Phase 1**”) of three phases of the Régie’s regulatory proceedings on establishing a framework for the provision of electricity for cryptocurrency mining in Québec. Hydro-Québec supplies electrical power directly to certain of the Company’s facilities and the Saint-Jean-Sur-Richelieu server farm (one of the Additional Server Farms) under the obligation to serve power delivery regime. Hydro-Québec supplies electrical power directly to the Municipal Networks for the Magog server farm and the Sherbrooke Expansion, and the rates under the applicable long-term power contracts between Backbone and the Municipal Contracts are adjusted in response to tariff changes imposed by the Régie. Under Phase 1, the new tariff cannot be applied to any cryptocurrency contracts entered into prior to June 7, 2018 or facilities constructed prior to July 19, 2018. Therefore, Phase 1 has not had an impact on Backbone’s operations.

On April 29, 2019, the Régie rendered its decision on the second phase (“**Phase 2**”) of the request filed by Hydro-Québec. The Régie decided to create a new class of energy consumers called *Electricity consumer class for cryptographic use applied to blockchain*. It decided to allocate to this new class an aggregate supply of 300 megawatts of electricity, with the requirement to curtail electricity use during peak hours at Hydro-Québec’s request (up to a maximum of 300 hours a year). Cryptocurrency mining projects will be required to submit tenders to consume electricity from the 300 megawatts block based exclusively on economic development and environmental criteria. The Régie rejected Hydro-Québec’s proposal to launch a tariff auction as part of the call for tenders and determined that the applicable tariff of the energy component, in ¢/kWh, will correspond to the M or LG tariff in force, as the case may be.

In order for the Company to be able to procure electricity for future Quebec expansion projects (excluding those currently planned by the Company such as the Additional Server Farms), it would have been required to participate to the call for tenders process. However, the Régie’s decision also means that all the Company’s pre-existing operations will remain subject to the M or LG tariff in force, as the case may be, and they are exempt from the tender process as well as the provisional tariff of CAD\$0.15/kWh which had been requested by Hydro-Québec. The provisional tariff applies to energy consumption not authorized under cryptocurrency contracts, to those cryptocurrency contracts entered into after June 7, 2018 and to any substitution of use or any increase of capacity for crypto miners not already under authorized cryptocurrency contracts.

On January 28, 2021, the Régie rendered its decision on the third phase (“**Phase 3**”) of the request filed by Hydro-Québec. The Régie decided that the existing subscriptions on the Hydro-Québec network will be subject to non-firm service, starting in Winter 2021-2022. The non-firm service will apply for a maximum of 300 hours/year, without any monetary compensation. In considering the financial consequences of this conclusion the Régie requested that Hydro-Québec implement the non-firm service for existing clients during a three-year period through progressive implementation. The Régie did not provide any guidance to Hydro-Québec on how to proceed. The Régie provided the following reasons to justify this conclusion:

- o Existing clients, such as Bitfarms Canada, have already executed agreements with municipal electricity networks with non-firm service (without financial compensation) for at least 300 hours per year;
- o New clients entering the market through the call for tenders process will be subject to non-firm service, without financial compensation. The treatment of those new clients must be fair and equitable with existing clients; and
- o Load shedding for 300 hours represents only 3.4% of the 8,760 hours in a year. The Régie does not consider this request unreasonable considering the risks that cryptocurrency clients represent for Hydro-Québec.

In accordance with the Phase 3 decision, it is presently anticipated that Bitfarms Canada’s operations will continue on a non-firm service basis for at least 300 hours per year, which will be phased in over three years. Bitfarms Canada has undertaken a challenge to the Phase 3 decision through an administrative review process. See “*Risk Factors - Economic Dependence on Regulated Terms of Service and Electricity Rates Risks*”.

## Employees

As of the date of this AIF, Bitfarms has 74 employees. The following table sets out the employees by department:

| Department                                                         | Number of Employees |
|--------------------------------------------------------------------|---------------------|
| IT & Infrastructure                                                | 3                   |
| Operations - Site & Project Managers                               | 6                   |
| Operations - Technicians                                           | 24                  |
| Business Development, Finance, Administration and Public Relations | 11                  |
| <b>Sub-Total</b>                                                   | <b>44</b>           |
| Volta                                                              | 30                  |
| <b>Total</b>                                                       | <b>74</b>           |

## Environmental Policies

The Company's Current Facilities uses renewable, clean energy provided by Hydro-Québec, Hydro-Sherbrooke and Hydro-Magog. To the best of the Company's knowledge, the Company will not incur significant costs or investments in order to comply with provisions relating to environmental protection, besides maintaining the procedures currently applied by it and, the sound reduction charges currently underway in Sherbrooke.

## Bankruptcy Proceedings

There have been no bankruptcies, receiverships, or similar proceedings against Bitfarms Canada, Bitfarms Israel or Backbone or their respective subsidiaries, whether voluntary or otherwise, since incorporation and, to the knowledge of management, there are no such contingent or threatened proceedings.

## RISK FACTORS

An investment in Bitfarms Canada Shares should be considered highly speculative due to the nature of Bitfarms Canada's business and the present stage of development. Where applicable, references in this section to Bitfarms Canada include Backbone and vice versa. An investment in Bitfarms Canada Shares should only be made by knowledgeable and sophisticated investors who are willing to risk and can afford the loss of their entire investment. Potential investors should consult with their professional advisors to assess an investment in Bitfarms Canada. In evaluating Bitfarms Canada and its business, investors should carefully consider, in addition to other information contained in this AIF, the risk factors below. These risk factors are not a definitive list of all risk factors associated with an investment in Bitfarms Canada or in connection with its operations.

The following are certain factors relating to Bitfarms Canada's business which prospective investors should carefully consider before deciding whether to purchase Bitfarms Canada Shares in authorized capital. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this AIF. These risks and uncertainties are not the only ones Bitfarms Canada is facing. Additional risk and uncertainties not presently known to Bitfarms Canada, or that Bitfarms Canada currently deems immaterial, may also impair operations. If any such risks actually occur, the business, financial condition, liquidity and results of operations could be materially adversely affected.

### *Limited Operating History*

The Company has only a limited operating history upon which an evaluation of the Company and its prospects can be based. The Company is subject to many risks common to venture enterprises, including under-capitalization, cash shortages, commercially unattractive costs of capital and financing arrangements, limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment or meeting other metrics of success.

The Company is dependent on retained earnings for substantially all of its working capital needs, and there is no assurance that additional funding will be available to it for further development and growth. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable.

The Company incurs substantial expenses in the establishment and operation of its business. A significant portion of the Company's financial resources have been and will continue to be, directed to the development of its business and related activities. The success of the Company will ultimately depend on its ability to generate cash from its business. There is no assurance that the required funds will be available for future expansion of the Company's business. If the Company does not have access to the required funds to continue the operation and development of its business and operational activities, and to the extent that it does not generate cash flow and income, the Company's long-term viability may be materially and adversely affected.

### *Future Capital Needs, Uncertainty of Additional Financing and Dilution*

The ability of the Company to secure any required financing to sustain operations and expansion plans will depend on part upon prevailing capital market conditions and business success. There can be no assurance that the Company will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to management.

The Company currently anticipates that the internally generated funds will be sufficient for working capital requirements. However, the Company will need to raise additional funds in order to support more rapid expansion, develop new or enhanced services and products, respond to competitive pressures, acquire complementary businesses or technologies or take advantage of unanticipated opportunities. The Company may be required to raise additional funds through public or private financing, strategic relationships or other arrangements. There can be no assurance that such additional funding, if needed, will be available on terms attractive to the Company, or at all. Even if such funding is available, the Company cannot predict the size or price of future issues of Bitfarms Canada Shares or securities convertible into Bitfarms Canada Shares, nor can the Company predict the cost or effect, if any, that future issues and sales of the Bitfarms Canada Shares will have on the price of the Bitfarms Canada Shares.

Furthermore, any additional equity financing may be dilutive to shareholders and debt financing, if available, may involve restrictive covenants. If additional funds are raised through the issuance of equity securities, the percentage ownership of the shareholders of the Company will be reduced, shareholders may experience additional dilution in net book value per share, or such equity securities may have rights, preferences or privileges senior to those of the holders of the common shares. If adequate funds are not available on acceptable terms the Company may be unable to develop or enhance its business, take advantage of future opportunity or respond to competitive pressures, any of which could have a material adverse effect on the Company's business, financial condition and operating results.

### *Share Price Fluctuations*

In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development stage companies (such as the Company), have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continued fluctuations in price will not occur.

### *Management of Growth*

The Company has recently experienced, and may continue to experience, rapid growth in the scope of its operations. This growth has resulted in increased responsibilities for the Company's existing personnel, the hiring of additional personnel and, in general, higher levels of operating expenses. In order to manage its current operations and any future growth effectively, the Company will need to continue to implement and improve its operational, internal controls, financial, and management information systems, as well as hire, manage and retain its employees and maintain its corporate culture including technical and customer service standards. There can be no assurance that the Company will be able to manage such growth effectively or that its management, personnel or systems will be adequate to support the Company's operations.

### *Bitfarms Canada's Cryptocurrency Inventory may be exposed to Cybersecurity Threats and Hacking*

Malicious actors may seek to exploit vulnerabilities within cryptocurrency programming codes. Several errors and defects have been found and corrected, including those that disabled some functionality for users and exposed users' information. Discovery of flaws in or exploitations of the source code that allow malicious actors to take or create money occur somewhat regularly. For example, hackers have been able to gain unauthorized access to digital wallets and cryptocurrency exchanges.

The computer network operated by Bitfarms Canada may further be vulnerable to intrusions by hackers who could interfere with and introduce defects to the mining operation. Private keys which enable holders to transfer funds may also be lost or stolen, resulting in irreversible losses of cryptocurrencies.

### *Possibility of Less Frequent or Cessation of Monetization of Cryptocurrencies*

In early January 2021, the Company announced that it had implemented a pilot program pursuant to which the Company would begin retaining some of the Bitcoin it mines. As of the date of this AIF the Company had retained approximately 600 Bitcoin. While the Company has implemented internal controls and custody arrangements to minimize the risk of loss or theft, ceasing immediate monetization of cryptocurrencies or to monetizing cryptocurrencies less frequently can increase the risk of cryptocurrencies held decreasing in value and the risk of loss or theft of cryptocurrencies.

### *Limited History of De-Centralized Financial System*

Compared with traditional and existing centralized financial systems, the cryptocurrency financial system is relatively new and has only limited history. Online cryptocurrency exchanges and trades therein operate with comparatively little regulation and are particularly liable to platform failures and fraudulent activities, which may have an effect on underlying prices of cryptocurrencies. In fact, many of the largest online cryptocurrency exchanges have been compromised by hackers.

Traditional banks and banking services may limit or refuse the provision of banking services to businesses that supply cryptographic or cryptocurrencies as payment and may refuse to accept money derived from cryptocurrency-related businesses. This may make management of bank accounts held by companies operating in the field difficult.

### *Risk related to technological obsolescence and difficulty in obtaining hardware*

To remain competitive, Bitfarms Canada will continue to monitor the state of the technology available and invest in hardware and equipment required for maintaining Bitfarms Canada's operations. Bitfarms Canada's hardware and software may become obsolete and require substantial capital to replace. There can be no assurance that mining hardware will be readily available when the need is identified.

Moreover, there can be no assurance that new and unforeseeable technology, either hardware-based or software-based, will not disrupt the existing cryptocurrency industry. For example, the arrival of quantum computers, which are capable of solving certain types of mathematical problems fundamental to cryptocurrency more quickly and efficiently than traditional computers may have a significant effect on the cryptocurrency industry.

### *Valuation and Price Volatility of Cryptocurrencies*

The profitability of the Company's operations will be significantly affected by changes in prices of cryptocurrencies. Cryptocurrency prices are highly volatile, can fluctuate substantially and are affected by numerous factors beyond the Company's control, including hacking, demand, inflation and expectations with respect to the rate of inflation, global or regional political or economic events. If cryptocurrency prices should decline and remain at low market levels for a sustained period while network difficulty does not decrease proportionally, the Company could determine that it is not economically feasible to continue activities.

Cryptocurrencies may be subject to momentum pricing, which is typically associated with growth stocks and other assets whose valuation, as determined by the investing public, accounts for anticipated future appreciation in value. Cryptocurrency market prices are determined primarily using data from various exchanges, over-the-counter markets, and derivative platforms. Momentum pricing may have resulted, and may continue to result, in speculation regarding future appreciation in the value of cryptocurrencies, inflating and making their market prices more volatile. As a result, they may be more likely to fluctuate in value due to changing investor confidence in future appreciation (or depreciation) in their market prices, which could adversely affect the value proposition of Bitfarms Canada.

Volatility may have an impact on the value of Backbone's inventory of currencies. Backbone will act to reduce this risk by managing working capital through combining sales of cryptographic currencies and converting part of the balance of the excess Backbone profits into U.S. dollars, Canadian dollars, and/or other investment assets, and a number of cryptocurrencies that will ensure coverage of current operating expenses (Opex) and capital expenditures (Capex) in order to hedge the risk of volatility with regard to Backbone expenses.

### *Bitcoin Halving Events*

In May 2020, the Bitcoin Block Reward decreased from 12.5 to 6.25 Bitcoins per block (the **"Bitcoin Halving"**), and consequently the number of new Bitcoin issued to miners has been reduced to approximately 900 per day, excluding transaction fees.

The Bitcoin Halving had a significant impact on the Company's profitability. Given that profitability is required for self-acting agents to perform Mining to continue to support the validation of transactions, the expected impact of the Bitcoin Halving is that market variables of Bitcoin price will adjust over time to ensure that Mining remains profitable. The period of market normalization after the Bitcoin Halving to incentivizing profitability levels is unknown.

Management believes that revenue per Terahash will continue to normalize to levels that would allow Miners with competitive electricity pricing, sufficient scale of efficient Mining operations, recent generation Mining hardware and access to capital to remain profitable. If Bitcoin price and difficulty do not maintain or continue their trend of adjusting to pre-Bitcoin Halving profitability levels over time, or the period of market normalization after the Bitcoin Halving to pre-Bitcoin Halving profitability levels is too long, there is a risk that the Bitcoin Halving will render the Company unprofitable for a sustained time period such that it could be unable to continue as a going concern. The next Bitcoin Halving is expected to occur on or around May 2024.

### *Cryptocurrency Network Difficulty and Impact of Increased Global Computing Power*

Network difficulty is a measure of how difficult it is to solve the cryptographic hash that is required to validate a block of transactions and earn a cryptocurrency reward from Mining. If the network difficulty increased at a significantly higher rate than the Company's hashrate and the price of cryptocurrency did not increase at the same rate as network difficulty, then the profitability of the Company's operations would be significantly affected. There can be no assurance that cryptocurrency prices will increase in proportion to the rate of increase of network difficulty as network difficulty is subject to volatility in growth.

The Company's operations are dependent on its ability to maintain reliable and economical sources of power to run its cryptocurrency mining assets. The Company conducts Mining in the Province of Québec. As a result of operations in a single jurisdiction, the Company's current and future operations, anticipated growth, and sustainability of hydroelectricity at economical prices for the purposes of cryptocurrency mining in the Province of Québec poses certain risks. These risks as well as the supply of electrical power, electricity rates, terms of service and regulatory regime in the Province of Québec are described in "DESCRIPTION OF BUSINESS –Supply of Electrical Power, Electricity Rates, Terms of Service and the Régie de l'Énergie". These risks may be summarized as follows:

- Currently Backbone sources its energy from Hydro-Québec, Hydro-Sherbrooke and Hydro-Magog. The Province of Québec mandates electrical service providers to supply their customers under an obligation to serve power delivery regime; consequently, the Company believes these power suppliers are reliable. Any suspension of power or failure of electrical networks, however, could result in a material adverse effect on the Company.
- The price of electricity supplied directly by Hydro-Québec is set by a provincial administrative tribunal, the Régie. Hydro-Québec supplies power to certain of the Company's facilities, and to the Municipal Electrical Networks for the Magog and Sherbrooke server farms, under an obligation to serve power delivery regime. The rates imposed on Hydro-Québec by the Régie are subject to change. There are no long-term arrangements. Although power is supplied by the Municipal Networks to the Company under the long-term power contracts, the rates in those contracts are adjusted in response to tariff changes imposed by the Régie. Accordingly, there is no assurance that future electricity rates will remain stable or economical. Accordingly, there is no assurance that future electricity rates will remain stable or economical. In particular, on June 14, 2018, Hydro-Québec requested the Régie to set rates and service conditions specifically for enterprises involved in cryptocurrency mining as a result of increased electricity demand from cryptocurrency miners. The Régie has undertaken regulatory proceedings to establish a framework for the provision of electricity for cryptocurrency mining in Québec in three Phases:

Phase 1: On July 13, 2018, the Régie provisionally ordered that a new tariff be established for cryptocurrency miners and on July 19, 2018, the Régie approved a provisional tariff of CAD\$0.15/kWh on cryptocurrency mining facilities built after that date. Under Phase 1, the new tariff cannot be applied to any cryptocurrency contracts entered into prior to June 7, 2018 or facilities constructed prior to July 19, 2018. Therefore, Phase 1 is not expected to have an impact on Backbone's pre-existing operations and secures existing rates until the completion of Phase 3.

