



Bitfarms Reports Audited Financial Results for Fourth Quarter 2017, Provides Operational Update and Corporate Update Relating to Closing of Merger with Blockchain Mining Ltd.

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MONTREAL, March 25, 2018 (GLOBE NEWSWIRE) -- Backbone Hosting Solutions Inc. (the "Company" or "Bitfarms"), operating under the commercial brand "Bitfarms", one of the largest blockchain technology companies in the world, is pleased to announce its audited financial results for the fifty-six (56) day period since inception of operations on November 6, 2017 to December 31, 2017. Results are presented in accordance with International Financial Reporting Standards (IFRS) and all amounts are expressed in US dollars, unless otherwise indicated.

Operational Highlights for the Reporting Period and through March 25, 2018

- Signed Definitive Merger Agreement with Blockchain Mining Ltd. (TSE:BLCM) leading to a near-term public listing
- Completed installation of fourth blockchain technology computing centre (St. Hyacinthe) with 10MW of installed capacity
- Commenced infrastructure build-out of fifth computing centre (Magog) with anticipated 10MW of installed capacity
- Announced the appointment of Wes Fulford as the new Chief Executive Officer of Bitfarms
- Completed construction of a brand-new centralized laboratory and repair centre (Saint-Jean-Richelieu), staffed with technicians trained by leading hardware manufacturer
- Announced 6 new hydropower purchasing agreements with Hydro-Sherbrooke, totaling 98MW
- Announced C\$250 million staged investment plan and 250 new jobs associated with the future buildout of 3 new blockchain computing centres in the town of Sherbrooke, Quebec.
- Announced C\$50 million convertible debenture financing led by GMP Securities and PowerOne Capital Markets
- Continued to strengthen community relations as evidenced by supportive comments from Quebec Premier, Philippe Couillard, and \$2 million of corporate income taxes resulting for the period payable to Quebec and Canadian Governments

Financial Highlights

- \$8.66 million in revenue from sales of cryptocurrency tokens
- Gross operating profit of \$7.3 million reflecting a gross mining margin of 84.3%. Gross mining margin of 88.3% when considering cryptocurrency tokens produced and not sold
- Pre-tax operating income of \$6.9 million
- Net income of \$4.9 million
- Basic and diluted net income per share of \$0.074
- Additional \$3.4 million of cryptocurrency tokens held in inventory (fair value at December 31, 2017), which were subsequently sold in January 2018
- \$10.8 million in cash and cash equivalents including fair value of inventoried cryptocurrency tokens at December 31, 2017
- Shareholder equity of \$27.9 million not including fair value of cryptocurrency tokens held in inventory

Statement of Profit and Other Comprehensive Income Period from Inception of Operations on November 6 to December 31, 2017

(Expressed in thousands of US dollars, unless otherwise noted)

	2017
	\$
Revenues from sales of cryptocurrency tokens	8,663
Cost of sales	1,362
Gross profit	7,301
General and administrative expenses	158
Other expenses	251
Operating income	6,892
Finance expenses	4
Earnings before income taxes	6,888

Income taxes	1,983
Net income	4,905
Other comprehensive income	-
Net comprehensive income	4,905

"We are proud to be reporting our first audited financial results which have been prepared in accordance with IFRS. These figures confirm Bitfarms' market-leading position as the largest and most profitable known cryptocurrency miner in North America. As we look forward, we believe we can substantially increase our financial performance through the addition of 3 – 4 new computing facilities in 2018. In total, it is my hope that we have nearly 100 MW of installed capacity by the end of 2018 which we plan to fund through a combination free-cash flow reinvestment and the proceeds from the current financing we are marketing in Canada," said Emiliano J. Grodzki, Chief Strategy Officer.

"It will be an exciting year for Bitfarms and we continue to gain momentum. Our development pipeline is stronger than ever, and our near-term public listing is a major achievement for our team. During the last 56 days of 2017, our operations produced over \$200,000 in daily revenue when you include cryptocurrencies in inventory. We have since grown our installed capacity, and each day we are seeing more and more opportunities for growth and integration," said Wes Fulford, Chief Executive Officer.

Closing of Merger with Blockchain Mining Ltd.

The Company is pleased to report, that its counsel in Israel has confirmed the Israeli Securities Association ("ISA") has no additional comments on the Disclosure Document which will include these financial results and be filed today. This will allow Blockchain Mining Ltd. and Backbone Hosting Solutions Inc. to complete their merger following a shareholder vote at the Extraordinary General Meeting in Tel Aviv on March 29th, 2018.

