

Bitfarms First Quarter 2022 Financial Results Recap

By Geoffrey Morphy

The first quarter of 2022 was a profitable one for Bitfarms. I am excited to share highlights from our financial results call on May 16th and how our Q1 performance is impacting the business in 2022.

This past week's presentation covered Bitfarms' first quarter financial results, the status of our current operating locations and an update on the company's expansion projects. We also discussed recent external challenges given the price erosion in Bitcoin (BTC) and higher natural gas prices and as such, we discussed how the company is either addressing them or adjusting our operations to minimize risks and maximize returns.

Bitfarms is one of the largest and most profitable BTC miners in the world. In the first quarter of 2022, we generated revenues of \$42 million; gross mining profit of \$30 million which represents a gross mining margin of 76%, and an Adjusted EBITDA of \$32 million, which is 80% of Revenues.

On April 5th, we were pleased to announce that we surpassed 3.0 Exahash (EH/s) per second of computational throughput. Achieving this corporate milestone mere days after our stated target of March 31st is a testament to our advanced planning and the efforts of our experienced and talented construction and electrical teams. This is up 36% from 2.2 EH/s on December 31st, 2021. Recently, our hashrate grew to 3.4 EH/s, representing approximately 1.5% market share. The growth in Bitfarms' corporate hashrate continues to accelerate faster than the BTC network, which is required if we are going to continue to expand revenues, cash flow, and increase the value of the company.

During the first quarter, we mined 961 BTC at an average cost of \$8,700 per BTC. We were successful with keeping costs low by remaining consistent with our performance at the start of 2021 and keeping our cost of production at a fraction of the cost of our peers. We have recognized and committed to the importance of having low-cost production due to risks and scenarios such as the recent drop in BTC price. Despite the drop and due to our low production cost, we have maintained healthy margins. As a self-mining, vertically integrated BTC mining company, we have always taken pride in being an efficient operator. To this end, we have kept our direct cost of mining a BTC at under \$9,000 for the past five fiscal quarters.

We ended the first quarter with \$77 million in cash and 5,244 BTC valued at \$230 million as of March 31st. As of recently, we hold just over 5,900 BTC. Having adequate cash and BTC reserves is important as it allows Bitfarms to 1) continue growing the company without resorting to raising dilutive capital and 2) respond to new opportunities as they arise.

Despite the quarter's declining BTC prices, we maintained healthy margins. Bitfarms emerged from Q1 2022 with profitable results, including a reported net income of \$5 million, and we exited with a healthy balance sheet. Our Adjusted EBITDA acts as a proxy for cash flow

generated from operations. Our EBITDA margin consistently comes in at a percentage of revenues well beyond many of our peers and most other industries.

Further Q1 2022 achievements include initiating production at both The Bunker and our Leger sites in Sherbrooke, Québec. This, along with commencing production at our 10-megawatt (MW) farm in Villarrica, Paraguay in January, increased our total farms in production to nine and our operational capacity to 137 MW. We have an additional 92 MW under development that are expected to come online in 2022, for a total planned capacity of 229 MW by December 31, 2022.

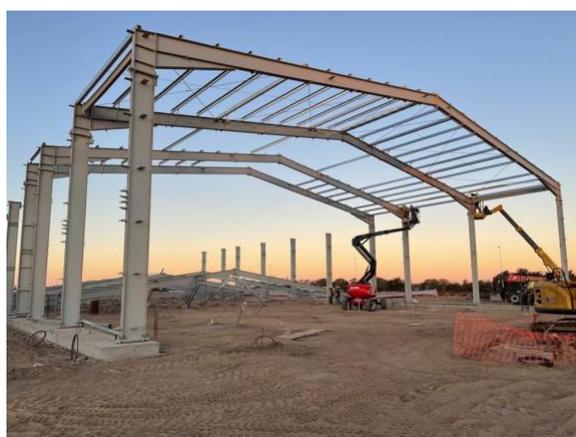
The Bunker is currently ramping up to 18 MW in its first phase of operations. As of today, we are currently drawing 12-MW. Equipment is now being installed to activate the remaining 6 MW in Phase One over the coming weeks. Phases Two and Three, which involve 18 MW and 12 MW respectively, are under construction. These phases are on track to reach completion in the second and third quarters of 2022. Upon full buildout, The Bunker is slated to be a 48 MW facility, housing 13,000 miners, and anticipated to deliver 1.3 EH/s per second.

Leger, which started production on April 6th, is currently running at 16 MW (with an expectation to achieve 30 MW). The facility is currently generating over 250 petahash per second (PH/s), and upon full build out, will be capable of delivering more than 740 PH/s per second.

Located strategically close to The Bunker and Leger farms, Garlock was acquired in mid-March. Combined with The Bunker and Leger facilities, it is intended to replace the de la Pointe facility and fully utilize Bitfarms' power contracts in the municipality, in accordance with the company's previously announced co-operation agreement with the City of Sherbrooke reached in September 2021.

We began production at our 10 MW farm in Villarrica, Paraguay in January. Like our farms in Canada and the US, this farm is run on low-cost hydropower. And, having established a foothold in the country and gained experience working there, we are increasingly optimistic about further and larger development opportunities within the country.

In Rio Cuarto, Argentina, we have contracted plans for up to 210 MW, which will power four warehouse-style buildings inside the gates of a private power company. These buildings will utilize available capacity and otherwise stranded power. There is a 4-Phase approach to this project. We anticipate completing Phase I, which is for a 50-megawatt facility, in October 2022. Progress on Warehouse One is clearly evident from the picture (taken on May 18th, 2022). Phase II, which is another 50 MW facility, is also under construction. Our revised timing for the activation of BTC mining



in the second warehouse is Q1 2023. Together, these facilities are projected to deploy 27,500 miners.

Given the adverse impact of recent geopolitical events on natural gas prices, we are reassessing the timing and scale of the potential full build-out of the Rio Cuarto farm. However, Argentina remains an attractive area for new development opportunities. We are active in the region and ultimately anticipate developing a diverse mix of farms within the country.

In Q1 2022, we received and installed more than 10,500 miners. And, in April 2022, an additional 5,900 new miners were installed, which added more than 590 PH/s per second to our online hashrate since the end of Q1.

We recently launched our revamped internal miner management system that has been in Beta for the last 9 months. This second-generation management software has been upgraded to enable the company to manage hundreds of thousands of miners across its globally decentralized mining farms, with a focus on maximizing uptime. The software features improved controls, tracking, sensors, alarms, visualizations, and performance metrics, which will ultimately increase operational efficiency.

Our current daily production now stands at about 14.5 BTC per day, which, based on recent prices of about \$30,000 per BTC, equates to approximately \$435,000 in daily revenue. This builds on the gains we reported in our last call and marks our highest production level since before the last halving event in May 2020. Further, with our low cash costs of production, mining BTC remains highly profitable and offers a short pay back on investments in miners and the related operating infrastructure.

Our strategy continues to focus on diversifying our mining portfolio by prioritizing locations with cost-effective and reliable electricity. With proven expertise, expanded infrastructure and a strong management team, we are better positioned than ever to execute on our growth plans for 2022 and beyond.

In upcoming events, we are excited to present at the HC Wainwright Global Investment Conference in Miami from May 23-26 and at the DA Davidson BTC & Blockchain conference on June 2nd in New York City. We are also planning an Analyst and Institutional Investor Day on June 22nd in Montreal, which will include a review of our global operations by our management team and a physical tour of some of our farms in Quebec.

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