



Blockchain Mining Ltd. and Backbone Hosting Solutions Inc. (Bitfarms) Execute Definitive Agreement

01.14.18

Blockchain Mining Ltd. Calls an Extraordinary General Meeting to be Held on February 19, 2018 for Shareholder Approval of Transaction

Blockchain Mining Ltd. Provides Unaudited Financial Summary of Bitfarms Operations

Blockchain Mining Ltd. Provides General Update and Capital Markets Strategy

TEL AVIV, Israel and MONTREAL, Jan. 14, 2018 (GLOBE NEWSWIRE) -- Blockchain Mining Ltd. ("BLCM" or the "Company") (TASE:BLCM) (OTC:NRHYY) is pleased to announce that it has executed a Definitive Agreement with Backbone Hosting Solutions Inc., known by its operating name "Bitfarms", for the acquisition of 100% of issued and outstanding shares of Backbone creating one of the world's largest cryptocurrency mining companies by installed power and hash power.

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 24/7. 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 3 farms with over 100 MW of power capacity. The Company has been self-funded since its creation and has over 200 shareholders. For more information on Bitfarms, visit: www.bitfarms.io.

Transaction Summary

Pursuant to the Definitive Share Exchange agreement, BLCM will acquire 60.7% of the issued and outstanding shares of Backbone in exchange for 40,460,001 common shares of the BLCM.

Additionally, BLCM will propose a subsequent share exchange to Backbone minority shareholders pursuant to which BLCM will acquire the remaining 39.3% of the issued and outstanding shares of Backbone from these minority investors in exchange for 26,206,666 common shares of the BLCM.

In total, up to 66,666,667 shares of BLCM shall be issued to the shareholders of Backbone.

As at January 12, 2018, there were 16,614,924 BLCM common shares issued and outstanding.

Assuming both phases of the transaction are completed, BLCM expects to have approximately 83,281,591 issued and outstanding common shares on a fully diluted basis. Approximately 20% of those shares will be held by shareholders of BLCM today, and 80% will be held by former shareholders of Backbone.

Closing Process and Timeline of Events

The transaction has been approved by the board of directors of BLCM and Backbone and is now subject to shareholder approval in an Extraordinary General Meeting ("EGM") which will be held at the law offices of Zitvar, Galor & Co. at 7 Begin St. Ramat Gan on February 19, 2018. Mr. Roy Sebag, the largest shareholder of Blockchain Mining Ltd. with over 54% of the votes, has expressed his desire to vote in favor of the transaction at the EGM.

Once the votes are cast and a simple majority is achieved, the transaction will be officially closed subject to customary closing conditions.

Resulting Company Management and Board of Directors

Following shareholder approval at the EGM, BLCM will appoint the following members as management and Board of Directors of the Company:

Nicolas Bonta – Chairman of the Board of Directors
Pierre-Luc Quimper - President and Director
Emiliano Joel Grodzki - Chief Executive Officer and Director
Rodrigo Menendez - General Counsel and Director
Roy Sebag - Chief Investment Officer and Director

Tomer David - Independent Director
 Joshua Hershkovici - Independent Director
 Mathieu Vachon, Director of Software Engineering
 Anthony Levesque – VP of Operations
 Louis Valois – VP of Infrastructure

Full Biographies for each member of the Board of Directors can be viewed at the Company's investor presentation at www.bitfarms.io.

Blockchain Mining Ltd. intends to change its name to: Bitfarms Ltd. upon completion of the second phase of the transaction (Minority Investor Share Exchange). As such, a request has already been made to change the Company's ADR Symbol from "NRHYY" to "BITFY".

Backbone Hosting Solutions Inc. (Bitfarms) Auditor Appointment and Unaudited Financial Results

Blockchain Mining Ltd. is pleased to report that it has appointed Nexia Friedman, LLP in Montreal, which is an affiliate of the Company's Israel Auditor Strauss Lazer & Co., to complete the IFRS audit for Backbone Hosting Solutions Inc. This process has already been initiated and the audited figures are expected to be consolidated into Blockchain Mining Ltd.'s results next FY 2017.

Backbone was formally organized as a Canadian corporation on November 6, 2017 as a result of a property assignment of farms and technology from the founders and minority investors. As such, all financial results have been reported from this date onwards.

Operating Activity (in US Dollars)

Over the 56 day period from November 6, 2017 to December 31, 2017, Backbone generated the following financial results (unaudited):

Mining Revenue	
Mining Operating Costs	
Net Mining Margin for the Period	

Over this same period, Backbone generated a gain of \$1,937,218 on mined cryptocurrency coins which were held for resale or long-term investment.