Phase 2: On April 29, 2019, the Régie rendered its decision on Phase 2 of the request filed by Hydro-Québec. The Régie decided to create a new class of energy consumers called *Electricity consumer class for cryptographic use applied to blockchain*. It decided to allocate to this new class an aggregate supply of 300 megawatts of electricity, with the requirement to curtail electricity use during peak hours at Hydro-Québec's request (up to a maximum of 300 hours a year). Cryptocurrency mining projects will be required to submit tenders to consume electricity from the 300 megawatts block based exclusively on economic development and environmental criteria. The Régie rejected Hydro-Québec's proposal to launch a tariff auction as part of the call for tenders and determined that the applicable tariff of the energy component, in ¢/kWh, will correspond to the M or LG tariff in force, as the case may be. In order for the Company to be able to procure electricity for future Quebec expansion projects (excluding those currently planned by the Company such as the Additional Server Farms), it will be required to participate to the call for tenders process which is expected to launch shortly by Hydro-Québec. However, the Régie's decision also means that the Company's pre-existing operations at the Current Facilities and Additional Server Farms will remain subject to the M or LG tariff in force, as the case may be, and they are exempt from the tender process as well as the provisional tariff of CAD\$0.15/kWh which had been requested by Hydro-Québec. The provisional tariff will apply to energy consumption not authorized under cryptocurrency contracts, to those cryptocurrency contracts entered into after June 7, 2018 and to any substitution of use or any increase of capacity for crypto miners not already under authorized cryptocurrency contracts. The decision of the Régie does impose the potential requirement to curtail electricity use (of up to 95%) during peak hours at Hydro-Québec's request (up to a maximum of 300 hours a year) under all cryptocurrency contracts including those at our pre-existing operations at the Current Facilities and Additional Server Farms. A shut down of 95% of operations for the maximum of 300 hours could result in a revenue decrease of approximately 3.3%.



Phase 3: On January 28, 2021, the Régie rendered its decision on Phase 3 of the request filed by Hydro-Québec. The Régie decided that the existing subscriptions on the Hydro-Québec network will be subject to non-firm service, starting in Winter 2021-2022. The non-firm service will apply for a maximum of 300 hours/year, without any monetary compensation. In considering the financial consequences of this conclusion the Régie requested that Hydro-Québec implement the non-firm service for existing clients during a three-year period through progressive implementation. The Régie did not provide any guidance to Hydro-Québec on how to proceed. The Régie provided the following reasons to justify this conclusion:

- (a) existing clients, such as Bitfarms Canada, have already executed agreements with municipal electricity networks with non-firm service (without financial compensation) for at least 300 hours per year;
- (b) new clients entering the market through the call for tenders process will be subject to non-firm service, without financial compensation. The treatment of those new clients must be fair and equitable with existing clients; and
- (c) load shedding for 300 hours represents only 3.4% of the 8760 hours in a year. The Régie does not consider this request unreasonable considering the risks that cryptocurrency clients represent for Hydro-Québec.

In accordance with the Phase 3 decision, it is presently anticipated that Bitfarms Canada's operations will continue on a non-firm service basis for at least 300 hours per year. Bitfarms Canada has undertaken a challenge to the Phase 3 decision through an administrative review process.

- Electricity supplied by Hydro-Québec and the Municipal Electrical Networks may be set at Preferential Rates in an effort to encourage investment and development in particular regions. Hydro-Québec and Municipal Electrical Networks may offer a discretionary Preferential Rate to certain customers, such rate being lower than the rate set by the Régie, notwithstanding that the Hydro-Québec and the Municipal Electric Networks may suffer a financial loss on the supply of electricity to those customers. If a Preferential Rate is changed or no longer available to Backbone, the Company's operations and profitability may experience a material adverse effect. In addition, although power is supplied by the Municipal Networks to Backbone under the long-term power contracts, the rates in those contracts are adjusted in response to tariff changes imposed by the Régie.

#### *Future Profits/Losses and Production Revenues/Expenses*

Further development and acquisitions of server farms and the ongoing operation of the existing Mining farms will require additional capital and monthly expenses. Backbone's operating expenses and capital expenditures may increase in subsequent years as needed consultants, personnel and equipment associated with the maintenance of the Mining farms and any other Mining farms the Company may acquire are added. There is no assurance that the Company will be successful in obtaining the required financing for these or other purposes, including for general working capital.

The amount and timing of expenditures will depend on the progress of ongoing development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, and other factors, many of which are beyond the Company's control. The Company's management tested and studied the cryptocurrency marketplace before developing its financial projections. The Company's forecasts are built upon data available on the profitability of cryptocurrency, a new and unstable field. Despite the Company's confidence in achieving its projections, it may fail to meet the performance forecasts set out in this AIF.

*Cryptocurrency exchanges and other trading venues are relatively new and, in most cases, largely unregulated and may therefore be more exposed to fraud and failure*

To the extent that cryptocurrency exchanges or other trading venues are involved in fraud or experience security failures or other operational issues, this could result in a reduction in cryptocurrency prices.

Cryptocurrency market prices depend, directly or indirectly, on the prices set on exchanges and other trading venues, which are new and, in most cases, largely unregulated as compared to established, regulated exchanges for securities, derivatives and other currencies. In the past four years, a number of cryptocurrency exchanges have been closed due to fraud, business failure or security breaches. In many of these instances, the customers of the closed exchanges were not compensated or made whole for the partial or complete losses of their account balances in such exchanges. While smaller exchanges are less likely to have the infrastructure and capitalization that provide larger exchanges with additional stability, larger exchanges may be more likely to be appealing targets for hackers and “malware” (i.e., software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems) and may be more likely to be targets of regulatory enforcement action.

#### *Discretion Regarding Use by Company of Available Funds*

The Company’s management will have discretion in the application of available funds. The Company may elect to allocate available funds differently than as described herein if the Company believes it would be in the Company’s best interests to do so. The failure by the Company’s management to apply these funds effectively could have a material adverse effect on the Company, its business or its financial performance. The Company will not pay cash dividends in the foreseeable future, as any earnings are expected to be retained for use in developing and expanding operations. The actual amount of any future dividends, if any, received from the Company will remain subject to the discretion of the board of directors and will depend on results of operations, cash requirements and future prospects of the Company.

#### *Political and Regulatory Risk*

The Company’s primary properties will be located in Québec and will be subject to changes in political conditions and regulations within the Province of Québec and in Canada. Changes, if any, in Mining or investment policies or shifts in political attitude could adversely affect the Company’s operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on price controls, currency remittance, income taxes, foreign investment, maintenance of claims, environmental legislation, land use, electricity use and safety. For example, cryptocurrency mining involves considerable computing power, which is likely to increase. This computing power necessitates a high consumption of energy. Although the energy costs used by Backbone are determined and controlled by a regulator, there is no certainty that this factor will not raise energy tariffs, which may reduce the profitability of mining cryptographic currencies.

On-going and future regulatory changes or actions may alter the nature of an investment in the Company or restrict the use of cryptocurrencies in a manner that adversely affects the Company’s operations. The effect of any future regulatory change on the Company or any cryptocurrency that the Company may mine is impossible to predict, but such change could be substantial and adverse to the Company. Canada may in the future curtail or outlaw, the acquisition, use or redemption of cryptocurrencies.

Governments may also take regulatory action that may increase the cost and/or subject cryptocurrency companies to additional regulation or prohibit or severely restrict the right to acquire, own, hold, sell, use or trade cryptocurrencies or to exchange cryptocurrencies for fiat currency. By extension, similar actions by other governments, may result in the restriction of the acquisition, ownership, holding, selling, use or trading in the Company’s common shares. Such a restriction could result in the Company liquidating its cryptocurrency inventory at unfavorable prices and may adversely affect the Company’s shareholders.

The Company's material property will be located in the province of Québec and as such are subject to the jurisdiction of the laws of Québec and Canada. The Company believes the present attitude to foreign investment and to the mining industry is favourable, but conditions may change. Operations may be affected in varying degrees by government regulation with respect to restrictions on production, price controls, export controls, foreign exchange controls, income taxes, and environmental legislation.

#### *Permits and Licences*

The operations of the Company may require licences and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licences and permits that may be required.

#### *Server Failures*

There is a risk of serious malfunctions in servers or central processing units and/or their collapse. Backbone works diligently to reduce this risk by employing a team of experts with many years of experience in building and managing data centers. Backbone also employs a "hardware" team, which focuses, among other things, on chip repair and daily evaluation of the technical condition of the server farms that Backbone operates. Backbone owns software (developed by its management) that enables, among other things, control, management and reporting of malfunctions in real time, which enables ongoing control over the operation of the equipment, including its cooling. While malfunctions in central servers, or central processing units can only occur on a specific server farm or part of it or for short periods of time, such server crashes or failures may cause significant economic damage to the Company.

#### *Global Financial Conditions*

Global financial conditions over the last few years have been characterized by volatility and the bankruptcy of several financial institutions or the rescue thereof by governmental authorities. These factors may affect the ability of the Company to obtain equity or debt financing in the future on terms favourable to it. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such levels of volatility and market turmoil continue, the operations of the Company may suffer adverse impact and the price of the Common Shares may be adversely affected.

#### *Tax Consequences*

The transactions described herein may have tax consequences in Canada or another jurisdiction, depending on each particular existing or prospective shareholder's specific circumstances. Such tax consequences are not described herein, and this AIF is not intended to be, nor should it be construed to be, legal or tax advice to any particular shareholder. Existing and prospective shareholders should consult their own tax advisors with respect to any such tax considerations.

#### *Environmental Regulations*

All of the Company's operations will be subject to environmental regulations, which can make operations expensive or prohibitive. The continued evolution of environmental regulations may lead to the imposition of stricter standards, more diligent enforcement, and heavier fines and penalties for non-compliance. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations or cause delays in the development of mining projects.

#### *Environmental Liability*

The Company may be subject to potential risks and liabilities associated with pollution of the environment through its use of electricity to Mine cryptocurrencies. In addition, environmental hazards may exist on a property in which the Company directly or indirectly holds an interest which are unknown to the Company at present which have been caused by previous or existing owners or operators of the property which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties.

To the extent the Company is subject to environmental liabilities, the payment of such liabilities or the costs that it may incur to remedy environmental pollution would reduce funds otherwise available to it and could have a material adverse effect on the Company. If the Company is unable to fully remedy an environmental problem, it might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy. The potential exposure may be significant and could have a material adverse effect on the Company.

The current or future operations of the Company, including development activities and Mining on its properties, may require permits from various federal, provincial or territorial and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, exports, taxes, labour standards, occupational health, and other matters. There can be no assurance, however, that all permits which the Company may require for its operations will be obtained on reasonable terms, on a timely basis, or at all or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake.

The Company intends to fully comply with all environmental regulations in every country in which it is active.

#### *Erroneous Transactions and Human Error*

Cryptocurrency transactions are irreversible. Improper or compromised transfers will generally be irreversible and irrevocable. Such errors may be the result of computer or human error despite internal controls the Company has adopted to mitigate this risk. To the extent that the Company is unable to seek a corrective transaction with the third party or is incapable of identifying the third party that has received the Company's cryptocurrencies through error or theft, the Company will be unable to revert or otherwise recover incorrectly transferred cryptocurrencies. The Company will also be unable to convert or recover cryptocurrencies transferred to uncontrolled accounts.

The further development and acceptance of the cryptographic and algorithmic protocols governing the issuance of and transactions in cryptocurrencies is subject to a variety of factors that are difficult to evaluate.

The use of cryptocurrencies to, among other things, buy and sell goods and services and complete other transactions, is part of a new and rapidly evolving industry that employs digital assets based upon a computer-generated mathematical and/or cryptographic protocol. The growth of this industry in general, and the use of cryptocurrencies in particular, is subject to a high degree of uncertainty, and the slowing or stopping of the development or acceptance of developing protocols may adversely affect Bitfarms Canada's operations. The factors affecting the further development of the industry, include, but are not limited to:

- Continued worldwide growth in the adoption and use of cryptocurrencies;
- Governmental and quasi-governmental regulation of cryptocurrencies and their use, or restrictions on or regulation of access to and operation of the network or similar cryptocurrency systems;
- Changes in consumer demographics and public tastes and preferences;
- The maintenance and development of the open-source software protocol of the network;
- The availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- General economic conditions and the regulatory environment relating to digital assets; and
- Negative consumer sentiment and perception of Bitcoin specifically and cryptocurrencies generally.

### *Facility Developments*

The continued development of existing and planned facilities is subject to various factors and may be delayed or adversely affected by such factors beyond the Company's control, including delays in the delivery or installation of equipment by suppliers, difficulties in integrating new equipment into existing infrastructure, shortages in materials or labour, defects in design or construction, diversion of management resources, insufficient funding, or other resource constraints. Actual costs for development may exceed the Company's planned budget. Delays, cost overruns, changes in market circumstances and other factors may result in different outcomes than those intended.

### *Risks of Non-Availability of Insurance*

Where considered practical to do so, the Company will maintain insurance against risks in the operation of its business and in amounts that it believes to be reasonable. Such insurance, however, will contain exclusions and limitations on coverage. There can be no assurance that such insurance will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any resulting liability. The novelty of the industry may impair the ability of the Company to acquire adequate insurance coverage for risks associated with its operations. The occurrence of an event that is not covered, in full or in part, by insurance may cause substantial economic damage to the Company. In some cases, such as with respect to environmental risks, coverage is not available or considered too expensive relative to the perceived risk.

### *Competition*

The Company's business is intensely competitive, and the Company will compete with other mining companies, many of which have greater resources and experience. A fundamental property of mining associated with many cryptocurrencies is that the computational complexity of the mining algorithm increases over time. This factor along with new industry entrants and price volatility may make certain cryptocurrencies relatively unprofitable to mine compared to others.

Regulation of cryptocurrency outside of Canada has led some mining companies to consider Canada as a jurisdiction in which to operate. This may increase competition to Backbone; however, the Company believes that only a few competitors exist that can compete with the speed and cost effectiveness of Backbone's current operations and buildout capabilities. Nevertheless, the Company's assumptions with respect to its competitors could be inaccurate and the Company may face unexpected competition in the form of a new entrant in the marketplace. Such competition could erode the Company's expected market share and could adversely impact the Company's profitability. Increased competition could result in increased network computing resources and consequently increased hash difficulty.

If the award of coins for solving blocks and transaction fees are not sufficiently high, miners may not have an adequate incentive to continue Mining and may cease their Mining operations.

As the number of coins awarded for solving a block in the blockchain decreases, the incentive for miners to continue to contribute processing power to the network may transition from a set reward to transaction fees. Either the requirement from miners of higher transaction fees in exchange for recording transactions in the blockchain, or a software upgrade that automatically charges fees for all transactions, may decrease demand for the relevant coins and prevent the expansion of the network to retail merchants and commercial businesses, resulting in a reduction in the price of the relevant cryptocurrency that could adversely impact the Company's cryptocurrency inventory and investments.

In order to incentivize miners to continue to contribute processing power to the network, the network may either formally or informally transition from a set reward to transaction fees earned upon solving for a block. This transition could be accomplished either by miners independently electing to record on the blockchains they solve only those transactions that include payment of a transaction fee or by the network adopting software upgrades that require the payment of a minimum transaction fee for all transactions. If transaction fees paid for the recording of transactions in the blockchain become too high, the marketplace may be reluctant to accept the network as a means of payment and existing users may be motivated to switch between cryptocurrencies or back to fiat currency. Decreased use and demand for coins may adversely affect their value and result in a reduction in the market price of coins.

