



## Bitfarms Reports Financial Results for the Three and Nine Months Ended September 30, 2019

11.27.19

TORONTO & BROSSARD, Québec--(BUSINESS WIRE)-- Bitfarms Ltd. (“**Bitfarms**”, or the “**Company**”) ([TSXV:BITF](https://www.tsx.com/quote/BITF)) today announced its consolidated results for the three and nine months ended September 30, 2019.

### September 30, 2019 Financial Summary and Corporate Highlights

- Consolidated revenue of US\$9.7 million; gross profit of US\$4.5 million (46% gross profit margin), operating income of US\$2.1 million (22% operating margin), and net income of US\$4.3 million;
- Mining operations segment gross mining profit<sup>1</sup> of US\$6.0 million (67% gross mining margin);
- EBITDA of US\$7.2 million (74% EBITDA margin) and Adjusted EBITDA of US\$4.7 million (48% Adjusted EBITDA margin);
- Mined 834 Bitcoin and 1,219 Litecoin in Q3 2019;
- Q3 2019 average break-even<sup>2</sup> Bitcoin price of US\$3,482 and average break-even Litecoin Price of US\$100;
- Completed the drawdown of the 4<sup>th</sup> and final US\$5.0 million tranche of US\$20.0 million loan to fund planned expansion;
- Completed the acquisition of 7,795 new generation ASICs of which 4,750 of the acquired ASICs have been installed as at September 30, 2019. The 4,750 installed ASICs produce approximately 240 PH/s of hashrate and represent an increase of approximately 79% since the end of Q2 2019;
- Bitfarms acquired the remaining 39.3% of outstanding shares of Backbone 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; and
- Appointed Mathieu Vachon, a Founder of Bitfarms, to Executive Vice President, Technology and Operations.

“Our Q3 financial results are beginning to reflect the steady and disciplined execution of our growth plans during 2019. The Q3 results include the full quarterly financial impact of the approximately 100 PH/s of computing power added in Q2 and a portion of the additional ~250 PH/s added in Q3. As of the date of this press release, Bitfarms has almost quadrupled its hashrate in the past 8 months, and with the financial results achieved in Q3 which begin to show the results of our growth, I am pleased to report that the company is now already profitable on a net income basis year-to-date in 2019 per IFRS” commented John Rim, Chief Financial Officer.

Wes Fulford, Chief Executive Officer of Bitfarms added, “Throughout 2019 Bitfarms has been positioning itself as an industry leader in terms of corporate governance and operational and financial performance. We have strengthened our team, added a new computing centre and deployed capital into modern and cutting-edge mining equipment. With these new generation miners contributing to ~73% of our installed computing power, we have a defensive business model and are well positioned to withstand volatility in mining economics.”

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 press release regarding the use of Non-IFRS Measures.

2 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.

### Financial Review

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

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

For the periods ended as indicated	Three months ended				Nine months ended			
	Sep. 30 2019	Sep. 30 2018	\$ Change	% Change	Sep. 30 2019	Sep. 30 2018	\$ Change	% Change
Revenues	9,739	6,866	2,873	42%	21,886	29,151	(7,265)	(25%)
Cost of Sales	5,276	6,149	(873)	(14%)	13,280	16,056	(2,776)	(17%)
Gross profit	4,463	717	3,746	522%	8,606	13,095	(4,489)	(34%)
Gross margin	46%	10%	-	-	39%	45%	-	-

G&A and other expenses	<b>2,356</b>	2,390	(34)	(1%)	<b>7,638</b>	8,103	(465)	(6%)
Operating income (loss)	<b>2,107</b>	(1,673)	3,780	(226%)	<b>968</b>	4,992	(4,024)	(81%)
Operating margin	<b>22%</b>	(24%)	-	-	<b>4%</b>	17%	-	-
Financial income	<b>3,425</b>	-	-	-	<b>2,197</b>	-	-	-
Interest expense	<b>1,332</b>	11	1,321	12009%	<b>2,146</b>	121	2,025	1674%
Other financial expenses (income)	<b>(92)</b>	28	(120)	(429%)	<b>53</b>	54	(1)	(2%)
Pre-tax income (loss)	<b>4,292</b>	(1,712)	6,004	(351%)	<b>966</b>	4,817	(3,851)	(80%)
Income tax expense (recovery)	<b>(17)</b>	-	-	-	<b>(17)</b>	1,791	-	-
Net income (loss) per share - basic	<b>0.06</b>	(0.02)	0.08	(400%)	<b>0.03</b>	(0.02)	0.05	(250%)
Gross mining profit <sup>(1)</sup>	<b>5,954</b>	4,525	1,429	32%	<b>12,192</b>	21,478	(9,286)	(43%)
Gross mining margin <sup>(1)</sup>	<b>67%</b>	67%	-	-	<b>62%</b>	77%	-	-
EBITDA <sup>(1)</sup>	<b>7,161</b>	1,700	5,461	321%	<b>7,329</b>	14,272	(6,943)	(49%)
EBITDA margin <sup>(1)</sup>	<b>74%</b>	25%	-	-	<b>33%</b>	49%	-	-
Adjusted EBITDA <sup>(1)</sup>	<b>4,668</b>	1,903	2,765	145%	<b>7,632</b>	15,867	(8,235)	(52%)
Adjusted EBITDA margin <sup>(1)</sup>	<b>48%</b>	28%	-	-	<b>35%</b>	54%	-	-

## 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 Q3 2019 was US\$9,739,000 compared to US\$6,866,000 for the comparable three-month period in 2018 ("Q3 2018"). Revenue in Q3 2019 increased US\$2,873,000 or 42% compared to the revenue in Q3 2018. The most significant factors influencing the net increase to Bitfarms' revenue for the three months ended September 30, 2019 compared to the three months ended September 30, 2018 are the 40% higher average realized price per Bitcoin of US\$10,281 in Q3 2019 compared to US\$7,321 in Q3 2018, as well as 91 more Bitcoin mined resulting from Bitfarms' average increased hashrate in excess of the average Network Difficulty during Q3 2019 compared to Q3 2018.

