# Bitfarms Technologies Ltd. (formerly Blockchain Mining Ltd.) Reports Half-Year 2018 Consolidated Financial Results

**Montreal, Canada and Ramat Gan, Israel (August 30, 2018) –** Bitfarms Technologies Ltd. (formerly Blockchain Mining Ltd.) (the "Company") (TASE: BLLCF.TA) (OTCQX: BLLCF), one of the largest blockchain technology companies in the world through its ownership of Backbone Hosting Solutions Inc. (operating as "Bitfarms"), today announced its consolidated results for the half-year ended June 30, 2018 (all amounts in US dollars, unless otherwise indicated).

**Selected 2018 First Half Highlights**

- Consolidated revenue of $22.3 million; gross profit of $12.5 million (56% gross profit margin), operating income of $6.8 million (31% operating margin), EBITDA[1] of $12.6M (57% EBITDA margin) and net income of $4.9 million;
- Mining operations segment revenue of $21.1 million, gross profit of $12.3 million (58% gross profit margin), gross mining profit of $17 million (80% gross mining margin), operating income of $8.1 million (38% operating margin), EBITDA of $13.9M (66% EBITDA margin) and net income of $6.2 million;
- Coins mined in first six months of 2018: 1,923 Bitcoin, 2,222 Bitcoin Cash, 3,324 Litecoin, 567 Ethereum and 220 Dash;
- Appointment of key executives: Wes Fulford, CEO (June 2018) and John Rim, CFO (June 2018);
- Completed merger with Backbone Hosting Solutions Inc. (operating as "Bitfarms");
- Completed acquisition of Volta, an electrical services company in Quebec, Canada with 40 skilled electricians specialized in electrical infrastructure build-out of industrial computing centers;
- Completed purchase and installation of > 6,500 ASICs at St. Hyacinthe, Quebec facility producing approx. 91 PH/s of hash rate, increasing the Company's hash power > 90% from the end of 2017;
- Negotiated and finalized energy purchasing agreements with Hydro-Sherbrooke to secure 98 MW of green, low-cost electricity providing the Company with the opportunity to grow mining operations to approximately five times the current size;
- Completed acquisition of land and two industrial properties in Sherbrooke, Quebec funded with balance sheet cash. Sherbrooke will be the focus of Bitfarms' near-term operational expansion and home to a future mega-facility;
- Secured approval for provincial investment tax holiday in Quebec, Canada; and
- Completed construction of leasehold improvements and installation of all electrical infrastructure for new 10MW facility in Magog, Quebec; fully ready to commence cryptocurrency mining operations.

"We are very proud of the tremendous progress made in the first half of Fiscal 2018," commented Wes Fulford, CEO of Bitfarms Technologies Ltd. "Through disciplined execution and responsible financial management, our team has successfully completed several key initiatives that align with our strategic objectives of securing low-cost, clean energy, growing mining infrastructure and operations, vertically

[1] EBITDA, EBITDA margin, Gross mining profit and Gross mining margin are non-IFRS measures; please refer to the note at the end of this press release regarding the use of Non-IFRS Measures.

integrating to minimize dependence on costly third-party service providers and exploring exciting new business verticals within blockchain technology."

"Contrary to industry trends, we achieved strong revenues and robust margins throughout the period. Our impressive cost structure, enabled by long-term, affordable electricity and real-estate leasing costs, allows us to maintain profitability during periods of volatile cryptocurrency pricing. We are committed to executing our vision as we strengthen Bitfarms' position as a leading player within the global blockchain industry", said Mr. Fulford.

## Financial Review

**Consolidated Company Results (000's)**

| | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Revenue | $22,285 | $8,663 |
| Energy and infrastructure | (4,176) | (673) |
| Depreciation and amortization | (5,800) | (1,107) |
| Other costs of goods sold | 202 | 431 |
| Cost of goods sold | (9,774) | (1,349) |
| **Gross profit** | **$12,511** | **$7,314** |
| **Gross profit margin** | **56%** | **84%** |
| G&A and other expenses | (5,668) | (422) |
| **Operating income** | **6,843** | **6,892** |
| **Operating income margin** | **31%** | **80%** |
| Finance expenses | (136) | (4) |
| Earnings before income taxes | 6,707 | 6,888 |
| Income tax expense | (1,791) | (1,983) |
| **Net income** | **$4,916** | **$4,905** |
| **EBITDA** | **$12,643** | **$7,999** |
| **EBITDA %** | **57%** | **92%** |

For the six-month period ended June 30, 2018 the Company had consolidated gross profit of $12.5 million (56% margin) on consolidated revenues of $22.3 million compared to gross profit of $7.3 million (84% margin) on revenues of $8.7 million for the fifty-six day period ended December 31, 2017.

Revenue, cost of goods sold and general and administrative expenses all increased primarily due to the six months of operations in the period ended June 30, 2018 compared to fifty-six days of operations in the period ended December 31, 2017.

