Bitfarms Reports Financial Results for the Year Ended December 31, 2018

03.31.19

BROSSARD, Quebec & RAMAT GAN, Israel--(BUSINESS WIRE)-- Bitfarms Ltd. ("Bitfarms", or the "Company") (TASE: BLLCF) (OTCQX: BLLCF), one of the largest blockchain technology companies in the world through its ownership of Backbone Hosting Solutions Inc., today announced its consolidated results for the year ended December 31, 2018 (all amounts in US dollars, unless otherwise indicated).

2018 Financial Summary and Corporate Highlights

- Consolidated revenue of $33.8 million; gross profit of $10.9 million (32% gross profit margin), operating loss of $18.0 million, EBITDA[1] loss of $5.5 million and net loss of $18.2 million;
- Impairment of property plant and equipment and intangible assets of $19.1 million;
- Mining operations segment revenue of $31.6 million, gross mining profit of $23.2 million (73% gross mining margin), gross profit of $10.3 million (33% gross profit margin), operating loss of $16.5 million, EBITDA loss of $4.0 million and net loss of $16.6 million;
- Coins mined in 2018: 3,252 Bitcoin, 2,577 Bitcoin Cash, 6,234 Litecoin, 964 Ethereum and 611 Dash;
- Completed merger with Backbone Hosting Solutions Inc. (operating as "Bitfarms") and appointed key executives;
- Completed acquisition of Volta électrique, an electrical services company in Quebec;
- Completed the construction of a brand-new centralized repair lab in Saint-Jean-sur-Richelieu, supported by a team of technicians trained directly by leading hardware manufacturers;
- Completed purchase and installation of approximately 6,500 ASICs at 10MW facility in Saint-Hyacinthe, Quebec;
- Negotiated and finalized energy purchasing agreements with Hydro-Sherbrooke to secure 98 MW of economic, green electricity;
- Completed construction and commenced partial mining operations (1.5MW) at the new 10MW facility in Magog, Quebec;
- Filed a preliminary prospectus with the Ontario Securities Commission in support of the Company's Canadian Listing Strategy.

"2018 was a volatile year for the cryptocurrency industry and crypto miners. From the beginning of 2018 to December 31st, the price of Bitcoin decreased by 73% while network difficulty increased by 288% to its peak in October 2018. Despite the challenges, through continuous reinvestment of cash flow generated from our operations, careful financial planning and disciplined execution, we were able to achieve many operational growth objectives in 2018. We also successfully secured a large pipeline of economical, renewable energy that will allow us to continue to grow and scale going forward. With our recently secured $20M debt facility, we are well-positioned to continue our growth and build upon Bitfarms' strong position in the crypto mining space," commented John Rim, Chief Financial Officer.

Financial Review

Consolidated Company Results (000's)

	December 31, 2018	December 31, 2017
Revenue	$33,805	$8,663
Energy and infrastructure	8,487	673
Depreciation and amortization	12,548	1,107
Other costs of goods sold	1,893	(431)
Cost of goods sold	22,928	1,349

Gross profit	**$10,877**	**$7,314**
Gross profit margin	**32%**	**84%**
General and administrative expenses	8,815	171
Listing cost of reverse acquisition	1,000	-
Impairment of property, plant and equipment and intangible assets	19,060	-
Other expenses	-	251
Operating income (loss)	**(17,998)**	**6,892**
Operating income margin	**(53%)**	**80%**
Finance expenses	179	4
Earnings (loss) before income taxes	(18,177)	6,888
Income tax expense	59	1,983
Net income (loss)	**($18,236)**	**$4,905**
EBITDA (loss)	**($5,450)**	**$7,999**
EBITDA %	**(16%)**	**92%**

For the year ended December 31, 2018 the Company had consolidated gross profit of $10.9 million (32% gross margin) on consolidated revenues of $33.8 million compared to gross profit of $7.3 million (84% gross 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 twelve-months of operations in the period ended December 31, 2018 compared to fifty-six days of operations in the period ended December 31, 2017.

Gross profit margin decreased from 84% to 32% as the Company realized lower daily revenue in the year ended December 31, 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 Bitcoin price at the time of mining decreased by approximately 27% from the fifty-six day period ended December 31, 2017 ($10,754) when compared to the twelve-month period ended December 31, 2018 ($7,904). Furthermore, while Bitfarms' average internal hash rate increased from approximately 106 peta hash per second ("Ph/s") at the beginning of 2018 to approximately 220 Ph/s by the end of 2018, the average network difficulty increased by as much as 288% during 2018 compared to the start of 2018.

Energy and infrastructure expenses increased from $0.7 million in the fifty-six day period ended December 31, 2017 to $8.5 million for the year ended December 31, 2018. The increase in energy and infrastructure expenses was due to increased Bitcoin mining capacity and a full year of activity. Energy costs were partially offset by a firmware upgrade which was implemented in October 2018, allowing the Antminer S9s to operate using approximately 11 to 13% less electricity. Similarly, the Company's depreciation and amortization increased from $1.1 million to $12.5 million for the year ended December 31, 2018 compared to the fifty-six day period ended December 31, 2017 primarily due to the acquisition of more mining computers and infrastructure as well as twelve months of amortization compared to 56 days. General and administration expenses for the year ended December 31, 2018 and the fifty-six day period December 31, 2017 were $8.8 million and $0.2 million, respectively. Increased general and administration expenses are due to the full year of operations in the period ended December 31, 2018, as well as the Company's operational growth, go-public transaction costs, professional services and public company compliance costs.

Mining Operation Segment Results (000's)

	December 31, 2018	**December 31, 2017**
Revenue	$31,641	$8,663
Energy and infrastructure	(8,466)	(673)
Depreciation and amortization	(12,491)	(1,107)
Other costs of goods sold	(392)	431
Cost of goods sold	(21,349)	(1,349)

Gross profit	**$10,292**	**$7,314**
Gross profit margin	**33%**	**84%**
G&A and other expenses	(7,510)	(422)
Impairment on property, plant and equipment and intangible assets	(19,254)	-
Operating income (loss)	**(16,472)**	**6,892**
Operating income margin	**(52%)**	**80%**
Finance expenses	153	(4)
Earnings (loss) before income taxes	(16,625)	6,888
Income tax expense (recovery)	6	(1,983)
Net income (loss)	**(16,631)**	**$4,905**
EBITDA	**(3,981)**	**$7,999**
EBITDA margin	**(13%)**	**92%**
Gross mining profit	**$23,175**	**$7,990**
Gross mining margin	**73%**	**92%**

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

For the year ended December 31, 2018, the Company's cryptocurrency mining operations segment had gross profit of $10.3 million (33% gross margin) on revenues of $31.6 million, compared to gross profit of $7.3 million (84% gross margin) on revenues of $8.7 million for the fifty-six day period ended December 31, 2017.

Gross mining profit was $23 million (yielding Gross mining margin of 73%) for the year ended December 31, 2018 compared to $8 million and 92%, respectively, for the fifty-six day period ended December 31, 2017. The Gross mining margin decreased by 19% due to the increase in network difficulty outpacing the increase in hash power achieved by the Company during the year ended 2018 as detailed above.

EBITDA loss from mining operations was $4.0 million for the full year ended December 31, 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.

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

Through its ownership of Bitfarms, 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 4 computing centres in Québec, Canada with 36MW of built-out infrastructure and approximately 220 Ph/s of installed hash power. Bitfarms' strong and experienced management team is comprised of veteran 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.

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

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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. 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.

[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.

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Source: Bitfarms Ltd.