Operating Activity (Notes)

During this 56 day period, Backbone mined 587 Bitcoin (BTC), 1,337 Bitcoin Cash (BCH), 188 Dash (Dash), 4,023 Litecoin (LTC), and 385 Ethereum (ETH).

Over the last 7 days of operation in December 2017, Backbone averaged \$266,171 in daily mining revenue. That daily revenue figure has grown to an average of \$297,192 in the first 11 days of 2018, even in light of lower spot prices for Bitcoin. This is in part due to Backbone installing additional power and hash-power through capital reinvestment of operating cash-flow. Additionally, the growth in revenue can be attributed to Backbone's proprietary software which mines the most profitable coins at any moment, concentrating the entirety of computational power in all farms on a specific blockchain. As an example, since December 21, 2017, Backbone has been primarily mining Bitcoin Cash (BCC) which has resulted in higher daily revenue figures in USD even in light of a lower spot price for Bitcoin and other cryptocurrencies.

Unaudited Balance Sheet (in US Dollars) at Period Ended December 31, 2017

Assets

Cash at Banks	
Cryptocurrency Coins held for Investment Purposes	\$ 3,
Property, Equipment, and Leasehold Improvements	\$18,
Intellectual Property	

Total Assets

Liabilities

Accounts Payable and Accrued Expenses	\$
Long-term Lease Payments	

Shareholder Equity

Balance Sheet (Notes)

At year-end, the Backbone primarily held Bitcoin Cash (BCH) on its balance sheet as Coins held for investment purposes. Since

December 31, 2017, Backbone's balance sheet has further strengthened through mining revenue, free cash flow, and coin sales.

General Corporate Update and Capital Markets Strategy

With the Definitive Agreement executed and the closing approaching, Backbone is now looking ahead towards its next corporate and business development goals. The primary focus is in the construction of its farm pipeline St. Hyacinthe, Magog, and a newly acquired property with up to 80MW of installed power from Hydro-Quebec. The Company plans to fuel this growth from free-cash-flow or by potentially accessing capital markets.

The Company's financial advisors GMP Securities and PowerOne Capital Markets have held preliminary discussions relating to a potential Subscription Receipt Offering of Convertible Debt Securities of up to \$100 million CAD. The Company has also been in preliminary discussions with several institutional investors for off-take agreements on future coin production for up to \$50 million CAD. Ultimately, it is the Company's desire to accelerate capital spending, and therefore growth in installed power and hash-power only if it can be achieved through minimal dilution to the common shareholders.

Currently, BLCM is an Israeli Corporation with its Ordinary shares listed on the Tel Aviv Stock Exchange under the symbol: "BLCM". The Company also maintains an American Depository Receipt Program (ADR) administered by Bank of New York Mellon (BNY) whereby ADR's representing two (2) Ordinary shares are issued by BNY and trade on the OTC Markets under the symbol: "NRHYY".

Recently, there have been discussions about proposing new law in Israel that would require a company engaged in cryptocurrency business, to have at least 100 million NIS of shareholder equity and three years of audited financials.

Assuming the proposed law is not rejected, on the grounds that it would unfairly require one industry within the economy to maintain higher quantitative listing standards than others (such as biotechnology or oil and gas exploration), it will likely take several months or longer to receive assent and must be signed by the Finance Minister.

The Company's position, after having reviewed the draft proposal, is that we meet the proposed heightened quantitative standards set (100 million NIS) as the combined balance sheets of Backbone and BLCM (at 12/31/2017) will have closer to 140 million NIS of shareholder equity (\$41 million USD). It is also the Company's position that the three-year audited period which is mentioned in the proposed law is not relevant to BLCM and Backbone and seems to be targeted at newly listed issuers.

In BLCM's case, the three year audited/operational history requirement should relate to its own audited history and not that of an acquired business. BLCM has been listed on the exchange for nearly two decades and the Company has simply transitioned from the mineral extraction industry, where it has been focused for 7 years, to cryptocurrency extraction. This evolution from mining natural commodities to digital commodities is one which many other companies on other global exchanges have been following and reflects the secular shift in the global economy.

With that said, the Company plans to aggressively pursue alternate listings of its Ordinary shares in Canada and also upgrade the listing of its ADR with BNY to the NASDAQ or NYSE American exchanges. The Company has engaged the law firm of Peterson McVicar LLP in Toronto, Canada to manage this process.

Both the ADR listing and the direct listing of the Company's Ordinary shares on a Canadian stock exchange will be initiated once Consolidated Audited Financials are completed for the period ended 12/31/2017 which is expected to be end of February 2018.