If the award of coins for solving blocks and transaction fees for recording transactions are not sufficiently high to incentivize miners, miners may cease expending processing power to solve blocks and confirmations of transactions on the blockchain could be slowed temporarily. A reduction in the processing power expended by miners could increase the likelihood of a malicious actor or botnet obtaining control in excess of 50 percent of the processing power active on the blockchain, potentially permitting such actor or botnet to manipulate the blockchain in a manner that adversely affects the Company's mining activities.

If the award of coins for solving blocks and transaction fees are not sufficiently high, miners may not have an adequate incentive to continue Mining and may cease their Mining operations. Miners ceasing operations would reduce collective processing power, which would adversely affect the confirmation process for transactions (i.e., decreasing the speed at which blocks are added to the blockchain until the next scheduled adjustment in difficulty for blockchain solutions) and make the network more vulnerable to a malicious actor or botnet obtaining control in excess of 50 percent of the processing power. Any reduction in confidence in the confirmation process or processing power of the network may adversely impact the Company's Mining activities, inventory of coins, and future investment strategies.

#### *Loss of Key Employees*

The Company will depend on a number of key employees, the loss of any one of whom could have an adverse effect on the Company. The Company will not have and is not expected to purchase key person insurance on such individuals, which insurance would provide the Company with insurance proceeds in the event of their death. Without key person insurance, the Company may not have the financial resources to develop or maintain its business until it replaces the individual. The development of the business of the Company will be dependent on its ability to attract and retain highly qualified management and mining personnel. The Company will face competition for personnel from other employers. If the Company is unable to attract or retain qualified personnel as required, it may not be able to adequately manage and implement its business plan.

#### *Credit risk*

Credit risk is the risk of an unexpected loss if a party to its financial instruments fails to meet its contractual obligations. The Company's financial assets exposed to credit risk will be primarily composed of cash and amounts receivable. While the Company will attempt to mitigate its exposure to credit risk, there can be no assurance that unexpected losses will not occur. Such unexpected losses could adversely affect the Company.

#### *Acceptance and/or widespread use of cryptocurrency is uncertain*

Currently, cryptocurrencies are used relatively rarely in the retail and commercial marketplaces in comparison to purchases of overall cryptocurrencies worldwide. Cryptocurrency payment methods have not been widely adopted as a means of a payment for goods and services by major retail and commercial outlets. A significant portion of cryptocurrency demand may be attributable to speculation.

The failure of retail and commercial marketplaces to adopt cryptocurrency payment methods may result in increased volatility and/or a reduction in market prices, either of which may adversely impact the Company's operations and profitability.

#### *Interest rate risk*

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has not entered into any derivative contracts to manage this risk.

The Company will be exposed to interest rate changes on its investments that are expected to pay interest, and any credit facilities it may have that bear interest at a floating rate. Changes in the prime lending rate would affect earnings and could adversely affect the Company's profitability.

### *Currency Exchange Risk*

The Company is exposed to fluctuations in currency exchange rates, which could negatively affect our financial condition and results of operations. In particular, 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 are incurred principally in Canadian dollars. The appreciation of non-U.S. dollar currencies against the U.S. dollar could increase the cost of Mining in U.S. dollar terms. In addition, the Company holds cash balances in both U.S. dollars and Canadian dollars the values of which are impacted by fluctuations in currency exchange rates.

### *Controlling Shareholder Risk*

Promoters of the Company beneficially own 23,031,478 of the issued and outstanding Bitfarms Canada Shares representing approximately 15.9% of the issued and outstanding Bitfarms Canada Shares. See "*PROMOTERS*". By virtue of their status as the principal shareholders of the Company, and by being directors and officers of the Company, the Promoters have the power to exercise significant influence over all matters requiring shareholder approval, including the election of directors, amendments to the Company's articles and by-laws, mergers, business combinations and the sale of substantially all of the Company's assets. As a result, the Company could be prevented from entering into transactions that could be beneficial to the Company or its other shareholders. Also, third parties could be discouraged from making a take-over bid. As well, sales by the Promoters of a substantial number of Bitfarms Canada Shares could cause the market price of the Bitfarms Canada Shares to decline.

### *COVID-19 Pandemic Risk*

In March 2020, the World Health Organization declared COVID-19 a pandemic. The global response to the pandemic is constantly evolving, including various measures implemented at the global, national, provincial and local levels. The major impacts that COVID-19 are expected to have on the Backbone operating segment include potential increases in cryptocurrency price volatility and delays in receiving future orders of mining hardware and electrical components for future expansion. The Backbone operating segment has been, and is expected to, continue operating throughout the pandemic.

Volta's services are considered to be essential by government authorities and have been, and are expected to continue, operating throughout the pandemic. While the financial difficulties of customers have been considered in the expected credit loss model, there is a potential for increased bad debts resulting from the economic impact of COVID-19 on existing customers.

The Company has benefited from the Canada Emergency Wage Subsidy ("CEWS") in the amount of approximately \$0.7 million and will continue to monitor its eligibility to claim the CEWS.

The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government interventions. It is not possible to reliably estimate the length and severity of these developments as well as the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

### *Forward Looking Statements*

Statements contained in this AIF that are not historical facts, but rather are forward looking statements involve risks and uncertainties. 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. Without limiting the generality of the foregoing, such risks and uncertainties include interpretation of results and geology, results of pre-feasibility and feasibility studies, recovery, accidents, equipment breakdowns, labour disputes or other unanticipated difficulties with or interruptions in production, delays in exploration or development activities, political risks, the inherent uncertainty or production fluctuations and failure to obtain adequate financing on a timely basis.

## PRIOR SALES

On June 28, 2020 the Board of Directors approved a stock option grant of 2,600,000 options to directors, officers and employees to purchase 2,600,000 Common Shares at an exercise price of CAD\$0.36 per share with a term of five years from the date of the grant.

On August 31, 2020, the Board of Directors approved a stock option grant of 1,200,000 options to directors, officers and employees to purchase 1,200,000 Common Shares at an exercise price of CAD\$0.43 per share with a term of five years from the date of the grant.

In September 2020, the Company signed a non-binding LOI with BlockFills to secure additional future lease financing (the “**BlockFills Lease Facility**”). In connection with the BlockFills Lease Facility, BlockFills would be provided with up to 1,000,000 warrants (the “**Warrants**”) in Bitfarms Ltd. at a strike price of USD\$0.40 per warrant for at term of two years. Each Warrant would provide the right to acquire one common share of the Company. The number of Warrants will be issued on a pro-rata basis based on a minimum \$12,000,000 purchase price of equipment leased to Bitfarms Canada. For example, if only \$9,000,000 in lease financing is provided, BlockFills would receive 75% of total Warrants, or 750,000 Warrants. In accordance with the BlockFills Lease Facility, in November 2020 the Company issued 336,250 Warrants to BlockFills at a price of USD\$0.40 per warrant expiring two years from the date of the grant.

On September 12, 2020, 1,000,000 Common Shares were issued to and in the name of Dominion Capital LLC.

On September 21, 2020, the Board of Directors approved a stock option grant of 400,000 options to employees to purchase 400,000 Common Shares at an exercise price of CAD\$0.35 per share with a term of five years from the date of the grant.

On December 22, 2020, the Board of Directors approved a stock option grant of 1,024,600 options to directors, officers and employees to purchase 1,024,600 Common Shares at an exercise price of CAD\$1.76 per share with a term of five years from the date of the grant.

On January 7, 2021, the Company closed the January 7, 2021 Offering for gross proceeds of approximately CAD\$20.0 million, composed of the sale of 8,888,889 Common Shares along with warrants to purchase an aggregate of up to 8,888,889 Common Shares at a purchase price of CAD\$2.25 per Common Share and associated warrant. See “*GENERAL DEVELOPMENT OF THE BUSINESS – Three Year History – Fiscal 2021 – Private Placements*”.

On January 13, 2021, the Company closed the January 13, 2021 Offering for gross proceeds of approximately CAD\$20.0 million, composed of the sale of 5,586,593 Common Shares along with warrants to purchase an aggregate of up to 5,586,593 Common Shares at a purchase price of CAD\$3.58 per Common Share and associated warrant. See “*GENERAL DEVELOPMENT OF THE BUSINESS – Three Year History – Fiscal 2021 – Private Placements*”.

On February 10, 2021, the Company closed the February 2021 Offering for gross proceeds of approximately CAD\$40.0 million, composed of the sale of 11,560,695 Common Shares along with warrants to purchase an aggregate of up to 11,560,695 common shares at a purchase price of CAD\$3.46 per common share and associated warrant. See “*GENERAL DEVELOPMENT OF THE BUSINESS – Three Year History – Fiscal 2021 – Private Placements*”.

## DIVIDENDS

Bitfarms Canada has neither declared nor paid any dividends on its common shares since incorporation. Pursuant to the terms of the Loans, Bitfarms Canada is prohibited from paying dividends or distributions. Upon payment of the Loans in full, there are no restrictions that could prevent Bitfarms Canada from paying dividends or distributions. When permitted to do so, the Bitfarms Canada Board may declare dividends at its discretion but does not anticipate paying dividends in the near future. The Bitfarms Canada Board will determine if, and when, to declare and pay dividends in the future from funds properly applicable to the payment of dividends based on Bitfarms Canada’s financial position at the relevant time. The Bitfarms Canada Board expects to retain earnings to finance future growth of Bitfarms Canada and its subsidiaries. All of the Bitfarms Canada Shares are entitled to an equal share in any dividends declared and paid on a per share basis.



## DESCRIPTION OF CAPITAL STRUCTURE

Bitfarms Canada's authorized share capital consists of an unlimited number of Bitfarms Canada Shares. As of the date of this AIF there are 145,016,864 issued and outstanding Bitfarms Canada Shares. Each Bitfarms Canada Share entitles the holder to one vote per Bitfarms Canada Share and to receive equally any dividends declared by Bitfarms Canada and the remaining property and assets of Bitfarms Canada in the event Bitfarms Canada undergoes a liquidation, dissolution, or winding up.

On February 4, 2020, shareholders approved an amendment to the articles of incorporation of the Company to authorize the issuance of class A preferred shares. As of the date of this AIF there were nil preferred shares outstanding.

## MARKET FOR SECURITIES

### Trading Price and Volume

The Bitfarms Canada Shares are listed and posted for trading on the TSXV under the symbol "BITF."

The following table sets out the price range and aggregate volumes traded or quoted on a monthly basis on the TSXV from January 1, 2020 to April 7, 2021.

| Month           | High (CAD) | Low (CAD) | Volume     |
|-----------------|------------|-----------|------------|
| April 1-7, 2021 | \$ 6.82    | \$ 6.09   | 4,199,526  |
| March 2021      | \$ 7.42    | \$ 4.61   | 44,398,600 |
| February 2021   | \$ 9.34    | \$ 3.05   | 64,291,100 |
| January 2021    | \$ 5.18    | \$ 2.26   | 67,244,700 |
| December 2020   | \$ 3.66    | \$ 0.61   | 38,119,004 |
| November 2020   | \$ 0.93    | \$ 0.50   | 9,778,752  |
| October 2020    | \$ 0.55    | \$ 0.28   | 2,855,512  |
| September 2020  | \$ 0.475   | \$ 0.30   | 2,154,611  |
| August 2020     | \$ 0.53    | \$ 0.39   | 3,384,971  |
| July 2020       | \$ 0.49    | \$ 0.33   | 3,237,161  |
| June 2020       | \$ 0.54    | \$ 0.35   | 2,665,759  |
| May 2020        | \$ 0.75    | \$ 0.45   | 3,918,413  |
| April 2020      | \$ 0.62    | \$ 0.38   | 1,286,526  |
| March 2020      | \$ 0.62    | \$ 0.31   | 1,682,577  |
| February 2020   | \$ 1.05    | \$ 0.54   | 4,668,763  |
| January 2020    | \$ 0.73    | \$ 0.49   | 3,188,713  |

The Bitfarms Canada Shares are also listed and posted for trading on the OTCBB under the symbol "BFARF."

The following table sets out the price range and aggregate volumes traded or quoted on a monthly basis on the OTCBB from January 1, 2020 to April 7, 2021.

| Month           | High (USD) | Low (USD) | Volume     |
|-----------------|------------|-----------|------------|
| April 1-7, 2021 | \$ 5.49    | \$ 4.86   | 2,830,861  |
| March 2021      | \$ 5.92    | \$ 3.63   | 26,814,100 |
| February 2021   | \$ 8.50    | \$ 2.37   | 41,816,100 |
| January 2021    | \$ 4.59    | \$ 1.78   | 34,651,982 |
| December 2020   | \$ 3.66    | \$ 0.61   | 5,948,997  |
| November 2020   | \$ 10.00   | \$ 0.4714 | 606,462    |
| October 2020    | \$ 0.3765  | \$ 0.2135 | 253,868    |
| September 2020  | \$ 0.35    | \$ 0.2191 | 315,022    |
| August 2020     | \$ 0.403   | \$ 0.314  | 566,139    |
| July 2020       | \$ 0.3646  | \$ 0.1484 | 59,828     |
| June 2020       | \$ 0.4052  | \$ 0.0017 | 86,390     |
| May 2020        | \$ 0.5374  | \$ 0.3265 | 106,390    |
| April 2020      | \$ 0.391   | \$ 0.2621 | 60,198     |
| March 2020      | \$ 0.4514  | \$ 0.2545 | 204,779    |
| February 2020   | \$ 0.773   | \$ 0.40   | 289,173    |
| January 2020    | \$ 0.533   | \$ 0.3818 | 358,103    |

## ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

### Securities Subject to Escrow

The following table sets forth the number of securities of each class of securities of Bitfarms Canada, to the knowledge of Bitfarms Canada, in escrow or that are subject to a contractual restriction on transfer and the percentage that number represents of the outstanding securities of that class as at the date of this AIF.

| Designation of Class   | Number of Securities Held in Escrow or that are Subject to a Contractual Restriction on Transfer <sup>(1)</sup> | Percentage of Class <sup>(2)</sup> |
|------------------------|-----------------------------------------------------------------------------------------------------------------|------------------------------------|
| Bitfarms Canada Shares | 28,259,712 Bitfarms Canada Shares                                                                               | 19.49%                             |

#### Notes:

- (1) 40,371,018 Bitfarms Canada Shares representing 70.7% of the then issued and outstanding Common Shares, were held in escrow pursuant to an escrow agreement dated June 12, 2019 with TSX Trust Company, as escrow agent.
- (2) A total of 145,016,864 Bitfarms Canada Shares are issued and outstanding.

The escrowed securities are scheduled to be released according to the following schedule:

| Date                                                                                          | Number of Escrowed Securities <sup>(1)</sup> |
|-----------------------------------------------------------------------------------------------|----------------------------------------------|
| On the date on which the Common Shares are listed on a Canadian exchange (the "Listing Date") | 1/20 of the escrowed securities              |
| 6 months after the Listing Date                                                               | 1/19 of the escrowed securities              |
| 12 months after the Listing Date                                                              | 1/9 of the escrowed securities               |
| 18 months after the Listing Date                                                              | 1/8 of the escrowed securities               |
| 24 months after the Listing Date                                                              | 3/14 of the escrowed securities              |
| 30 months after the Listing Date                                                              | 3/11 of the escrowed securities              |
| 36 months after the Listing Date                                                              | the remaining escrowed securities            |

#### Notes:

- (1) In the simplest case, where there are no changes to the escrow securities initially deposited and no additional escrow securities, the release schedule outlined above results in the escrow securities being released in tranches of 5%, 5%, 10%, 10%, 15%, 15%, and 40%, beginning on the listing date.

