Bitfarms™

AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2019

U.S. DOLLARS IN THOUSANDS

UNAUDITED

INDEX

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	Note	September 30, 2019 Unaudited	December 31, 2018
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		$ 2,463	$ 552
Trade receivables, net		1,001	912
Other assets	4	1,072	429
Inventories	5	173	124
		4,709	2,017
Assets held for sale	6	-	1,278
TOTAL CURRENT ASSETS		4,709	3,295
NON-CURRENT ASSETS:			
Property, plant and equipment, net	7	35,092	20,862
Right-of-use assets	2	5,887	-
Intangible assets, net		636	1,013
Long-term deposits and advance payments on	8	4,744	1,063
Embedded derivative	9	422	-
TOTAL NON-CURRENT ASSETS		46,781	22,938
TOTAL ASSETS		$ 51,490	$ 26,233
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Current maturities of long-term debt	9	$ 856	$ 1,025
Current maturities of lease liability	2	615	-
Accounts payable and accrued liabilities		2,221	2,820
Income taxes payable		385	761
		4,077	4,606
Liabilities held for sale		-	50
TOTAL CURRENT LIABILITIES		4,077	4,656
NON-CURRENT LIABILITIES:			
Long-term debt	9	14,669	693
Lease liability	2	5,312	-
Asset retirement provision	10	194	232
TOTAL NON-CURRENT LIABILITIES		20,175	925
TOTAL LIABILITIES		24,252	5,581
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share capital	11	162	162
Share premium		34,056	19,650
Obligation to issue shares		-	4,386
Accumulated deficit		(6,980)	(8,755)
		27,238	15,443
Non-controlling interest		-	5,209
TOTAL EQUITY		27,238	20,652
TOTAL LIABILITIES & EQUITY		$ 51,490	$ 26,233

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME (LOSS)

U.S. dollars in thousands (except earnings per share)

		Three months ended September 30,		Nine months ended September 30,	
		2019	2018	2019	2018
	Note	Unaudited			
Revenues		$ 9,739	$ 6,866	$ 21,886	$ 29,151
Cost of revenues		5,276	6,149	13,280	16,056
Gross profit		4,463	717	8,606	13,095
General and administrative expenses		2,300	2,390	7,582	7,103
Listing cost of reverse acquisition		-	-	-	1,000
Impairment of property, plant and equipment	6	56	-	56	-
		2,356	2,390	7,638	8,103
Operating income (loss)		2,107	(1,673)	968	4,992
Financial income	9	3,425	-	2,197	-
Financial expenses	9	1,240	39	2,199	175
Income (loss) before taxes on income		4,292	(1,712)	966	4,817
Taxes on income (tax benefit)		(17)	-	(17)	1,791
Net income (loss) and total comprehensive income (loss)		$ 4,309	$ (1,712)	$ 983	$ 3,026
Attributable to:					
Equity holders of the Company		$ 3,900	$ (1,150)	$ 1,775	$ 3,703
Non-controlling interests		409	(562)	(792)	(677)
		$ 4,309	$ (1,712)	$ 983	$ 3,026
Net earnings per share attributable to equity holders of the Company (in U.S. dollars):					
Basic net earnings (loss) per share	14	$ 0.06	$ (0.02)	$ 0.03	$ 0.07
Diluted earnings (loss) per share	14	$ 0.05	$ (0.02)	$ 0.03	$ 0.07

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

U.S. dollars in thousands

	Equity attributable to equity holders of the Company						
	Share capital	Obligation to issue shares	Share premium	Retained earnings (accumulated deficit)	Total	Non-controlling interest	Total equity
Balance as of January 1, 2019	$ 162	$ 4,386	$ 19,650	$ (8,755)	$ 15,443	$ 5,209	$ 20,652
Net income and total comprehensive income	-	-	-	1,775	1,775	(792)	983
Share-based payment	-	-	2,282	-	2,282	-	2,282
Share-based payment in legal subsidiary	-	-	-	-	-	161	161
Exchange of share-based payment from legal subsidiary to the Company	-	-	907	-	907	(907)	-
Exchange of exchangeable shares issued in the reverse acquisition	-	(4,386)	4,386	-	-	-	-
Reclassification of warrant liability to equity	-	-	3,160	-	3,160	-	3,160
Acquisition of NCI by issuance of shares	-	-	3,671	-	3,671	(3,671)	-
Balance as of September 30, 2019 (unaudited)	$ 162	$ -	$ 34,056	$ (6,980)	$ 27,238	$ -	$ 27,238
Balance as of January 1, 2018	$ 115	$ -	$ 22,884	$ 4,905	$ 27,904	$ -	$ 27,904
Net income and total comprehensive income	-	-	-	3,703	3,703	(677)	3,026
Issuance of share capital and exchangeable shares on the reverse acquisition date	47	4,386	5,805	-	10,238	-	10,238
Equity attributable to non-controlling interest on the reverse acquisition date	-	-	(9,039)	(4,298)	(13,337)	13,337	-
Share-based payment in legal subsidiary	-	-	-	-	-	581	581
Balance as of September 30, 2018 (unaudited)	$ 162	$ 4,386	$ 19,650	$ 4,310	$ 28,508	$ 13,241	$ 41,749