"It has been an honor to work with this exceptional team of founders over the past few months. Together, we navigated significant obstacles to deliver value to our combined shareholders. Bitfarms will soon officially embark on life as a public company, accessing the capital markets and furthering their mission to power global blockchains with sustainable energy. I look forward to supporting this mission in whatever way I can and wish the company and its founders all the best. I would like to personally thank our legal advisors in Israel, Zitvar & Galor, our legal advisors in Canada, Peterson McVicar LLP, the Nexia Freidman LLP team in Montreal, and Eran Mazor and Tal Levi in Israel for their relentless work during the past few months. I would also like to thank the Israeli Securities Association for working closely and patiently with our company to understand this complex nascent industry. The ISA regulators took the time to learn how to regulate this transaction while recognizing the desire and right of our shareholders to proceed with it. Contrary to press reports, the ISA and the Tel Aviv Stock Exchange have shown themselves to be a world-class destination for Fintech. It is my hope that more transactions like this will take place, creating economic prosperity and jobs for the State of Israel. Following the closing of this deal, I will officially be leaving the board marking the end of my 8-year journey in Israeli capital markets. When I acquired control of Cidav Printed Circuits in 2010, its share price was 1.50 NIS per share. Today, BLCM's share price is 18.00 NIS reflecting a CAGR of 36.4% over 8 years. I am proud of this track record in what was my first foray into the Tel Aviv Stock Exchange and would like to thank the long-term shareholders who believed in my leadership and stood by our company," said Roy Sebag, the current Chief Executive Officer and a director of Blockchain Mining Ltd.

About Blockchain Mining Ltd.

Blockchain Mining Ltd. (TASE:BLCM) (OTC:BITFY) through its pending transaction with Backbone Hosting Solutions Inc. (Bitfarms) will own and operate 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 24/7. Since 2013, predecessors to Bitfarms have constructed 4 farms in Quebec, Canada, which have 27.5 MW of installed capacity and over 200 Ph/s of installed hash-power. Bitfarms construction pipeline includes an additional 5 farms with a total of 167.5 MW of power capacity, including current operations. For more information on Bitfarms, visit: www.bitfarms.io.

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Cautionary Statement

Completion of the business combination transaction is subject to a number of conditions. The transaction cannot close until the

required shareholder approval is obtained. There can be no assurance that the transaction will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the Company's regulatory disclosures to be prepared in connection with the transaction, any information released or received with respect to the transactions described herein may not be accurate or complete and should not be relied upon. 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.

Non-IFRS Measures

This news release contains non-IFRS financial measures; the Company believes that these measures provide investors with useful supplemental information about the financial performance of its business, enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key metrics used by management in operating its business. Although management believes these financial measures are important in evaluating the Company's performance, they are not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with IFRS. These non-IFRS financial measures do not have any standardized meaning and may not be comparable with similar measures used by other companies. For certain non-IFRS financial measures, there are no directly comparable amounts under IFRS. These non-IFRS financial measures should not be viewed as alternatives to measures of financial performance determined in accordance with IFRS. Moreover, presentation of certain of these measures is provided for year-over-year comparison purposes, and investors should be cautioned that the effect of the adjustments thereto provided herein have an actual effect on the Company's operating results.

IFRS Accounting treatment recognizes revenue once cryptocurrency tokens are transferred to a fiat currency such as US dollars. Therefore, coins mined but not yet sold are not recorded as revenue for the period ended December 31, 2017.

Gross Mining Margin is a Non-IFRS measure. Gross Mining Margin is defined as the revenues from the mining of digital currencies less direct cash costs, being operating and maintenance costs. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, it is helpful to investors to use the Gross Mining Margin to evaluate the Company's performance and ability to generate cash flows and service debt.

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 the proposed business combination, and the 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 following the business combination, the previously announced financing of the Company, the timing for the implementation of the business combination, the listing of the Common Shares on stock exchanges, the potential benefits of the business combination, the likelihood of the business combination being completed, and receipt of applicable shareholder approvals, as well as Bitfarm's ability to successfully mine digital currency, revenue increasing as currently anticipated, the ability to profitably liquidate the current digital currency inventory, fluctuations in digital currency prices and the resulting significant negative impact on the Company's operations, the volatility of digital currency prices, the construction and operation of expanded blockchain infrastructure as currently planned, the ability to complete the proposed and future financings, and no regulation or law that will prevent Bitfarm from operating its business.

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 uncertainties associated with the business combination; risks relating to the business combination agreement terminating in certain circumstances; risks relating to certain directors and officers of the Company possibly having interests in the business combination that are different from other shareholders; risks that other conditions to the consummation of the business combination agreement are not satisfied; 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; volatile securities markets impacting security pricing unrelated to operating performance. In addition, particular factors which could impact future result of the business of Bitfarm include but are not limited to: completion of the proposed and future financings; 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; 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 Bitfarm from operating its business. The Company has also assumed that no significant events occur outside of the Bitfarm's 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.

Source: Backbone Hosting Solutions Inc.