## DIRECTORS AND OFFICERS

The following table sets out the name of each director and officer, province or state of residence, position held with each corporation, current principal occupation, and the number and percentage of securities beneficially owned, directly or indirectly as at the date of this AIF.

| <b>Name, and Province and Country of Residence</b>                   | <b>Principal Occupation During the Last Five Years<sup>(1)</sup></b>                                                                                                                                                                                                                                                                                                                                                                                     | <b>Director or Officer Since</b> | <b>Common Shares Owned or Controlled<sup>(1)</sup></b> |
|----------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|--------------------------------------------------------|
| Emiliano Joel Grodzki<br><i>Buenos Aires, Argentina</i>              | CEO, Founder and Director of the Company (2018 – present); Consultant in the cryptocurrency sector; Founder and Director of crypto247 (2018 – present); Founder and Commercial Director of My Urban Foods (2012 – 2015).                                                                                                                                                                                                                                 | October 11, 2018                 | 11,820,772                                             |
| Nicolas Bonta<br><i>Buenos Aires, Argentina</i>                      | Executive Chairman of the Board and Founder of the Company (2018 – present); Founder and CEO of Own Hotels (2006 – present).                                                                                                                                                                                                                                                                                                                             | October 11, 2018                 | 11,210,706                                             |
| Brian Howlett <sup>(2)</sup><br><i>Ontario, Canada</i>               | Lead Director of the Company (2020 – present); President and CEO of Hemlo Explorers Inc. (2020 – present); President and CEO of Voyageur Mineral Explorers Corp. (2020 – present); Director of Nighthawk Gold Corp. (2016 – present); President and CEO of Dundee Sustainable Technologies Inc. (2015 – 2020); President and CEO of Stone Gold Inc. (2014 – 2020).                                                                                       | April 17, 2020                   | 30,000                                                 |
| Pierre Seccareccia <sup>(2)</sup><br><i>Québec, Canada</i>           | Director of the Company (2019 – present); Full-time independent director for several public companies (2003 – present); Director of Groupe Ivanhoé Cambridge Inc., a real estate subsidiary of la Caisse de dépôt et placement du Québec (2010 – present).                                                                                                                                                                                               | June 12, 2019                    | 80,000                                                 |
| L. Geoffrey Morphy <sup>(1)</sup><br><i>Ontario, Canada</i>          | President of the Company (2020 – present); Director of the Company (2020 – 2020); Trustee of R&R Real Estate Investment Trust (2021 – present); Co-CEO of Dundee Sarea Fund (2017 – 2019); director of Android Industries, LLC (2016 – present); Vice-President Corporate Development of Dundee Corporation (2016 – 2019); Managing Director, Corporate Financing, Transactions & Valuations and Vice-President of Farber Financial Group (2008 – 2016). | May 19, 2020                     | 35,800                                                 |
| Andres Finkielstain <sup>(2)</sup><br><i>Buenos Aires, Argentina</i> | Director of the Company (2020 – present); Founding managing partner of FinkWald LLC (2011 – present); Director of Goldmoney Inc. (TSX: XAU) (2018 – present).                                                                                                                                                                                                                                                                                            | August 31, 2020                  | nil                                                    |
| Mauro Ferrara<br><i>Québec, Canada</i>                               | Interim CFO and Corporate Secretary of the Company (2020 – Present); CFO of Savaria Inc. (TSX: SIS) (2019 – 2020); Senior Director, Financial Reporting at WSP Global Inc. (TSX: WSP) (2013 – 2019).                                                                                                                                                                                                                                                     | October 28, 2020                 | 3,000                                                  |

### Notes:

- (1) Information about principal occupation, business or employment, not being within the knowledge of the Corporation, has been furnished by respective persons set forth above. The information with respect to the Common Shares beneficially owned, controlled or directed is not within the direct knowledge of the Corporation and has been obtained from SEDI or furnished by the respective individuals. This table does not include Common Shares underlying unexercised stock options and warrants.
- (2) Member of the Audit Committee.

As at the date hereof, the directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 23,180,278 Common Shares, representing 15.98% of the total number of Common Shares outstanding before giving effect to the exercise of rights, options, or warrants to purchase or otherwise receive Common Shares held by such directors and executive officers. The statement as to the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by the directors and executive officers of the Company as a group is based upon information furnished by the directors and executive officers.

*Emiliano Joel Grodzki*

Emiliano Joel Grodzki serves as the Chief Executive Officer and is a Director of the Corporation. Mr. Grodzki is an Argentinian entrepreneur, businessman and a founder of the Corporation. He has been a business builder and innovator since his early teens, founding, incubating, and exiting interdisciplinary ventures in the design, food, and construction industries. In 2016, he entered the space of cryptocurrencies and began to invest in and mine cryptocurrencies from Argentina. Mr. Grodzki has a construction degree from ORT in Buenos Aires.

*Nicolas Bonta*

Nicolas Bonta serves as the Executive Chairman of the Board. Mr. Bonta is an Argentinian hotelier, real estate investor and a founder of the Corporation. In 1998, he founded one of the first boutique hotel companies in Argentina named “Own Hotels” which has grown to six locations in the cities of Buenos Aires and Montevideo, Uruguay. Mr. Bonta has a bachelor’s degree in hospitality from Glion Institute of Higher Education in Switzerland.

*Brian Howlett*

Brian Howlett serves as the Lead Director of the Corporation. Mr. Howlett is a seasoned professional with over thirty years of senior management experience. Mr. Howlett is currently the President, Chief Executive Officer and Director of Hemlo Explorers Inc. and Voyageur Mineral Explorers Inc. Mr. Howlett also serves on the Board for several junior mining companies. Mr. Howlett recently served as the President, Chief Executive Officer and a Director of Dundee Sustainable Technologies Inc. He also formerly served as the President and Chief Financial Officer of Superior Copper Corporation. Prior to that, Mr. Howlett spent twelve years with ELI Eco Logic Inc., including six years as Chief Financial Officer. Mr. Howlett graduated in 1982 with a B. Comm. in finance from Concordia University and received his CMA designation in 1989.

*Pierre Seccareccia*

Pierre Seccareccia serves as a Director of the Corporation. He has extensive experience in financial consulting and management. A Partner of the Coopers & Lybrand accounting firm from 1976 to 1998, he acted as Managing Partner for its Montreal south shore office from 1987 to 1989, for its Montreal central office from 1992 to 1996, and for its offices in the Province of Quebec from 1996 to 1998. Following the merger in 1998 of Coopers & Lybrand with Price Waterhouse, he acted as the Managing Partner for the Montreal office of PricewaterhouseCoopers LLP from 1998 to 2001. Since 2003, Mr. Seccareccia has acted as a full-time independent corporate director for various public and private entities. He is a Fellow CPA, CPA, and a lifetime member of the Ordre des comptables professionnels agréés du Québec. He is also a member of the Institute of Corporate Directors (Canada). He graduated from the École des hautes études commerciales de Montréal with a degree in Accounting.

### *L. Geoffrey Morphy*

L. Geoffrey Morphy serves as the President of the Corporation. He was Co-CEO of Dundee Sarea Fund, a Canadian-based turn-around fund with an investment in Italy from December 2017 to November 2019. He was Vice-President, Corporate Development of Dundee Corporation (TSE: DC.A) from April 2016 to October 2019. In that capacity, he was part of the senior management team responsible for strategy, new investments and portfolio management. Since August 2016, Mr. Morphy is a director of Android Industries, L.L.C, a Michigan-based Tier One auto parts manufacturing company with global operations. In February 2021, he became a Trustee of R&R Real Estate Investment Trust (TSXV: RRR.UN). Mr. Morphy is a past director of Parq-Vancouver, Blue Goose Capital Corporation, and was previously Chairman of Montreal based Dundee Sustainable Technologies Inc. (CSE: DST) and Dundee Sarea Fund. Mr. Morphy has more than thirty years in cross-border and international commercial and corporate structuring and finance experience. He has occupied positions as Managing Director and Vice-President of a financial advisory firm and banks, such as the Farber Financial Group between 2008 and 2016, ABN Amro Bank N.V. and LaSalle Bank between 2005 and 2008, as well as Comerica Bank, between 2000 and 2005. Mr. Morphy holds a Bachelor of Commerce from Dalhousie University and in 2012 earned the designation of Certified Exit Planning Adviser from Chicago-based Exit Planning Institute, in 2015 became an exempt market dealer representative, and in 2019 was granted the designation of ICD.D from the Institute of Canadian Directors.

### *Andres Finkielstain*

Andres Finkielstain serves as a Director of the Corporation. Mr. Finkielstain is the Founding Managing Partner of FinkWald LLC, a private investment office specializing in private equity, real estate, media, and technology. He is also the co-head of the Special Situations division at Banco Industrial in Argentina, where he analyzes and provides financing solutions to Argentinean-based companies and institutions. Mr. Finkielstain previously served as a financial advisor for Soros Brothers Investments (“SBI”), a private investment office founded in 2011 by Alexander and Gregory Soros, and as an analyst for Emerging Markets at Soros Fund Management LLC. Mr. Finkielstain also worked at J.P. Morgan for over 10 years in various capacities within Asset Management, including the role of Global Investment Opportunity and Emerging Markets Specialist. Mr. Finkielstain graduated with a BA in Economics from Bard College where he served as the President of a Latin American organization.

### *Mauro Ferrara*

Mauro Ferrara serves as the Interim Chief Financial Officer and Corporate Secretary of the Corporation. Prior to joining Bitfarms, Mr. Ferrara served as the Chief Financial Officer of Savaria Inc. (TSX: SIS) (“Savaria”), a company traded on the TSX serving the accessibility industry. In this position, he was responsible for management accounting, financial budgeting, and preparation and presentation of all consolidated external public company financial disclosure documents to the Corporation’s Audit Committee and Board of Directors. Prior to his responsibilities at Savaria, Mr. Ferrara served for six-years as the Senior Director, Financial Reporting at WSP Global Inc. (TSX: WSP) (“WSP”). In this role, he focused on external financial reporting and cost management to improve EBITDA. Headquartered in Montreal, WSP is a Canadian multi-billion-dollar global engineering services company with over 50,000 employees. Mr. Ferrara is a CPA-CA and McGill University alumni.

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

Other than as set out below, no director or executive officer of the Company, is or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company that:

- (a) while that person was acting in that capacity, was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; or
- (b) while that person was acting in that capacity, was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days.

No director or executive officer of the Company and no shareholder holding a sufficient number of securities of your company to affect materially the control of the Company is, as at the date of the AIF, or has been within the 10 years before the date of the AIF:

- (a) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- (b) become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder; or
- (c) has been subject to:
  - (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority since December 31, 2000 or before December 31, 2000 the disclosure of which would likely be important to a reasonable security holder in making an investment decision; or
  - (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in making an investment decision

### **Committees of the Board of Directors**

The Bitfarms Canada Board currently has an Audit Committee.

### **Audit Committee**

The current members of the Audit Committee are Pierre Seccareccia, Brian Howlett, and Andres Finkielsztain. All of the members are considered “independent” directors as defined in NI 52-110. Each member of the Audit Committee is considered to be “financially literate” within the meaning of NI 52-110, which includes the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the Corporation’s financial statements. The full text of the charter of the Audit Committee (the “**Audit Committee Charter**”) is attached as Appendix “A”.

## Relevant Education and Experience

The relevant education and experience of each of the members of the Audit Committee is as follows:

| Name of Member               | Education                                                                                                                                                  | Experience                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Pierre Seccareccia           | Accounting degree from École des hautes études commerciales de Montréal (1969). Fellow of the Ordre des comptables professionnels agréés du Québec (1970). | Mr. Seccareccia has extensive experience in financial consulting and management. A Partner of the Coopers & Lybrand accounting firm from 1976 to 1998, he acted as Managing Partner for its Montreal south shore office from 1987 to 1989, for its Montreal central office from 1992 to 1996, and for its offices in the Province of Quebec from 1996 to 1998. Following the merger in 1998 of Coopers & Lybrand with Price Waterhouse, he acted as Managing Partner for the Montreal office of PricewaterhouseCoopers LLP from 1998 to 2001. Since 2003, Mr. Seccareccia has acted as a full-time independent corporate director for various public and private entities.                                                                                                                                                                                                                                                          |
| Brian Howlett <sup>(1)</sup> | Bachelor of Commerce from Concordia University (1982). CMA designation (1989).                                                                             | Mr. Howlett is currently the President, Chief Executive Officer and Director of Hemlo Explorers Inc., and Voyageur Mineral Explorers Inc. Mr. Howlett also serves on the Board for several junior mining companies. Mr. Howlett recently served as the President, Chief Executive Officer and a Director of Dundee Sustainable Technologies Inc. He also formerly served as the President and Chief Financial Officer of Superior Copper Corporation. Prior to that, Mr. Howlett spent twelve years with ELI Eco Logic Inc., including six years as Chief Financial Officer.                                                                                                                                                                                                                                                                                                                                                        |
| Andres Finkielsztain         | Bachelor of Economics from Bard College, New York (1999)                                                                                                   | Mr. Finkielsztain is the Founding Managing Partner of FinkWald LLC, a private investment office specializing in private equity, real estate, media, and technology. He is also the co-head of the Special Situations division at Banco Industrial in Argentina, where he analyzes and provides financing solutions to Argentinean-based companies and institutions. Mr. Finkielsztain previously served as a financial advisor for SBI, a private investment office founded in 2011 by Alexander and Gregory Soros, and as an analyst for Emerging Markets at Soros Fund Management LLC. Mr. Finkielsztain also worked at J.P. Morgan for over 10 years in various capacities within Asset Management, including the role of Global Investment Opportunity and Emerging Markets Specialist. Mr. Finkielsztain graduated with a BA in Economics from Bard College where he served as the President of a Latin American organization. |

### Notes:

(1) Chair of the Audit Committee.

## Audit Committee Oversight

Since the commencement of the Corporation's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Board.

## Pre-Approval Policies and Procedures

The Audit Committee is required to pre-approve all audit and non-audit services not prohibited by law to be provided by the independent auditors of the Corporation.

## External Auditor Service Fees

The following table provides details in respect of audit, audit related, tax and other fees billed by the Corporation's external auditor during the fiscal years ended December 31, 2020 and December 31, 2019.

|                                   | Year Ended<br>December 31,<br>2020 | Year Ended<br>December 31,<br>2019 |
|-----------------------------------|------------------------------------|------------------------------------|
| Audit Fees <sup>(1)</sup>         | \$ 250,000                         | \$ 240,000                         |
| Audit Related Fees <sup>(2)</sup> | \$ 60,000                          | \$ 250,000                         |
| Tax Fees <sup>(3)</sup>           | \$ 15,000                          | \$ 15,000                          |
| All Other Fees <sup>(4)</sup>     | nil                                | \$ 80,000                          |
| <b>Total</b>                      | <b>\$ 325,000</b>                  | <b>\$ 585,000</b>                  |

### Notes:

- (1) Aggregate fees billed for professional services rendered by the auditor for the audit of the Corporation's annual financial statements.
- (2) Aggregate fees billed for professional services rendered by the auditor and consisted primarily of file quality review fees and fees for the review of quarterly financial statements and related documents.

- (3) Aggregate fees billed for tax compliance, tax advice and tax planning professional services. These services included reviewing tax returns and assisting in responses to government tax authorities.
- (4) Aggregate fees billed for services other than those mentioned above consist primarily of services related to the Corporation's filing of its final prospectus dated June 12, 2019.

### Exemption

The Company is not relying on any exemptions of NI 52-110.

### Governance, Nomination and Compensation Committee

The Company does not presently maintain a governance, nomination and compensation committee of the Bitfarms Canada Board ("**Governance, Nomination and Compensation Committee**"). The customary functions of a Governance, Nomination and Compensation Committee are presently carried out by the Bitfarms Canada Board.

The Bitfarms Canada Board is responsible for ensuring that Bitfarms Canada has in place an appropriate plan for executive compensation and for making recommendations with respect to the compensation of Bitfarms Canada's executive officers. The Bitfarms Canada Board will ensure that total compensation paid to all NEOs is fair, reasonable, and consistent with Bitfarms Canada's compensation philosophy.

From time to time the Bitfarms Canada Board reviews and may approve, recommendations regarding compensation to executive officers and directors. A combination of fixed and variable compensation is used to motivate executive officers to achieve overall corporate goals. The two basic components of Bitfarms Canada's executive officer compensation program are:

- base salary;
- annual incentive (bonus) payments; and
- option-based compensation.