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
	Unaudited	
Cash flows from operating activities:		
Net income	$ 983	$ 3,026
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,217	9,334
Impairment loss on property, plant and equipment	56	-
Interest expense	2,088	154
Deferred taxes, net	-	397
Listing costs of reverse acquisition	-	1,000
Share-based payment	2,443	581
Financial expenses (income), net	(2,103)	10
Interest paid	(1,948)	(154)
Provision for asset retirement and gain on disposition of property, plant and equipment	(8)	37
	4,745	11,359
Changes in non-cash working capital components (A)	(2,399)	(1,788)
Net cash provided by operating activities	3,329	12,597
Cash flows from investing activities:		
Purchase of property, plant and equipment	(18,262)	(21,638)
Proceeds from sale of property, plant and equipment	1,429	97
Advance payments for equipment	(2,864)	-
Acquisition of a subsidiary (B)	-	387
Reverse acquisition transaction (C)	-	182
Net cash used in investing activities	(19,697)	(20,972)
Cash flows from financing activities:		
Issuance of ordinary shares in 2017	-	2,942
Issuance of warrants	4,936	-
Proceeds from long-term debt, net	14,644	1,826
Prepaid transaction fees related to long-term financing facility	20	-
Repayment of lease liabilities	(484)	-
Repayment of long-term debt	(837)	(338)
Net cash provided by financing activities	18,279	4,430
Increase (decrease) in cash and cash equivalents	1,911	(3,945)
Cash and cash equivalents at beginning of period	552	4,518
Cash and cash equivalents at end of period	$ 2,463	$ 573

The accompanying notes are an integral part of the interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

		Nine months ended September 30, 2019	Nine months ended September 30, 2018
		Unaudited	
(A)	Changes in non-cash working capital components:		
	Increase in trade receivables, net	$ (89)	$ (629)
	Increase in other current assets	(643)	(756)
	Increase in inventories	(49)	(644)
	Increase in long-term deposits	(1,021)	(907)
	Increase (decrease) in accounts payable and accrued liabilities	(171)	969
	Increase (decrease) in income taxes payable	(376)	179
	Decrease in liabilities held for sale	(50)	-
		$ (2,399)	$ (1,788)
(B)	Acquisition of a subsidiary consolidated for the first time:		
	Trade receivables	$ -	$ (971)
	Inventories and other receivables	-	(120)
	Property, plant and equipment	-	(163)
	Intangible assets – customer lists	-	(50)
	Trade payables	-	1,135
	Deferred revenues	-	27
	Income taxes payable	-	9
	Deferred taxes	-	10
	Long-term debt	-	111
	Elimination of company payable to subsidiary upon its acquisition	-	399
		$ -	$ 387
(C)	Reverse acquisition transaction:		
	Trade receivables	$ -	$ (311)
	Property, plant and equipment	-	(9,000)
	Listing cost of reverse acquisition	-	(1,000)
	Trade payables	-	255
	Issuance of Ordinary shares	-	5,852
	Obligation to issue shares	-	4,386
		$ -	$ 182
(D)	Significant non-cash transactions:		
	Addition of right-of-use assets and related lease liability	$ 1,695	$ -
	Purchase of property, plant and equipment financed by short-term credit	$ 438	$ 503
	Acquisition of non-controlling interest by issuance of shares	$ 24,938	$ -

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except per share, cryptocurrency data, warrants and quantity of PPE

NOTE 1:- GENERAL

a. The Company was incorporated under the Canada Business Corporations Act on October 11, 2018 and has its registered and head office located at 1376 Bayview Avenue, Suite 1, Toronto, ON M4G 3A1. On June 12, 2019 the Company and Bitfarms Ltd. (Israel) completed a reorganization under which all of the outstanding shares of Bitfarms Ltd. (Israel) were exchanged for newly issued common shares of the Company on a 1:1 basis. On the same date, all outstanding exchangeable shares of Backbone Hosting Solutions Inc. were exchanged on a 1:1 basis for newly issued common shares in the Company (both of the preceding will be referred to as the "Arrangement"). Prior to completion of the Arrangement Bitfarms Ltd. (Israel) delisted from the Tel Aviv Stock Exchange. On July 16, 2019 the Company began trading on the TSX Venture Exchange ("TSXV"). On August 15, 2019 the Company completed the acquisition of all remaining issued and outstanding shares of Backbone (non-controlling interest) that were not included in the Arrangement through a 1:1 share exchange – see Note 11.

b. These interim financial statements have been prepared in a condensed format as of September 30, 2019 for the three months and nine months then ended ("interim consolidated financial statements"). The interim consolidated financial statements should be read in conjunction with Bitfarms Ltd.'s (Israel) annual financial statements as of December 31, 2018, and for the year then ended and accompanying notes ("annual consolidated financial statements").

c. For the nine months ended September 30, 2019, the Company had net income of $983. As of September 30, 2019, the Company had positive working capital of $632 and an accumulated deficit of $6,980. In March 2019, the Company entered into a secured debt financing facility for up to $20,000, see Note 9 for further information. The financing enabled the Company to make investments in mining infrastructure and equipment that the Company's management believes will allow the Company to continue growing its cryptocurrency operations.