Even in the unlikely scenario that: (1) the proposed law passes, (2) a decision is made that BLCM's ordinary shares should no longer be listed on the TASE, and (3) both events materialize before the Company is able to gain additional ordinary share listings in the US or Canada, it is the Company's understanding that our ADR's would continue to trade on the OTC. This situation would be temporary until the Company's ordinary shares are listed on a Canadian stock exchange or its ADR's are listed on a national stock exchange in the USA.

"After months of negotiations, travel, and due diligence, I am excited to announce the definitive agreement between Blockchain Mining Ltd. and Backbone Hosting Solutions Inc. (Bitfarms). This transaction has been very difficult to close given the multiple jurisdictions, languages, and shareholders involved. We surmounted all these obstacles with team-work, perseverance, and an unrelenting focus by our Board of Directors, Legal, Tax, and Financial Advisors delivering a monumental transaction for our shareholders," said Roy Sebag, Founder of Blockchain Mining Ltd.

"Ever since we first announced this transaction, our Company has been unfairly targeted by a retiring regulator in Israel, who has made an attempt to single out Blockchain for reasons that even today leave us perplexed and disappointed."

"As entrepreneurs and business-builders, both the Bitfarms team and myself have decided to keep our head down and move this transaction forward for the benefit of our respective shareholders. As has guided my business career for almost 15 years, I focus on making investments in businesses I believe in, run by hard-working entrepreneurs, and characterized by impressive long-term economics. Bitfarms meets all of these characteristics and more. I am truly honoured to be part of this journey with this impressive team of individuals. This business, though it is young, is very impressive both in terms of its cash-flowing potential and the exemplary manner in which it is run by passionate and dedicated founders. As I have repeatedly said in multiple press outlets, there is no guarantee these results will be maintained and any decline in cryptocurrency prices will undoubtedly result in Bitfarms financial results declining as well. Alas, we cannot detract from the long-term potential here, which in my view is substantial. That is ultimately why all of us believe this transaction provides the best long-term exposure to the blockchain economy." concluded

Roy Sebag.

"The Bitfarms management team is characterized by the entrepreneurial spirit and our belief in blockchain technology and how it can positively affect people's lives and the global economy." Said Emiliano J. Grodzki Backbone Hosting Solutions (Bitfarms) Founder and Chief Executive Officer.

"We view our work at Bitfarms as a collaborative and important effort to construct the infrastructure which ultimately powers blockchain innovation globally. It is our hardware which enables this new technology to improve the relationships between institutions and people lowering barriers to entry, reducing financial friction, and empowering billions of global citizens with access to this new world of banking and commerce."

"As one of the only vertically integrated cryptographic mining businesses, we hope to provide all stakeholders with a sense of pride in what we do and look forward to continuing to dominate the space in both installed power and hashing power," concluded Emiliano J. Grodzki.

"The Canadian management team is truly dedicated to aggressively growing our farms in Canada, more particularly in Quebec where we are actively securing large amounts of hydro-electric power. We strongly believe in the future of our Company and the blockchain and we seek to build the largest and most efficient mining farms in the world. The closing of this transaction is a welcomed step in continuing to build our group over the long-term," said Mathieu Vachon and Pierre-Luc Quimper, Founders of Backbone Hosting Solutions (Bitfarms).

GMP Securities L.P. and PowerOne Capital Markets Limited acted as financial advisor with respect to the transactions described in this press release.

About Blockchain Mining Ltd.

Blockchain Mining (TSE:BLCM) (OTC:NRHYY) through its operating subsidiary 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 24/7. Since 2013, Bitfarms has constructed 4 farms in Quebec, Canada which have 27.5 MW of installed capacity and over 200 Ph/s of installed hash-power. Bitfarms's construction pipeline includes an additional 3 farms with over 100 MW of power capacity. The Company has been self-funded since its creation and has over 200 shareholders. For more information on Bitfarms, visit: www.bitfarms.io.

Cautionary Statement

Completion of the 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 Blockchain Mining 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 in no way passed upon the merits of the proposed transactions and 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 the proposed business combination, the proposed financings, 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 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 Backbone'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 blockchain infrastructure as currently planned, and no regulation or law that will prevent Backbone 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 Blockchain Mining 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 Corporation'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 Corporation 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 Corporation and the industry; network security risks; the ability of the Corporation 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 Backbone 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; 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 Backbone from operating its business. The Company has also assumed that no significant events occur outside of the Backbone's normal course of business. Although Blockchain Mining 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. Blockchain Mining undertakes no obligation to revise or update any forward-looking information other than as required by law.

Mathieu Vachon, Director of Software Engineering
mvachon@bitfarms.io

Source: Backbone Hosting Solutions Inc.; Blockchain Mining Ltd.