### Conflicts of Interest

The directors of Bitfarms Canada are required by law to act honestly and in good faith with a view to the best interests of Bitfarms Canada and to disclose any interests which they may have in any project or opportunity outside of Bitfarms Canada. If a conflict of interest arises, any director in a conflict will disclose his interest and abstain from voting on such matter at a meeting of the Bitfarms Canada Board of Directors. To the best of Bitfarms Canada's knowledge, and other than as disclosed in this AIF, there are no known existing or potential conflicts of interest among Bitfarms Canada, its promoters, directors and officers or other members of management of Bitfarms Canada or any proposed promoter, director, officer or other member of management as a result of their outside business interests, except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to Bitfarms Canada and their duties as a director or officer of such other companies.

### PROMOTERS

The following table sets forth the Promoters of Bitfarms Canada:

| Name                                 | Class of Securities Owned | Quantity of Securities Owned | % of Class <sup>(3)</sup> |
|--------------------------------------|---------------------------|------------------------------|---------------------------|
| Emiliano Joel Grodzki <sup>(1)</sup> | Bitfarms Canada Shares    | 11,820,772                   | 8.15%                     |
| Nicolas Bonta <sup>(2)</sup>         | Bitfarms Canada Shares    | 11,210,706                   | 7.73%                     |
| <b>Total</b>                         |                           | <b>23,031,478</b>            | <b>15.88%</b>             |

#### Notes:

- (1) In addition to the Bitfarms Canada Shares noted in the table above, Mr. Grodzki holds 154,900 options to purchase Bitfarms Canada Shares at a price of CAD\$1.76 per Bitfarms Canada Share. See "*Prior Sales*".
- (2) In addition to the Bitfarms Canada Shares noted in the table above, Mr. Bonta holds 154,900 options to purchase Bitfarms Canada Shares at a price of CAD\$1.76 per Bitfarms Canada Share. See "*Prior Sales*".
- (3) A total of 145,016,864 Bitfarms Canada Shares are issued and outstanding.



Certain Promoters have entered into certain non-arm's length transactions with Backbone. See "*INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS - Transactions with Related Parties*".

No Promoter was within the 10 years before the date of this AIF a director, CEO, or CFO of a person or company that was subject to an order while or after that Promoter was acting in that capacity.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except as disclosed herein and elsewhere in this AIF, no directors, officers, principal shareholders of Backbone, nor any Associate or Affiliate of the foregoing, have had any material interest, direct or indirect, in any transactions in which Backbone has participated prior to the date of this AIF that has materially affected or is reasonably expected to materially affect Backbone or a subsidiary of Backbone.

### **Transactions with Related Parties**

There have been no transactions with related parties other than as disclosed below.

1. Backbone is charged for telecommunication expenses by GloboTech Communications Inc., a company controlled by Pierre-Luc Quimper. These charges relate to Internet hosting, data management and server support for all of the Mining operations of Backbone. Mr. Quimper resigned as Officer and Director of the company on October 3, 2019.
2. Backbone was charged rent expense pursuant to a lease agreement with 9930272 Canada Inc. (a company controlled by the Backbone Exchangeable Shareholders) regarding the facilities at Cowansville, Québec. As of August 2019, the Cowansville building was sold to an arms length party and a new lease agreement was signed. The sale of the Cowansville building will result in a reduction in monthly rent paid to related parties in the amount of \$14,400. Bitfarms Canada made rent payments totaling approximately \$440,000 for the year ended December 31, 2020 (year ended December 31, 2019 - \$528,000). See "*MATERIAL CONTRACTS – Lease Agreements*".
3. Backbone entered into consulting agreements with two of the directors, Emiliano Joel Grodzki and Nicolas Bonta. The consulting fees charged by directors totaled approximately \$379,000 for the year ended December 31, 2020 (year ended December 31, 2019 - \$400,000).
4. Effective June 12, 2019, the Put Call Agreement was terminated, and each Backbone Exchangeable Share was exchanged for one Bitfarms Canada Share resulting in the issuance of 17,335,090 Bitfarms Canada Shares. See "*PRIOR SALES*".
5. Backbone sold 627 Bitcoin for the twelve-month period ended December 31, 2019 (3,346 Bitcoin and 1,790 Bitcoin cash for the twelve months ended December 31, 2018) to a company which, at the time of such sales, had a director, Roy Sebag, who was also a shareholder of Bitfarms Ltd. (Israel) for \$2,283,000 (\$28,323,000 for the twelve-month period ended December 31, 2018). The company Backbone sold Bitcoin to ceased operating in the cryptocurrency industry as of March 11, 2019, and since that date Bitfarms has not transacted with this company.
6. Volta rendered electrical services to a former director, Pierre-Luc Quimper in the amount of \$12,000 for the twelve-month period ended December 31, 2019 (twelve-month period ended December 31, 2018 - \$nil)

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

Other than as set forth in this AIF, the management of Bitfarms Canada is not aware of any material interest, direct or indirect, of any director, executive officer, any Person or Company beneficially owning, controlling or directing, directly or indirectly, more than ten (10%) percent of Bitfarms Canada's outstanding voting securities, or any Associate or Affiliate of the foregoing Persons, in any transaction in which Bitfarms Canada has participated within the three years before the date of this AIF, that has materially affected or is reasonably expected to materially affect Bitfarms Canada.

## LEGAL PROCEEDINGS

### Legal Proceedings

There are no pending legal proceedings to which the Company is or was party to, or that any of its property is or was the subject of, and Bitfarms Canada is not aware of any such proceedings known to be contemplated.

### Regulatory Actions

No penalties or sanctions were imposed against the Company by a court relating to provincial and territorial securities legislation or by a securities regulatory authority since incorporation. No other penalties or sanctions have been imposed by a court or regulatory body against the Company necessary for this AIF to contain full, true and plain disclosure of all material facts. The Company has not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority since incorporation.

## TRANSFER AGENT AND REGISTRAR

Bitfarms Canada's registrar and transfer agent is TSX Trust Company, located at 100 Adelaide Street West, Suite 301, Toronto, Ontario M5H 4H1.

## MATERIAL CONTRACTS

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into by Backbone, Bitfarms Israel and Bitfarms Canada which are currently in effect and considered to be material.

### Lease Agreements

1. Lease agreement between 9078-2822 Québec Inc. as lessor and Backbone as lessee, dated June 4, 2019, pursuant to which the property designated as lot no. 3799452 of Missisquoi, Québec, located at 135 Dean Street in Cowansville, Québec, J2K 3Y2, is leased to Backbone for a term of ten years and for rent of CAD\$262,500 per year subject to annual consumer price index increases.
2. Lease agreement between Développement Olymbec Inc. as lessor and Onyx (a company controlled by the Backbone Exchangeable Shareholders) as lessee, dated July 25, 2017, pursuant to which the property located at 1144, boulevard Magenta Est, bureau 130, Farnham, Québec, J2N 1C1, is leased to Onyx for a term of five years and two months and for rent of CAD\$276,216 in years 1 and 2, CAD\$294,364 in years 3 and 4, and CAD\$308,653 in year 5. Backbone and Onyx entered into the Onyx License Agreement pursuant to which Onyx licensed the use of the Farnham facilities to Backbone. This property has since been sold to Cannara Biotech Inc. but the lease agreement remains in place.
3. Lease agreement between Développement Olymbec Inc. as lessor and Onyx (a company controlled by the Backbone Exchangeable Shareholders) as lessee, dated August 11, 2017, pursuant to which the property located at 2805 Vanier, Saint-Hyacinthe, Québec, J2S 1L5, is leased to Onyx for a term of five years and for rent of CAD\$283,992 in years 1 and 2, CAD\$294,914 in years 3 and 4, and CAD\$305,837 in year 5. Backbone and Onyx entered into the Onyx License Agreement pursuant to which Onyx licensed the use of the Saint-Hyacinthe facilities to Backbone. This property has since been sold to Groupe Quint but the lease agreement remains in place.

4. Lease agreement between 9078-2822 Québec Inc. as lessor and Backbone as lessee, dated June 4, 2019, pursuant to which the property designated as lot no. 5064158 of Magog, Québec, located at 1350 Boulevard Industriel Street, Magog, Québec, J1X 4Y6, is leased to Backbone for a term of five years and for rent of CAD\$138,750 per year with a 2% annual increase and a purchase option of CAD\$1,200,000.
5. Lease agreement between 9118-5108 Québec Inc. as lessor and Backbone as lessee, dated November 1, 2017, pursuant to which the property located at 360 Boul. Séminaire, St-Jean-Sur-Richelieu, Québec, J3B 5L1, is leased to Backbone for rent of CAD\$14,847 per month, for a term of five years and two months.

Lease agreement between 9078-2822 Québec Inc. as lessor and Backbone as lessee, dated November 28, 2018, pursuant to which the property located at 290 rue Léger, Sherbrooke, Québec, J1L 1Y5, is leased to Backbone for rent of CAD\$1,000 per month, for a term of five years, until completion of a new building, at which time the rent will be \$6.80/square foot or \$136,000 per year subject to annual consumer price index increases. The new building will be constructed with a minimum size of 20,000 square feet to be constructed within five months' notice from Backbone.

## **EXPERTS**

### **Names of Experts**

The auditor of Bitfarms Canada is PricewaterhouseCoopers LLP, PwC Centre, 354 Davis Road, Suite 600, Oakville, Ontario, Canada L6J 0C5 as of June 18, 2020. PricewaterhouseCoopers LLP has prepared the Independent Auditors Report and audited the financial statements of Bitfarms Canada for the twelve months ended December 31, 2020.

Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, located at 144 Menachem Begin Road, Building A, Tel-Aviv 6492102, Israel, is the former auditor of the Company and has prepared the Independent Auditors Report and audited the financial statements of Backbone for the period from incorporation (June 13, 2017) until November 5, 2017, and Bitfarms Israel for the twelve-months ended December 31, 2018 and Bitfarms Canada for the twelve months ended December 31, 2019.

### **Interests of Experts**

The consolidated financial statements of the Company for the year ended December 31, 2020 have been audited by PricewaterhouseCoopers LLP. As at December 31, 2020, PricewaterhouseCoopers LLP have advised the Company that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Ontario.

Other than the Company's former auditors, whose independence is described above in accordance with the Rules of Professional Conduct of the Institute of Chartered Professional Accountants, no person or company whose profession or business gives authority to a report, valuation, statement or opinion and who is named as having prepared or certified a part of this AIF or as having prepared or certified a report or valuation described or included in this AIF holds or is to hold any beneficial or registered interest, direct or indirect, in any securities or property of Bitfarms Canada, Backbone, Bitfarms Israel or any associate or affiliate of Bitfarms Canada, Backbone or Bitfarms Israel.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company, including financial information in the Company's Financial Statements and MD&A for Fiscal 2020, is available on SEDAR at [www.sedar.com](http://www.sedar.com). Moreover, additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's information circular for its most recent annual meeting of securityholders.

**SCHEDULE A**

**AUDIT COMMITTEE CHARTER**

*[Please see attached.]*

## **BITFARMS LTD.**

### **AUDIT COMMITTEE CHARTER**

This charter (the “**Charter**”) sets forth the purpose, composition, responsibilities and authority of the Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of Bitfarms Ltd. (“**Bitfarms Canada**” or the “**Company**”).

#### **1.0 Mandate**

The Committee shall:

- (a) assist the Board in its oversight role with respect to the quality and integrity of the financial information;
- (b) assess the effectiveness of the Company’s risk management and compliance practices;
- (c) assess the independent auditor’s performance, qualifications and independence;
- (d) assess the performance of the Company’s internal audit function;
- (e) ensure the Company’s compliance with legal and regulatory requirements; and
- (f) prepare such reports of the Committee required to be included in any Management Information Circular in accordance with applicable laws or the rules of applicable securities regulatory authorities.

#### **2.0 Composition and Membership**

The committee shall be composed of not less than three members, each of whom shall be a director of the Company. A majority of the members of the Committee shall not be an officer or employee of the Company. All members shall satisfy the applicable independence and experience requirements of the laws governing the Company, the applicable stock exchanges on which the Company’s securities are listed and applicable securities regulatory authorities.

Each member of the Committee shall be financially literate as such qualification is interpreted by the Board of Directors in its business judgment.

Members of the Committee shall be appointed or reappointed at the annual meeting of the Company and in the normal course of business will serve a minimum of three years. Each member shall continue to be a member of the Committee until a successor is appointed, unless the member resigns, is removed or ceases to be a Director. The Board of Directors may fill a vacancy that occurs in the Committee at any time.

The Board of Directors or, in the event of its failure to do so, the members of the Committee, shall appoint or reappoint, at the annual meeting of the Company a Chair among their number. The Chair shall not be a former Officer of the Company. Such Chair shall serve as a liaison between members and senior management.

The time and place of meetings of the Committee and the procedure at such meetings shall be determined from time to time by the members therefore provided that:

- (a) a quorum for meetings shall be at least three members;

- (b) the Committee shall meet at least quarterly;
- (c) notice of the time and place of every meeting shall be given in writing or by telephone, facsimile, email or other electronic communication to each member of the Committee at least 24 hours in advance of such meeting;
- (d) a resolution in writing signed by all directors entitled to vote on that resolution at a meeting of the Committee is as valid as if it had been passed at a meeting of the Committee.

The Committee shall report to the Board of Directors on its activities after each of its meetings. The Committee shall review and assess the adequacy of this Charter annually and, where necessary, will recommend changes to the Board of Directors for its approval. The Committee shall undertake and review with the Board of Directors an annual performance evaluation of the Committee, which shall compare the performance of the Committee with the requirements of this charter and set forth the goals and objectives of the Committee for the upcoming year. The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate. The report to the Board of Directors may take the form of an oral report by the chairperson of the Committee or any other designated member of the Committee.

#### **4.0 Duties and Responsibilities**

##### ***4.1 Oversight of the Independent Auditor***

- (a) Sole authority to appoint or replace the independent auditor (subject to shareholder ratification) and responsibility for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between Management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Committee.
- (b) Sole authority to pre-approve all audit services as well as non-audit services (including the fees, terms and conditions for the performance of such services) to be performed by the independent auditor.
- (c) Evaluate the qualifications, performance and independence of the independent auditor, including (i) reviewing and evaluating the lead partner on the independent auditor's engagement with the Company, and (ii) considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence.
- (d) Obtain and review a report from the independent auditor at least annually regarding: the independent auditor's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm; any steps taken to deal with any such issues; and all relationships between the independent auditor and the Company.
- (e) Review and discuss with Management and the independent auditor prior to the annual audit the scope, planning and staffing of the annual audit.
- (f) Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law.

- (g) Review as necessary policies for the Company's hiring of partners, employees or former partners and employees of the independent auditor.

#### **4.2 Financial Reporting**

- (a) Review and discuss with Management and the independent auditor the annual audited financial statements prior to the publication of earnings.
- (b) Review and discuss with Management the Company's annual and quarterly disclosures made in Management's Discussion and Analysis. The Committee shall approve any reports for inclusion in the Company's Annual Report, as required by applicable legislation.
- (c) Review and discuss with Management and the independent auditor management's report on its assessment of internal controls over financial reporting and the independent auditor's attestation report on management's assessment.
- (d) Review and discuss with Management the Company's quarterly financial statements prior to the publication of earnings.
- (e) Review and discuss with Management and the independent auditor at least annually significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies.
- (f) Review and discuss with Management and the independent auditor at least annually reports from the independent auditors on: critical accounting policies and practices to be used; significant financial reporting issues, estimates and judgments made in connection with the preparation of the financial statements; alternative treatments of financial information within generally accepted accounting principles that have been discussed with Management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and other material written communications between the independent auditor and Management, such as any management letter or schedule of unadjusted differences.
- (g) Discuss with the independent auditor at least annually any "Management" or "internal control" letters issued or proposed to be issued by the independent auditor to the Company.
- (h) Review and discuss with Management and the independent auditor at least annually any significant changes to the Company's accounting principles and practices suggested by the independent auditor, internal audit personnel or Management.
- (i) Discuss with Management the Company's earnings press releases, including the use of "*pro forma*" or "adjusted" non-GAAP information, as well as financial information and earnings guidance (if any) provided to analysts and rating agencies.
- (j) Review and discuss with Management and the independent auditor at least annually the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.