## Cost of Sales

Bitfarms' cost of sales for Q3 2019 was US\$5,276,000 compared to US\$6,149,000 in Q3 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\$753,000 or 34% in Q3 2019 compared to Q3 2018 as the Company added new Mining computers which had the effect of increasing electrical consumption from 22 MW at the end of Q3 2018 to 41 MW at the end of Q3 2019.

Depreciation and amortization expense decreased by US\$1,864,000 in Q3 2019 compared to Q3 2018 due to the impairment loss of US\$18,500,000 on property, plant and equipment and intangible assets recorded by the Company in Q4 2018. The decrease in depreciation and amortization expense was partially offset by an increase in depreciation and amortization expense of US\$215,000 in Q3 2019 compared to Q3 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

For the three and nine month periods ended September 30, 2019 the Company had consolidated gross profit of US\$4.5 million (46% gross margin) and US\$8.6 million (39% gross margin) on consolidated revenues of US\$9.7 million and US\$21.9 million, respectively, compared to gross profit of US\$0.7 million (10% gross margin) and US\$13.1 million (45% gross margin) on revenues of US\$6.9 million and US\$29.2 million, respectively, for three and nine month periods ended September 30, 2018. Bitfarms' net income for Q3 2019 was US\$4,309,000 compared to a net loss of US\$1,712,000 for Q3 2018.

## General & Administrative Expenses

Bitfarms' general and administrative expenses decreased US\$34,000 or 1% in Q3 2019 compared to Q3 2018. There were higher salary expenses of US\$504,000 in Q3 2019 compared to Q3 2018 for non-cash share-based compensation expense related to employee stock options approved and granted in Q2 2019 that did not exist in Q3 2018. The increase in salaries expense in Q3 2019 compared to Q3 2018 was primarily offset by US\$394,000 lower professional fees in Q3 2019 compared to Q3 2018 that primarily related to costs of preparation of the Company's preliminary prospectus to list its common shares in Canada.

## Financial Income and Expenses

Bitfarms' financial income for Q3 2019 was US\$3,425,000 compared to financial income of US\$nil in Q3 2018 resulting primarily from revaluation of the warrants and embedded derivative creating non-cash gains of US\$2,588,000 and US\$831,000, in connection with the Dominion Capital loan described below.

Financial expenses for Q3 2019 was US\$1,240,000 compared to US\$39,000 in Q3 2018, the increase is primarily related to interest expense of US\$1,019,000 incurred on the Dominion Capital loan which did not exist in Q3 2018. Financial income and expenses are comprised of interest on the Dominion Capital loan financing, warrant issuance costs, gain on embedded derivative, gain on fair value revaluation of the warrants, interest payments in respect of vendor financing, interest expense on the lease liabilities, unrealized foreign exchange losses on translation of lease liabilities in Canadian dollars to the functional currency in US dollars, and interest on Volta's long-term debt repayments and bank charges.

## 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				Nine months ended			
	Sep. 30	Sep. 30	\$	%	Sep. 30	Sep. 30	\$	%
	2019	2018	Change	Change	2019	2018	Change	Change
Net income (loss)	4,309	(1,712)	6,021	(352%)	983	3,026	(2,043)	(68%)
Interest Expense	1,332	11	1,321	12009%	2,146	121	2,025	1674%
Income Tax Expense	(17)	-	(17)	0%	(17)	1,791	(1,808)	(101%)
Depreciation/Amortization	1,537	3,401	(1,864)	(55%)	4,217	9,334	(5,117)	(55%)
EBITDA	7,161	1,700	5,461	321%	7,329	14,272	(6,943)	(49%)
Stock Compensation Expense	872	198	674	340%	2,443	581	1,862	320%
Financial income	(3,425)	-	(3,425)	0%	(2,197)	-	(2,197)	0%
Listing Cost	-	-	-	0%	-	1,000	(1,000)	(100%)
Impairment	56	-	56	0%	56	-	56	0%
Other Non-Cash Expenses	4	5	(1)	(20%)	1	14	(13)	(93%)
Adjusted EBITDA	4,668	1,903	2,765	145%	7,632	15,867	(8,235)	(52%)

Bitfarms' net income for Q3 2019 was US\$4,309,000 compared to a net loss of US\$1,712,000 for Q3 2018. Bitfarms' income tax recovery for the Q3 2019 was US\$17,000 compared to US\$nil for Q3 2018. EBITDA and Adjusted EBITDA for Q3 2019 were US\$7,161,000 and US\$4,668,000, respectively, compared to US\$1,700,000 and US\$1,903,000, respectively, in Q3 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.

## Webcast

The Company will be hosting a webcast presentation at 10:00 AM Eastern Standard Time on November 27, 2019. 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 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.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 margin 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.

View source version on businesswire.com: <https://www.businesswire.com/news/home/20191127005188/en/>

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