The Gross profit margin decreased from 84% to 56% because the Company realized lower daily revenue in the six-month period ended June 30, 2018 compared to the fifty-six day period ended December 31, 2017 due to lower average realized prices on bitcoin sales and increases in network difficulty that outpaced hash rate growth of the Company. The average realized sale price per Bitcoin was $13.7 thousand for the period ended December 31, 2017 and $9.4 thousand for the period ended June 30, 2018. Network hash rate grew 138% from the beginning of 2018 to June 30th while the Company's hash rate grew by 103% during the same period.

Energy and infrastructure expenses increased from $0.7 million in the fifty-six day period ended December 31, 2017 to $4.2 million for the six-month period ended June 30, 2018 due to the increased number of operating days and the addition of approximately 6,500 cryptocurrency mining computers as the Company grew its mining operations.

Similarly, the Company's depreciation and amortization increased from $1.1 million to $5.8 million for the six-month period ended June 30, 2018 compared to the fifty-six day period ended December 31, 2017 primarily due to the increased number of operating days and the fact that the Company purchased $12.5 million of mining and electrical equipment during the first six months of 2018.

General and administration expenses for the periods ended June 30, 2018 and December 31, 2017 were $5.1 million and $0.4 million, respectively. Increased general and administration expenses are due to the increased number of operating days in the six-month period ended June 30, 2018, the Company's operational growth, go-public transaction costs and public company compliance costs.

**Mining Operation Segment Results (000's)**

| | **June 30, 2018** | **December 31, 2017** |
|---|---|---|
| Revenue | $21,129 | $8,663 |
| Energy and infrastructure | (4,164) | (673) |
| Depreciation and amortization | (5,772) | (1,107) |
| Other costs of goods sold | 1,093 | 431 |
| Cost of goods sold | (8,843) | (1,349) |
| **Gross profit** | **$12,286** | **$7,314** |
| **Gross profit margin** | **58%** | **84%** |
| G&A and other expenses | (4,160) | (422) |
| **Operating income** | **8,126** | **6,892** |
| **Operating income margin** | **38%** | **80%** |
| Finance expenses | (124) | (4) |
| Earnings before income taxes | 8,002 | 6,888 |
| Income tax expense | (1,791) | (1,983) |
| **Net income** | **$6,211** | **$4,905** |
| **EBITDA** | **$13,898** | **$7,999** |
| **EBITDA margin** | **66%** | **92%** |
| **Gross mining profit** | **$16,965** | **$7,990** |
| **Gross mining margin** | **80%** | **92%** |

Bitfarms' mining operations form, by far, the majority of the Company's total operations.

For the six-month period ended June 30, 2018, the Company's cryptocurrency mining operations segment had gross profit of $12.3 million (58% margin) on revenues of $21.1 million, compared to gross profit of $7.3 million (84% margin) on revenues of $8.7 million for the fifty-six day period ended December 31, 2017.

Gross mining profit was $17 million (yielding Gross mining margin of 80%) for the six-month period ended June 30, 2018 compared to $8 million and 92%, respectively, for the fifty-six day period ended December 31, 2017. The Gross mining margin decreased by 12% due to the increase in network difficulty outpacing the increase in hash power achieved by the Company during the first six months of 2018.

EBITDA from mining operations was $13.9M (66% EBITDA margin) for the six-month period ended June 30, 2018 compared to $8 million (92% EBITDA margin) for the fifty-six day period ended December 31, 2017. Please refer to the details in the analysis of the Consolidated Company Results for explanations of changes in revenue and expenses.

## Webcast

The company will be hosting a webcast presentation at 11:00 AM Israel Daylight Time (4:00 AM Eastern Standard Time) on August 30, 2018 following the dissemination of its financial results. To view the webcast presentation, please register using this direct link. The financial results and presentation will also be available on our website.

## About Bitfarms Technologies Ltd. (formerly Blockchain Mining Ltd.)

Bitfarms Technologies Ltd. (formerly Blockchain Mining Ltd.), through its transaction with Backbone Hosting Solutions Inc. (Bitfarms), owns and operates blockchain farms that power the global decentralized financial economy. Bitfarms provides computing power to cryptocurrency networks such as Bitcoin, Bitcoin Cash, Ethereum, Litecoin and Dash, earning fees from each network for securing and processing transactions, 24 hours a day, seven days a week. Since 2013, predecessors to Bitfarms have constructed 4 farms in Québec, Canada, which have 27.5 MW of installed capacity and approximately 200 Ph/s of installed hash-power. Bitfarms' construction pipeline includes an additional 5 farms with a total of 162.5 MW of power capacity, including current operations.

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Keep up-to-date on Bitfarms' events, developments and online communities**:**

***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. The Tel Aviv Stock Exchange has neither approved nor disapproved the contents of this press 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, the listing of the Common Shares on stock exchanges, 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 in 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;*

*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 Measures***

*This news 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," "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. Gross mining profit and Gross mining margin are measures used to quantify power and infrastructure costs in cryptocurrency production, the single biggest 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) finance expenses; (ii) income tax expense; and (iii) depreciation and amortization. "EBITDA margin" is defined as the percentage obtained when dividing EBITDA by Revenue. "Gross mining profit" is defined as Revenue minus Energy and infrastructure expenses for the Mining Operations segment of the Company. "Gross mining margin" is defined as the percentage obtained when dividing Gross mining profit by Revenue for the Mining Operations 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.*