- (k) Review and discuss with the Chief Executive Officer and the Chief Financial Officer the procedures undertaken in connection with the Chief Executive Officer and Chief Financial Officer certifications for the annual filings with applicable securities regulatory authorities.
- (l) Review disclosures made by the Company's Chief Executive Officer and Chief Financial Officer during their certification process for the annual filing with applicable securities regulatory authorities about any significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data or any material weaknesses in the internal controls, and any fraud involving Management or other employees who have a significant role in the Company's internal controls.
- (m) Discuss with the Company's external corporate counsel at least annually any legal matters that may have a material impact on the financial statements, operations, assets or compliance policies and any material reports or inquiries received by the Company or any of its subsidiaries from regulators or governmental agencies.

#### ***4.3 Oversight of Risk Management***

- (a) Review and approve periodically Management's risk philosophy and risk management policies.
- (b) Review with Management at least annually reports demonstrating compliance with risk management policies.
- (c) Review with Management the quality and competence of Management appointed to administer risk management policies.
- (d) Review reports from the independent auditor at least annually relating to the adequacy of the Company's risk management practices together with Management's responses.
- (e) Discuss with Management at least annually the Company's major financial risk exposures and the steps Management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

#### ***4.4 Oversight of Regulatory Compliance***

- (a) Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- (b) Discuss with Management and the independent auditor at least annually any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting.
- (c) Meet with the Company's regulators, according to applicable law.



- (d) Exercise such other powers and perform such other duties and responsibilities as are incidental to the purposes, duties and responsibilities specified herein and as may from time to time be delegated to the Committee by the Board of Directors.

## **5.0 Funding for the Independent Auditor and Retention of Other Independent Advisors**

The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditor for the purpose of issuing an audit report and to any advisors retained by the Committee. The Committee shall also have the authority to retain and, at Bitfarms Canada's expense, to set and pay the compensation for such other independent counsel and other advisors as it may from time to time deem necessary or advisable for its purposes. The Committee also has the authority to communicate directly with internal and external auditors.

## **6.0 Procedures for Receipt of Complaints and Submissions Relating to Accounting Matters**

1. The Company shall inform employees on the Company's intranet, if there is one, or via a newsletter or e-mail that is disseminated to all employees at least annually, of the officer (the "**Complaints Officer**") designated from time to time by the Committee to whom complaints and submissions can be made regarding accounting, internal accounting controls or auditing matters or issues of concern regarding questionable accounting or auditing matters.
2. The Complaints Officer shall be informed that any complaints or submissions so received must be kept confidential and that the identity of employees making complaints or submissions shall be kept confidential and shall only be communicated to the Committee or the Chair of the Committee.
3. The Complaints Officer shall be informed that he or she must report to the Committee as frequently as such Complaints Officer deems appropriate, but in any event no less frequently than on a quarterly basis prior to the quarterly meeting of the Committee called to approve interim and annual financial statements of the Company.
4. Upon receipt of a report from the Complaints Officer, the Committee shall discuss the report and take such steps as the Committee may deem appropriate.
5. The Complaints Officer shall retain a record of a complaint or submission received for a period of six years following resolution of the complaint or submission.

## **7.0 Procedures for Approval of Non-Audit Services**

1. The Company's external auditors shall be prohibited from performing for the Company the following categories of non-audit services:
  - (a) bookkeeping or other services related to the Company's accounting records or financial statements;
  - (b) financial information systems design and implementation;
  - (c) appraisal or valuation services, fairness opinion or contributions-in-kind reports;
  - (d) actuarial services;
  - (e) internal audit outsourcing services;
  - (f) management functions;

- (g) human resources;
  - (h) broker or dealer, investment adviser or investment banking services;
  - (i) legal services;
  - (j) expert services unrelated to the audit; and
  - (k) any other service that the Canadian Public Accountability Board determines is impermissible.
2. In the event that the Company wishes to retain the services of the Company's external auditors for tax compliance, tax advice or tax planning, the Chief Financial Officer of the Company shall consult with the Chair of the Committee, who shall have the authority to approve or disapprove on behalf of the Committee, such non-audit services. All other non-audit services shall be approved or disapproved by the Committee as a whole.
3. The Chief Financial Officer of the Company shall maintain a record of non-audit services approved by the Chair of the Committee or the Committee for each fiscal year and provide a report to the Committee no less frequently than on a quarterly basis.

## **8.0 Reporting**

The Chair will report to the Board at each Board meeting on the Committee's activities since the last Board meeting. The Committee will annually review and approve the Committee's report for inclusion in the Annual Information Form. The secretary will circulate the minutes of each meeting of the Committee to the members of the Board.

## **9.0 Access to Information and Authority**

The Committee will be granted unrestricted access to all information regarding Bitfarms Canada that is necessary or desirable to fulfill its duties and all directors, officers and employees will be directed to cooperate as requested by Members.

## **10.0 Review of Charter**

The Committee will annually review and assess the adequacy of this Charter and recommend any proposed changes to the Board for consideration.

Dated: February 11, 2020  
Approved by: Board of Directors

**FORM 52-109F1 – AIF**  
**CERTIFICATION OF ANNUAL FILINGS**  
**IN CONNECTION WITH VOLUNTARILY FILED AIF**

This certificate is being filed on the same date that **Bitfarms Ltd.** (the “issuer”) has voluntarily filed an AIF for the financial year ended **December 31, 2020**.

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

1. **Review:** I have reviewed the AIF, annual financial statements and annual MD&A, including for greater certainty all documents and information that are incorporated by reference in the AIF (together, the “annual filings”) of the issuer for the financial year ended **December 31, 2020**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual 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, for the period covered by the annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual 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 annual filings.

Date: **April 7, 2021**

“Emiliano Grodzki”

**Emiliano Grodzki**  
**Chief Executive Officer**

**NOTE TO READER**

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process 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.

The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

**FORM 52-109F1 – AIF**  
**CERTIFICATION OF ANNUAL FILINGS**  
**IN CONNECTION WITH VOLUNTARILY FILED AIF**

This certificate is being filed on the same date that **Bitfarms Ltd.** (the “issuer”) has voluntarily filed an AIF for the financial year ended **December 31, 2020**.

I, **Mauro Ferrara, Chief Financial Officer of Bitfarms Ltd.**, certify the following:

1. **Review:** I have reviewed the AIF, annual financial statements and annual MD&A, including for greater certainty all documents and information that are incorporated by reference in the AIF (together, the “annual filings”) of the issuer for the financial year ended **December 31, 2020**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual 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, for the period covered by the annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual 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 annual filings.

Date: **April 7, 2021**

“Mauro Ferrara”

**Mauro Ferrara**  
**Chief Financial Officer**

**NOTE TO READER**

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process 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.

The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

**Form 52-109FV1**  
**Certification of Annual Filings**  
**Venture Issuer Basic Certificate**

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

1. **Review:** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference into the AIF (together, the “**annual filings**”) of Bitfarms Ltd. (the “**issuer**”) for the financial year ended December 31, 2020.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual 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 annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual 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 annual filings.

Date: April 13, 2021

**“Emiliano Grodzki”**

Emiliano Grodzki  
 Chief Executive Officer

**NOTE TO READER**

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings* (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

- I. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- II. a process 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.

The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

**Form 52-109FV1**  
**Certification of Annual Filings**  
**Venture Issuer Basic Certificate**

I, **Mauro Ferrara**, interim Chief Financial Officer of Bitfarms Ltd., certify the following:

1. **Review:** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference into the AIF (together, the “**annual filings**”) of Bitfarms Ltd. (the “**issuer**”) for the financial year ended December 31, 2020.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual 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 annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual 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 annual filings.

Date: April 13, 2021

**“Mauro Ferrara”**

Mauro Ferrara

Interim Chief Financial Officer

**NOTE TO READER**

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings* (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

- I. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- II. a process 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.

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**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
18 King St. E, Suite 902  
Toronto, Ontario M5C 1C4

**Item 2 Date of Material Change**

April 16, 2021.

**Item 3 News Release**

The press release attached as Schedule “A” was disseminated on April 16, 2021.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Nicolas Bonta  
Executive Chairman & Director  
Bitfarms Ltd.  
nbonta@bitfarms.com

**Item 9 Date of Report**

April 16, 2021.

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## Bitfarms Announces Hashrate Growth, Bitcoin Inventory and Stock Market Listing Updates

**Toronto, Ontario and Brossard, Québec (April 16, 2021)** - Bitfarms Ltd. ("Bitfarms", or the "Company") (TSXV:BITF // OTC:BFARE), one of the largest, oldest and most cost-effective public Bitcoin mining operations in the world, today announces a number of corporate developments.

### New Miner Purchases

The Company has recently completed two purchases of new-generation mining equipment manufactured by MicroBT to be installed through August. When deployed, the 1,996 miners will produce an additional 160 PH/s. These purchases are in addition to the 1,500 M31S+ previously announced for delivery in June for a total of 280 PH/s of new equipment to be installed in our Cowansville expansion expected to be complete in July.

| Name    | Miners | Model | Total Hash | Delivery Month |
|---------|--------|-------|------------|----------------|
| MicroBT | 496    | M31S+ | 40 PH/s    | April 2021     |
| MicroBT | 1,500  | M31S+ | 120 PH/s   | June 2021*     |
| MicroBT | 1,500  | M31S+ | 120 PH/s   | July 2021      |
| Total   | 3,496  |       | 280 PH/s   |                |

\* previously announced on March 24, 2021.

### Miner Rehabilitation

The Company has recently started rehabilitation of older and mid-generation equipment that were previously cost-ineffective to repair. When rehabilitated, this equipment will restore approximately 80 PH/s of production to Bitfarms for a capital cost of approximately US\$5 per TH/s. This compares to nearly US\$120 per TH/s for new generation equipment on the spot market today, providing a near immediate return on investment.

### Bitcoin Inventory Pilot Program

This week Bitcoin set another new all-time high of more than US\$64,000, a more than 100% increase Year-To-Date.

During this time, Bitfarms has mined and retained over 650 Bitcoin in reserve, currently valued at US\$41 million at US\$63,000 per Bitcoin and is currently adding approximately 7.5 Bitcoin per day to inventory. With prevailing difficulty, Bitfarms expects its mined Bitcoin inventory will grow to 1,000 Bitcoin within the next 50 days, representing approximately US\$63 million worth of value for our shareholders at prevailing prices.



With the planned new miner purchases, ongoing miner repairs, Bitfarms expects to increase its total hashrate to approximately 1.6 EH/s by August. At the prevailing economics as of April 15th, this equipment would produce approximately 9.5 Bitcoin per day.

### **Stock Market Listing in the United States**

On February 4, 2021, we announced our intention to pursue an additional stock exchange listing for the Company in the United States. The Company has been continuing to actively move forward with a Nasdaq listing process. Having filed our 2020 Annual Information Form, we are now finalizing for submission our SEC Form 40-F, an important milestone towards our U.S. listing on the Nasdaq.

### **About Bitfarms Ltd.**

Founded in 2017, Bitfarms is one of the one of the largest, oldest and most cost-effective public bitcoin mining operations in the world. Bitfarms runs vertically integrated mining operations with onsite technical repair, proprietary data analytics and Company-owned electrical engineering and installation services to deliver high operational performance and uptime.

Having demonstrated rapid growth and stellar operations, Bitfarms became the first Bitcoin mining company to complete its long form prospectus with the Ontario Securities Commission and started trading on the TSX-V in July 2019. For disclosure purposes, on March 8, 2021, Bitfarms filed an Annual Information Form for its first time. On March 15, 2021, Bitfarms was issued a receipt by the Ontario Securities Commissions for the filing of its Preliminary Base Shelf Prospectus. These documents and all other public filings are available on Sedar.com. On February 24, 201 Bitfarms was honoured to be announced as a Rising Star by the TSX-V.

Bitfarms has a diversified production platform with five industrial scale facilities located in Quebec. Each facility is 100% powered with environmentally friendly hydro power and secured with long-term power contracts. Bitfarms is currently the only publicly traded pure- play mining company audited by a Big Four audit firm.

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/>

### **Defined Terms**

Installed Hashrate: Equivalent to the sum of all deployed miners' manufacturers specified Bitcoin mining hashrate. Actual operational hashrate may be different than installed and operational.

EH/s: Exahash per second PH/s: Petahash per second TH/s: Terahash per second

### **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 TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

### **Forward-Looking Statements**

*This news release contains certain "forward-looking information" within the meaning of applicable Canadian securities laws that are based on expectations, estimates and projections as at the date of this news release. The information in this release about 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 resulting significant negative impact on the Company's operations, the construction and operation of expanded blockchain infrastructure as currently planned, and the regulatory environment of cryptocurrency in the Provinces of Canada.*

*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 reasonable assumptions and estimates of management of the Company at the time it was 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; 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; 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; and volatile securities markets impacting security pricing unrelated to operating performance. In addition, particular factors which could impact future results of the business of Bitfarms include but are not limited to: the construction and operation of blockchain infrastructure 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 Province of Québec, 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 there will be no regulation or law that will prevent Bitfarms from operating its business. The Company has also assumed that no significant events occur outside of the Bitfarms’ normal course of business. Although the Company has attempted to identify important factors that could cause actual results to differ materially, 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 forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.*

#### Contacts

##### **Investor Relations:**

CORE IR  
516-222-2560

##### **For media inquiries:**

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Ellis Ballard  
ellis@yapglobal.com

US Media:  
CORE IR  
Jules Abraham  
Head of Public Relations  
julesa@coreir.com

Quebec Media:  
Mark Duschene, Ryan Affaires

## Bitfarms Announces Hashrate Growth, Bitcoin Inventory and Stock Market Listing Updates

**Toronto, Ontario and Brossard, Québec (April 16, 2021)** - Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) ([TSXV:BITF](#) // [OTC:BFARE](#)), one of the largest, oldest and most cost-effective public Bitcoin mining operations in the world, today announces a number of corporate developments.

### New Miner Purchases

The Company has recently completed two purchases of new-generation mining equipment manufactured by MicroBT to be installed through August. When deployed, the 1,996 miners will produce an additional 160 PH/s. These purchases are in addition to the 1,500 M31S+ previously announced for delivery in June for a total of 280 PH/s of new equipment to be installed in our Cowansville expansion expected to be complete in July.

| <b>Name</b> | <b>Miners</b> | <b>Model</b> | <b>Total Hash</b> | <b>Delivery Month</b> |
|-------------|---------------|--------------|-------------------|-----------------------|
| MicroBT     | 496           | M31S+        | 40 PH/s           | April 2021            |
| MicroBT     | 1,500         | M31S+        | 120 PH/s          | June 2021*            |
| MicroBT     | 1,500         | M31S+        | 120 PH/s          | July 2021             |
| Total       | 3,496         |              | 280 PH/s          |                       |

\* previously announced on March 24, 2021.

### Miner Rehabilitation

The Company has recently started rehabilitation of older and mid-generation equipment that were previously cost-ineffective to repair. When rehabilitated, this equipment will restore approximately 80 PH/s of production to Bitfarms for a capital cost of approximately US\$5 per TH/s. This compares to nearly US\$120 per TH/s for new generation equipment on the spot market today, providing a near immediate return on investment.

### Bitcoin Inventory Pilot Program

This week Bitcoin set another new all-time high of more than US\$64,000, a more than 100% increase Year-To-Date.

During this time, Bitfarms has mined and retained over 650 Bitcoin in reserve, currently valued at US\$41 million at US\$63,000 per Bitcoin and is currently adding approximately 7.5 Bitcoin per day to inventory. With prevailing difficulty, Bitfarms expects its mined Bitcoin inventory will grow to 1,000 Bitcoin within the next 50 days, representing approximately US\$63 million worth of value for our shareholders at prevailing prices.

With the planned new miner purchases, ongoing miner repairs, Bitfarms expects to increase its total hashrate to approximately 1.6 EH/s by August. At the prevailing economics as of April 15<sup>th</sup>, this equipment would produce approximately 9.5 Bitcoin per day.

### **Stock Market Listing in the United States**

On February 4, 2021, we announced our intention to pursue an additional stock exchange listing for the Company in the United States. The Company has been continuing to actively move forward with a Nasdaq listing process. Having filed our 2020 Annual Information Form, we are now finalizing for submission our SEC Form 40-F, an important milestone towards our U.S. listing on the Nasdaq.

### **About Bitfarms Ltd.**

Founded in 2017, Bitfarms is one of the one of the largest, oldest and most cost-effective public bitcoin mining operations in the world. Bitfarms runs vertically integrated mining operations with onsite technical repair, proprietary data analytics and Company-owned electrical engineering and installation services to deliver high operational performance and uptime.

Having demonstrated rapid growth and stellar operations, Bitfarms became the first Bitcoin mining company to complete its long form prospectus with the Ontario Securities Commission and started trading on the TSX-V in July 2019. For disclosure purposes, on March 8, 2021, Bitfarms filed an Annual Information Form for its first time. On March 15, 2021, Bitfarms was issued a receipt by the Ontario Securities Commissions for the filing of its Preliminary Base Shelf Prospectus. These documents and all other public filings are available on Sedar.com. On February 24, 201 Bitfarms was honoured to be announced as a Rising Star by the TSX-V.

Bitfarms has a diversified production platform with five industrial scale facilities located in Quebec. Each facility is 100% powered with environmentally friendly hydro power and secured with long-term power contracts. Bitfarms is currently the only publicly traded pure- play mining company audited by a Big Four audit firm.

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/>

### ***Defined Terms***

Installed Hashrate: Equivalent to the sum of all deployed miners' manufacturers specified Bitcoin mining hashrate. Actual operational hashrate may be different than installed and operational.

EH/s: Exahash per second

PH/s: Petahash per second

TH/s: Terahash per second

### ***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 TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

### ***Forward-Looking Statements***

*This news release contains certain "forward-looking information" within the meaning of applicable Canadian securities laws that are based on expectations, estimates and projections as at the date of this news release. The information in this release about 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 resulting significant negative impact on the Company's operations, the construction and operation of expanded blockchain infrastructure as currently planned, and the regulatory environment of cryptocurrency in the Provinces of Canada.*

*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 reasonable assumptions and estimates of management of the Company at the time it was 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; 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; 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; and volatile securities markets impacting security pricing unrelated to operating performance. In addition, particular factors which could impact future results of the business of Bitfarms include but are not limited to: the construction and operation of blockchain infrastructure 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 Province of Québec, 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 there will be no regulation or law that will prevent Bitfarms from operating its business. The Company has also assumed that no significant events occur outside of the Bitfarms’ normal course of business. Although the Company has attempted to identify important factors that could cause actual results to differ materially, 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 forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.*

#### Contacts

#### **Investor Relations:**

CORE IR  
516-222-2560

#### **For media inquiries:**

YAP Global:  
Ellis Ballard  
ellis@yapglobal.com

US Media:  
CORE IR  
Jules Abraham  
Head of Public Relations  
julesa@coreir.com

Quebec Media:  
Mark Duschene, Ryan Affaires

**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
18 King St. E, Suite 902  
Toronto, Ontario M5C 1C4

**Item 2 Date of Material Change**

April 19, 2021.

**Item 3 News Release**

The press release attached as Schedule “A” was disseminated on April 19, 2021.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Nicolas Bonta  
Executive Chairman & Director  
Bitfarms Ltd.  
nbonta@bitfarms.com

**Item 9 Date of Report**

April 19, 2021.

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**Bitfarms Announces Deal for  
210 Megawatt Bitcoin Mining Data Centre  
at US\$0.022/kWh**

Toronto, Ontario and Brossard, Québec (April 19, 2021) - Bitfarms Ltd. ("**Bitfarms**", or the "**Company**") (TSXV:BITF // OTC:BFARF), today provides an update regarding its expansion project in South America.

On October 26, 2020, Bitfarms announced the signing of a non-binding memorandum of understanding to secure electricity at approximately US\$0.02 per kWh with the plan to pursue the development of a 60 MW Bitcoin mining facility in Argentina. During the past six-months, considerable due diligence and contractual work has been undertaken to determine the viability of the expansion project.

- The Company has since signed a significantly enhanced power purchase agreement with a utility-grade private power producer in Argentina pursuant to which Bitfarms is entitled to draw up to 210 MW of electricity at its discretion. The initial term of the contract is eight years. During the first four years, the effective cost of the electricity will be US\$0.022 per kWh.
- With a favourable year-round climate, the facility in Argentina does not require expensive liquid immersion cooling to keep the miners cool and operating optimally. The miners will be cooled with fans, similar to how they are cooled in our facilities in Québec.
- Bitfarms is in advanced contractual discussions with a construction company experienced in utility-grade electrical infrastructure and civil construction to design and build the electrical inter-connection, the high-voltage electrical lines, and transformers needed for our operations. We are working on finalizing an engineering procurement and construction contract with the aim of mining Bitcoin in early 2022 at the new facility.
- The Company is in advanced discussions with an experienced engineering services company to monitor construction and ensure that quality and key-milestones are achieved.
- The proposed new mining facility is in very close proximity to the utility, and, as such, the electricity contract does not involve any interconnection with the local power grid, which has the advantage that electricity cannot be curtailed during times of unusually high usage. This means that our miners can be operated with maximum efficiency and output, regardless of conditions applicable to the local power grid.
- Bitfarms plans to relocate a substantial number of its older miners to the new data centre. While the older miners are less efficient than the new miners, the low cost of electrical power and the proven reliability of these miners will extend their economic life. This strategy will allow our older miners to continue to be accretive to cash flow from operations and to contribute to Bitfarms' overall corporate hashrate.
- A substantial portion of the recently ordered 48,000 MicroBT miners as announced on March 2, 2021 are earmarked for the new facility.
- 210 MW is sufficient to support approximately 55,000 new-generation miners, which could generate approximately US\$650 million of revenues or 11,774 Bitcoin, based on current difficulty levels and a Bitcoin price of US\$55,000.

As a basis of comparison, we previously reported the break-even cost to mine a Bitcoin during the fourth quarter of 2020 was approximately US\$7,500 in Québec. If the new Argentina facility was operating during the same period, we estimate the break-even cost to mine the same Bitcoin would have been US\$4,125, a 45% savings as compared to Québec.

With up to 210 MW of low-cost power available to us, the Argentina facility is expected to be a significant contributor to Bitfarms achieving its 8.0 EH/s target by the end of 2022. It is also intended to provide geographic production diversification to reduce risk and serve as an effective hedge for Bitfarms against the next halving event in 2024.

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## ***Defined Terms***

EH/s: Exahash per second. kWh: kilowatt-hour.

MW: A Megawatt is used to measure the output of a power plant or the amount of electricity required by facility or an entire city. One megawatt (MW) = 1,000 kilowatts = 1,000,000 watts.

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### Bitfarms Announces Deal for 210 Megawatt Bitcoin Mining Data Centre at US\$0.022/kWh

TORONTO, Ontario and BROSSARD, Quebec, April 19, 2021 (GLOBE NEWSWIRE) -- Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) ([TSXV:BITF](#) // [OTC:BFARF](#)), today provides an update regarding its expansion project in South America.

On October 26, 2020, Bitfarms announced the signing of a non-binding memorandum of understanding to secure electricity at approximately US\$0.02 per kWh with the plan to pursue the development of a 60 MW Bitcoin mining facility in Argentina. During the past six-months, considerable due diligence and contractual work has been undertaken to determine the viability of the expansion project.

- The Company has since signed a significantly enhanced power purchase agreement with a utility-grade private power producer in Argentina pursuant to which Bitfarms is entitled to draw up to 210 MW of electricity at its discretion. The initial term of the contract is eight years. During the first four years, the effective cost of the electricity will be US\$0.022 per kWh.
- With a favourable year-round climate, the facility in Argentina does not require expensive liquid immersion cooling to keep the miners cool and operating optimally. The miners will be cooled with fans, similar to how they are cooled in our facilities in Québec.
- Bitfarms is in advanced contractual discussions with a construction company experienced in utility-grade electrical infrastructure and civil construction to design and build the electrical inter-connection, the high-voltage electrical lines, and transformers needed for our operations. We are working on finalizing an engineering procurement and construction contract with the aim of mining Bitcoin in early 2022 at the new facility.
- The Company is in advanced discussions with an experienced engineering services company to monitor construction and ensure that quality and key-milestones are achieved.
- The proposed new mining facility is in very close proximity to the utility, and, as such, the electricity contract does not involve any interconnection with the local power grid, which has the advantage that electricity cannot be curtailed during times of unusually high usage. This means that our miners can be operated with maximum efficiency and output, regardless of conditions applicable to the local power grid.
- Bitfarms plans to relocate a substantial number of its older miners to the new data centre. While the older miners are less efficient than the new miners, the low cost of electrical power and the proven reliability of these miners will extend their economic life. This strategy will allow our older miners to continue to be accretive to cash flow from operations and to contribute to Bitfarms’ overall corporate hashrate.
- A substantial portion of the recently ordered 48,000 MicroBT miners as announced on March 2, 2021 are earmarked for the new facility.
- 210 MW is sufficient to support approximately 55,000 new-generation miners, which could generate approximately US\$650 million of revenues or 11,774 Bitcoin, based on current difficulty levels and a Bitcoin price of US\$55,000.

As a basis of comparison, we previously reported the break-even cost to mine a Bitcoin during the fourth quarter of 2020 was approximately US\$7,500 in Québec. If the new Argentina facility was operating during the same period, we estimate the break- even cost to mine the same Bitcoin would have been US\$4,125, a 45% savings as compared to Québec.

With up to 210 MW of low-cost power available to us, the Argentina facility is expected to be a significant contributor to Bitfarms achieving its 8.0 EH/s target by the end of 2022. It is also intended to provide geographic production diversification to reduce risk and serve as an effective hedge for Bitfarms against the next halving event in 2024.

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## Bitfarms Announces Participation at the H.C. Wainwright Cryptocurrency, Blockchain & FinTech Conference on April 27, 2021 (Virtual Conference)

TORONTO, Ontario and BROSSARD, Québec, April 22, 2021 (GLOBE NEWSWIRE) -- Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) ([TSXV:BTF](#) // [OTC:BFARF](#)), today announces it will be featured as a presenting company at the H.C. Wainwright Cryptocurrency, Blockchain & FinTech Conference. The conference is being held on April 27, 2021 virtually.

Geoffrey Morphy, President, of Bitfarms, will provide an overview of the Company's business during the presentation. If you are an institutional or retail investor and would like to listen to the Company's presentation, please register using the following link ([www.hcwevents.com/crypto](http://www.hcwevents.com/crypto)). You may also listen to the company presentation online using the link provided below, starting on April 27 at 7:00 A.M. (ET) and archived for 90 days. Over 30 corporate presentations and panels will be available live and on-demand on April 27, 2021, starting at 7:00 A.M. (ET).

Event: H.C. Wainwright Cryptocurrency, Blockchain & FinTech Conference (Virtual Conference)  
 Date: April 27, 2021  
 Time: 7:00 AM (Eastern Time)  
 Location: Virtual Conference  
 Webcast Link: <https://journey.ct.events/view/14ee6943-4b29-4156-952c-32865c3f3769>

In addition, Bitfarms welcomes you to listen in on a panel discussion featuring Ben Gagnon, Bitfarms' Director of Mining Operations and many of our publicly traded peers.

Panel: Crypto Mining: Technology, Flexibility, and Sustainability Panel (Virtual Conference)  
 Date: April 27, 2021  
 Time: 10:00 AM – 11:00 AM (Eastern Time) Location: Virtual Conference  
 Webcast Link: <https://journey.ct.events/view/af503c51-cf4d-46dc-866c-885a1652d0bb>

### About H.C. Wainwright & Co.

H.C. Wainwright is a full-service investment bank dedicated to providing corporate finance, strategic advisory and related services to public and private companies across multiple sectors and regions. H.C. Wainwright & Co. also provides research and sales and trading services to institutional investors. According to Sagient Research Systems, H.C. Wainwright's team is ranked as the #1 Placement Agent in terms of aggregate CMPO (confidentially marketed public offering), RD (registered direct offering) and PIPE (private investment in public equity) executed cumulatively since 1998.

For more information visit H.C. Wainwright & Co. on the web at [www.hcwco.com](http://www.hcwco.com)

### About Bitfarms Ltd.

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**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1                      Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
18 King St. E, Suite 902  
Toronto, Ontario M5C 1C4

**Item 2                      Date of Material Change**

April 23, 2021.

**Item 3                      News Release**

The press release attached as Schedule “A” was disseminated on April 23, 2021.

**Item 4                      Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5                      Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6                      Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7                      Omitted Information**

Not applicable.

**Item 8                      Executive Officer**

Nicolas Bonta  
Executive Chairman & Director  
Bitfarms Ltd.  
nbonta@bitfarms.com

**Item 9                      Date of Report**

April 23, 2021.

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**Bitfarms Partners with Foundry to Expand Bitcoin Mining Fleet and Join Foundry USA Pool, Instantly Boosts Operating Hashrate By 15%**

*Bitfarms leverages Foundry’s suite of offerings to purchase and finance the latest generation of Bitcoin mining machines that commenced operations on April 23, 2021.*

**ROCHESTER, NY, April 23, 2021** - Bitfarms Ltd. (“Bitfarms”) (TSXV:BITF / OTC:BFARF), and Foundry Digital LLC (“Foundry”), a wholly-owned subsidiary of Digital Currency Group (DCG) focused on digital asset mining and staking, jointly announce Bitfarms’ purchase of 2,465 Whatsminer M30S Bitcoin mining machines through Foundry’s services, among other updates.

**Foundry Partnership**

Of the 2,465 machines, the first 1,465 were previously installed in Bitfarms’ Sherbrooke facility in Q3 2020 for hosting. With the purchase of these machines, Bitfarms has ended its last hosting agreement and returned 100% of installed power capacity for its own Bitcoin production. Collectively, these machines have increased Bitfarms’ operating hashrate by 133 PH/s.

The global chip shortage and Bitcoin’s rising price continue to squeeze the supply of Bitcoin mining machines. Standard lead times for orders of latest generation machines currently range from 8 - 12 months and require down payments of 50-100% of the purchase price.

In light of this, Foundry, the market leader for mining equipment financing in North America, has formed strategic partnerships with the world’s leading Bitcoin mining manufacturing companies to secure earlier access to machines for its clients. Foundry has already helped to procure nearly half of the Bitcoin mining machines installed in North America in 2020.

The purchase and financing of the first 1,465 machines through Foundry’s financing services enabled Bitfarms to immediately increase its operating hashrate by 11% with only a 10% down payment of approximately US\$1 million. With current hardware prices being at record highs, financing has become a crucial component for Bitfarms to grow its operating hashrate with minimal cash outflows. With prevailing economics, Bitfarms expects to recover its initial deposit in under a month, and this equipment is expected to generate positive cash flows for another 3 to 5 years.

Under similar terms, Bitfarms will obtain financing to purchase an additional 1,000 Whatsminer M30S machines. These machines will produce 90 PH/s and are scheduled to be delivered in three shipments of 300-400 units in September, October and November. In addition, Foundry commits to providing Bitfarms with a US\$10 million equipment financing credit facility in early 2022 to help finance the acquisition of new machines.

Bitfarms is also pleased to join the Foundry USA Pool. This marks the first time Bitfarms has used a North America based pool. In addition to providing the same amount of revenue for Bitfarms via a full-pay-per-share (FPPS) model, the pool also has a number of powerful management, auditing and reporting capabilities which will give Bitfarms greater insight and control over its most precious asset, its hashrate.

“We are excited to partner with an industry-leading provider of equipment financing to secure timely and reliable access to the latest generation of Bitcoin mining machines, and to continue to grow our business,” said Emiliano Grodzki, CEO of Bitfarms.

“We are pleased to provide Bitfarms, which is a leading Bitcoin mining company in North America, with equipment financing and a mining pool that has been designed to help publicly traded companies such as Bitfarms scale their operations locally and in a fully compliant manner.” said Mike Colyer, CEO of Foundry.

### **Miner Rehabilitation Update**

On April 16<sup>th</sup>, Bitfarms announced the start of a ‘miner rehabilitation program’ for 80 PH/s of older and mid-generation Bitcoin mining machines. Bitfarms is pleased to announce that over half of those machines have now been repaired, restoring over 40 PH/s and increasing Bitfarms’ installed operating hashrate to 1.38 EH/s — the largest currently reported in North America by a public company.

### **About Foundry**

A subsidiary of DCG, Foundry is a financing and advisory company focused on digital asset mining and staking. With the mission of empowering decentralized infrastructure for a digital world, Foundry provides North American digital asset mining businesses with capital and intelligence. Foundry is based in Rochester, NY. For more information, please visit [foundrydigital.com](https://foundrydigital.com).

### **About Bitfarms**

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## **Bitfarms Partners with Foundry to Expand Bitcoin Mining Fleet and Join Foundry USA Pool, Instantly Boosts Operating Hashrate By 15%**

**Bitfarms leverages Foundry's suite of offerings to purchase and finance the latest generation of Bitcoin mining machines that commenced operations on April 23, 2021.**

ROCHESTER, N.Y., April 23, 2021 (GLOBE NEWSWIRE) -- Bitfarms Ltd. ("Bitfarms") (TSXV:BITF / OTC:BFARF), and Foundry Digital LLC ("Foundry"), a wholly-owned subsidiary of Digital Currency Group (DCG) focused on digital asset mining and staking, jointly announce Bitfarms' purchase of 2,465 Whatsminer M30S Bitcoin mining machines through Foundry's services, among other updates.

### **Foundry Partnership**

Of the 2,465 machines, the first 1,465 were previously installed in Bitfarms' Sherbrooke facility in Q3 2020 for hosting. With the purchase of these machines, Bitfarms has ended its last hosting agreement and returned 100% of installed power capacity for its own Bitcoin production. Collectively, these machines have increased Bitfarms' operating hashrate by 133 PH/s.

The global chip shortage and Bitcoin's rising price continue to squeeze the supply of Bitcoin mining machines. Standard lead times for orders of latest generation machines currently range from 8 - 12 months and require down payments of 50-100% of the purchase price.

In light of this, Foundry, the market leader for mining equipment financing in North America, has formed strategic partnerships with the world's leading Bitcoin mining manufacturing companies to secure earlier access to machines for its clients. Foundry has already helped to procure nearly half of the Bitcoin mining machines installed in North America in 2020.

The purchase and financing of the first 1,465 machines through Foundry's financing services enabled Bitfarms to immediately increase its operating hashrate by 11% with only a 10% down payment of approximately US\$1 million. With current hardware prices being at record highs, financing has become a crucial component for Bitfarms to grow its operating hashrate with minimal cash outflows. With prevailing economics, Bitfarms expects to recover its initial deposit in under a month, and this equipment is expected to generate positive cash flows for another 3 to 5 years.

Under similar terms, Bitfarms will obtain financing to purchase an additional 1,000 Whatsminer M30S machines. These machines will produce 90 PH/s and are scheduled to be delivered in three shipments of 300-400 units in September, October and November. In addition, Foundry commits to providing Bitfarms with a US\$10 million equipment financing credit facility in early 2022 to help finance the acquisition of new machines.

Bitfarms is also pleased to join the Foundry USA Pool. This marks the first time Bitfarms has used a North America based pool. In addition to providing the same amount of revenue for Bitfarms via a full-pay-per-share (FPPS) model, the pool also has a number of powerful management, auditing and reporting capabilities which will give Bitfarms greater insight and control over its most precious asset, its hashrate.

"We are excited to partner with an industry-leading provider of equipment financing to secure timely and reliable access to the latest generation of Bitcoin mining machines, and to continue to grow our business," said Emiliano Grodzki, CEO of Bitfarms.

"We are pleased to provide Bitfarms, which is a leading Bitcoin mining company in North America, with equipment financing and a mining pool that has been designed to help publicly traded companies such as Bitfarms scale their operations locally and in a fully compliant manner," said Mike Colyer, CEO of Foundry.

### **Miner Rehabilitation Update**

On April 16<sup>th</sup>, Bitfarms announced the start of a 'miner rehabilitation program' for 80 PH/s of older and mid-generation Bitcoin mining machines. Bitfarms is pleased to announce that over half of those machines have now been repaired, restoring over 40 PH/s and increasing Bitfarms' installed operating hashrate to 1.38 EH/s — the largest currently reported in North America by a public company.

### **About Foundry**

A subsidiary of DCG, Foundry is a financing and advisory company focused on digital asset mining and staking. With the mission of empowering decentralized infrastructure for a digital world, Foundry provides North American digital asset mining businesses with capital and intelligence. Foundry is based in Rochester, NY. For more information, please visit [foundrydigital.com](https://foundrydigital.com).

## About Bitfarms

Bitfarms was founded in 2017 and is a Bitcoin mining company. It runs vertically integrated mining operations with onsite technical repair, data analytics and engineers to deliver high performance and uptime of operations.

Having demonstrated rapid growth and stellar operations, Bitfarms became the first Bitcoin mining company to complete its long form prospectus with the Ontario Securities Commission and started trading on the TSX-V in July 2019. Bitfarms is currently listed as a Rising Star by the TSX-V and is in the process of seeking a second listing which would be on the Nasdaq.

Bitfarms has a diversified production platform with five industrial scale facilities located in Québec. Each facility is 100% powered with environmentally friendly hydro power and secured with long-term power contracts. Bitfarms is currently the only publicly traded pure-play mining company audited by a Big Four audit firm.

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**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Bitfarms Ltd. (“Bitfarms” or the “Company”)  
18 King St. E, Suite 902  
Toronto, Ontario M5C 1C4

**Item 2 Date of Material Change**

April 26, 2021.

**Item 3 News Release**

The press release attached as Schedule “A” was disseminated on April 26, 2021.

**Item 4 Summary of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 5 Full Description of Material Change**

The material change is described in the press release attached as Schedule “A”.

**Item 6 Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7 Omitted Information**

Not applicable.

**Item 8 Executive Officer**

Nicolas Bonta  
Executive Chairman & Director  
Bitfarms Ltd.  
nbonta@bitfarms.com

**Item 9 Date of Report**

April 26, 2021.

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**Bitfarms Announces Plan to More than Double Installed Power Capacity in Québec in 2021 and Increases Hashrate to 1.42 EH/s**

**Toronto, Ontario and Brossard, Québec (April 26, 2021)** - Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) ([TSXV:BTF](#) // [OTC:BFARF](#)), today provides an update regarding its expansion plans in Québec.

**2021 Québec Development & Expansion**

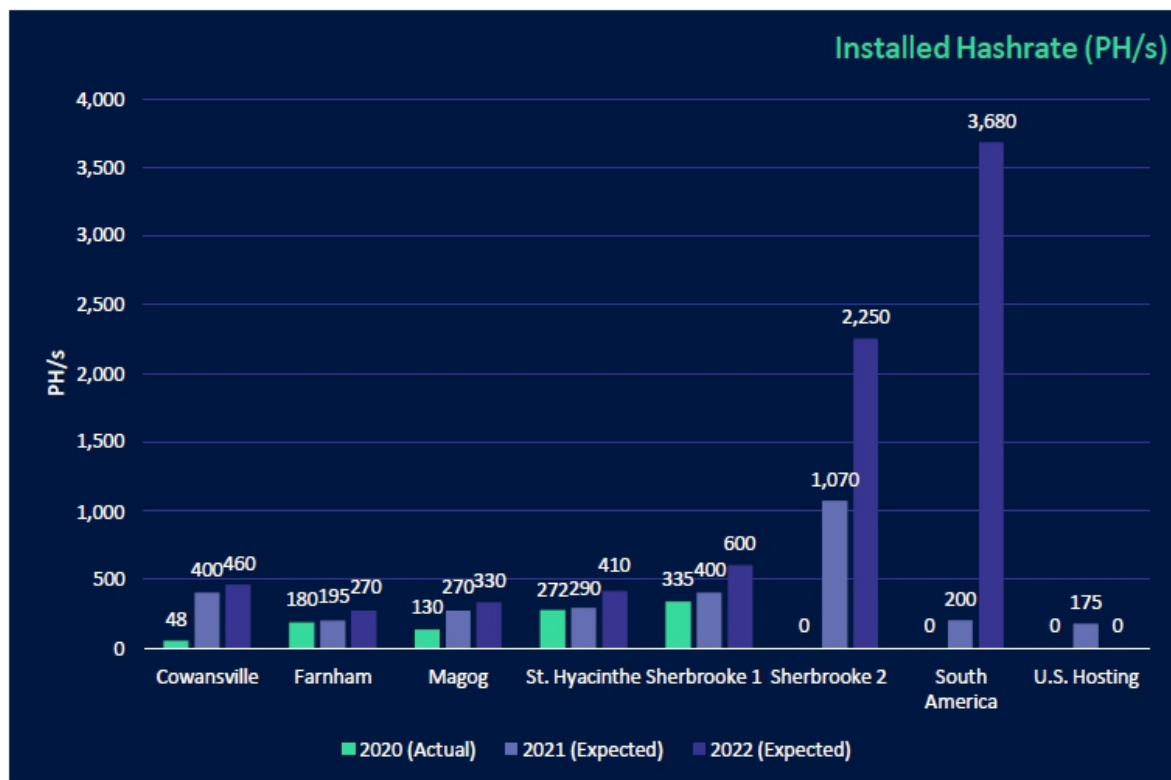
To deliver our growth forecast goals for 2021, Bitfarms has recently made significant commitments to developing new infrastructure in Québec. These developments include our previously announced Cowansville site renovation which will involve the increase in the installed power at the site from 4 MW to 17 MW. The expanded facility will be ready in July 2021. The Cowansville expansion will be equipped with the previously announced new miner deliveries:

| Name    | Miners       | Model | Total Hash      | Delivery                    |
|---------|--------------|-------|-----------------|-----------------------------|
| MicroBT | 496          | M31S+ | 40 PH/s         | April 23 <sup>rd</sup> 2021 |
| MicroBT | 1,500        | M31S+ | 120 PH/s        | June 2021                   |
| MicroBT | 1,500        | M31S+ | 120 PH/s        | July 2021                   |
| Total   | <u>3,496</u> |       | <u>280 PH/s</u> |                             |

With the completion of the Cowansville expansion, Bitfarms will have successfully developed 82 MW out of our 160 MW of contractual capacity with Hydro Quebec.

In addition, Bitfarms recently ordered materials, transformers, and electrical equipment to develop a further 66 MW of power capacity in Québec during the remainder of 2021 for a new mining site in Sherbrooke. Combined with the Cowansville expansion, a total of 79 MW of new mining infrastructure powered by green Québec hydro power will be developed and will become operational in 2021. Cumulatively Bitfarms is expecting to have 148 MW of installed hydro power mining infrastructure in Quebec by the end of 2021.

The new infrastructure will be able to support approximately 21,000 new generation miners capable of adding approximately 2.1 EH/s of new production. Many of the 48,000 WhatsMiner mining rigs previously announced for delivery starting in January 2022 or perhaps sooner, are destined for the existing and new mining facilities located in Sherbrooke, Quebec.



On Friday April 23rd, Bitfarms received and installed on the same day, 496 MicroBT M31S+ miners. These miners increased Bitfarms operating hashrate to 1.42 EH/s - the largest currently reported in North America by a public company.

With scheduled deliveries and miners being rehabilitated, Bitfarms is on track to achieving over 1.7 EH/s during the summer of 2021. With robust new infrastructure in Québec to be available in the foreseeable future, we can now turn our sights on acquiring new miners to be installed as construction is completed at the various facilities.

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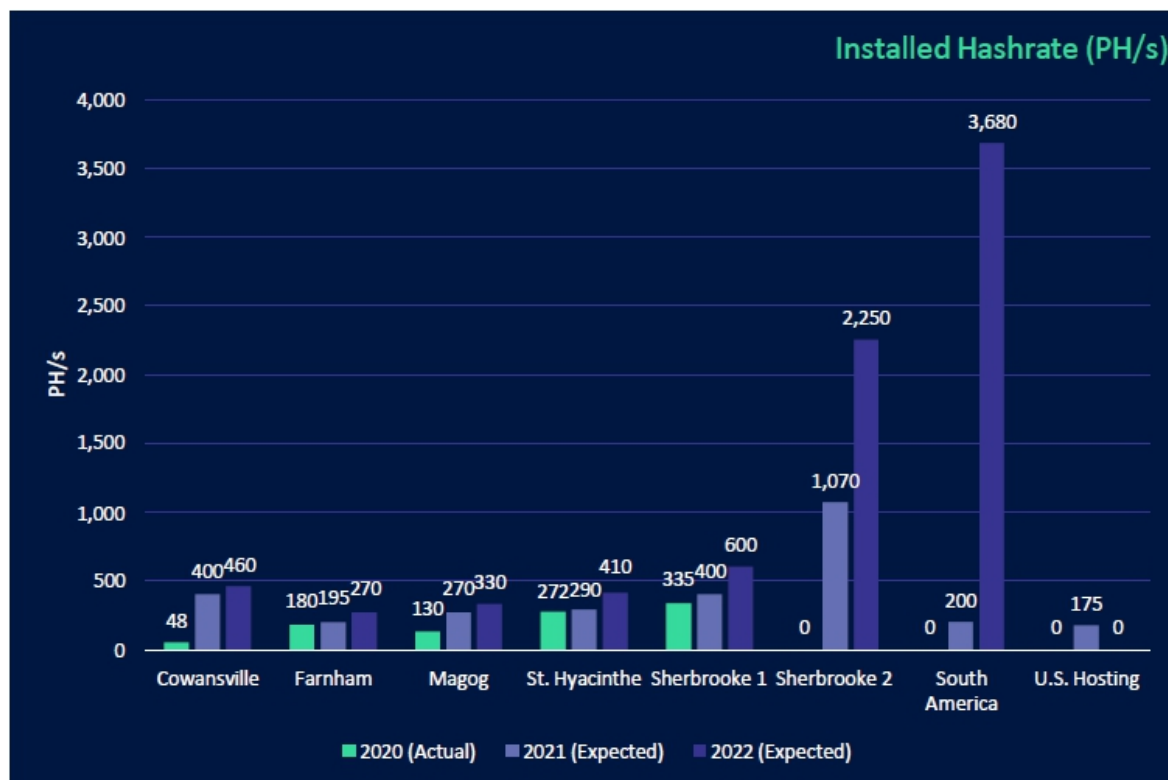
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*Trading in the securities of the Company should be considered highly speculative. No stock exchange, securities commission or other regulatory authority has approved or disapproved the information contained herein. Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

### **Forward-Looking Statements**

*This news release contains certain "forward-looking information" within the meaning of applicable securities laws that are based on expectations, estimates and projections as at the date of this news release. The information in this release about future plans and objectives of the Company is 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 resulting significant negative impact on the Company's operations, the construction and operation of expanded blockchain infrastructure as currently planned, and the regulatory environment of 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 reasonable assumptions and estimates of management of the Company at the time it was 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; 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; 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; 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 blockchain infrastructure 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 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) including the annual information form for the year ended December 31, 2020, filed on April 7, 2021. 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 forward-looking information. The Company undertakes no obligation to revise or update any forward-looking information other than as required by law.*

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**Consent of Independent Registered Public Accounting Firm**

We consent to the use in this Registration Statement on Form 40-F of the following reports:

- Our report dated April 29, 2020, with respect to the consolidated statements of financial position of Bitfarms Ltd. (the Company) as at December 31, 2019 and 2018 and the consolidated statements of profit or loss and comprehensive income (loss), changes in equity and cash flows for each of the years in the two-year period ended December 31, 2019, which is filed as Exhibit 99.14 to this Registration Statement on Form 40-F; and
- Our report dated April 29, 2020 with respect to the consolidated statement of financial position of Bitfarms Ltd. (the Company) as at December 31, 2019 and the consolidated statements of profit or loss and comprehensive income (loss), changes in equity and cash flows for the year ended December 31, 2019, which is filed as Exhibit 99.112 to this Registration Statement on Form 40-F.
- We also consent to reference to us under the heading, “Experts” in the Annual Information Form of the Company dated April 7, 2021, which is filed as Exhibit 99.123 to this Registration Statement on Form 40-F.

/s/ KOST FORER GABBY & KASIERER

KOST FORER GABBAY & KASIERER  
A Member of Ernst & Young Global

Tel Aviv, Israel  
April 27, 2021

**Consent of Independent Auditor**

We hereby consent to the incorporation by reference in the Registration Statement on Form 40-F of Bitfarms Ltd. of our report dated March 24, 2021, relating to the consolidated financial statements, which is filed as Exhibit 99.112 to the Registration Statement on Form 40-F. We also consent to reference to us under the heading, “Experts” in the Annual Information Form, which is filed as Exhibit 99.123 to the Registration Statement on Form 40-F.

/s/ Pricewaterhouse Coopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario, Canada

April 28, 2021