The Group is primarily engaged in the cryptocurrency mining industry, that is a highly volatile market with significant inherent risk. A significant decline in the market prices of cryptocurrencies, an increase in the difficulty of cryptocurrency mining, changes in the regulatory environment and adverse changes in other inherent risks can significantly negatively impact the Group's operations. Due to the volatility of the prices of cryptocurrencies and the effects of possible changes in the other aforementioned factors, there can be no assurance that future mining operations will be profitable.

Based on internally prepared forecasted cash flows that take into consideration what management of the Group considers reasonably possible scenarios, management believes that the Group will continue to be able to achieve positive cash flows from operations that will enable the Group to meet its obligations for at least one year from the date of the interim consolidated financial statements.

NOTE 1:- GENERAL (Cont.)

d. Definitions:

In these financial statements, the following terms shall have the following definitions:

1.	Bitfarms Ltd.	-	Bitfarms Ltd. or the Company
2.	Backbone Hosting Solutions Inc.	-	Backbone
3.	9159-9290 Quebec Inc.	-	Volta
4.	Bitfarms Ltd. (Israel)	-	Bitfarms Ltd. pre-share exchange
5.	The Company and its subsidiaries	-	The Group
6.	Bitcoin	-	BTC
7.	Bitcoin Cash	-	BCH
8.	Litecoin	-	LTC
9.	Ethereum	-	ETH
10.	Blockchain Verification and Validation Equipment	-	BVVE
11.	Graphic processing unit	-	GPU

e. These unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 26, 2019.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements, unless otherwise stated.

a. Basis of presentation of the financial statements:

The interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in IAS 34, "*Interim Financial Reporting*".

U.S. dollars in thousands, except per share, cryptocurrency data, warrants and quantity of PPE

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. Adoption of new accounting standards:

IFRS 16, "Leases"

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). The effect of adoption IFRS 16 as of January 1, 2019 is as follows:

Assets	
Right-of-use assets	$ *) 5,303
Liabilities	
Short-term	621
Long-term	4,498
Total liabilities	$ 5,119

*) Includes reclassification of $184 presented in long-term deposits as of December 31, 2018.

1. Nature of the effect of adoption of IFRS 16:

The Group has lease contracts for various farming facilities, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease.

Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in profit or loss on

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except per share, cryptocurrency data, warrants and quantity of PPE

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under other assets and accounts payable, respectively. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group. The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The lease liabilities as of January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

Farming facilities operating lease commitments as of December 31, 2018	$ 3,737
Less:	
Commitments relating to short-term leases	(37)
Adjusted farming facilities operating lease commitments as of December 31, 2018	3,700
Add:	
Payments in optional extension periods not recognized as of December 31, 2018	3,033
Adjusted farming facilities operating lease commitments and optional extension periods not recognized as of December 31, 2018	6,733
Discount rate for portfolio of leases	8%
Lease liabilities as of January 1, 2019 (unaudited)	5,017
Vehicle operating lease commitments as of December 31, 2018	105
Discount rate for portfolio of leases	3.49%
Discounted operating lease commitments at January 1, 2019	102
Lease liabilities as of January 1, 2019 (unaudited)	102
Total lease liabilities as of January 1, 2019 (unaudited)	$ 5,119

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2. Summary of new accounting policies:

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognizes right-of-use assets as of January 1, 2019, at an amount equal to the lease liability, adjusted for previously recognized prepaid or accrued lease payments. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Group uses a single incremental borrowing rate as of January 1, 2019, to a portfolio of leases with reasonably similar characteristics. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured using a revised discount rate, with a corresponding adjustment to the related right-of-use asset, if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below $5). Lease payments for short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

U.S. dollars in thousands, except per share, cryptocurrency data, warrants and quantity of PPE

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a non-cancellable period (i.e., three to ten years) and there will be a significant negative effect on production if a replacement is not readily available. The renewal options for leases of motor vehicles were not included as part of the lease term because the Group has a policy of leasing motor vehicles for not more than five years and, hence, not exercising any renewal options.

3. Amounts recognized in the statement of financial position and profit or loss:

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period (unaudited):

	Farming facilities	Vehicles	Other equipment	Total ROU assets	Lease liabilities
As of January 1, 2019	$ 5,201	$ 102	$ -	$ 5,303	$ 5,119
Additions and extensions (*)	1,590	45	60	1,695	1,695
Lease terminations	(492)	(8)	-	(500)	(537)
Depreciation	(572)	(34)	(5)	(611)	-
Payments	-	-	-	-	(749)
Interest	-	-	-	-	265
FX loss on lease liabilities	-	-	-	-	134
As of September 30, 2019 (unaudited)	$ 5,727	$ 105	$ 55	$ 5,887	$ 5,927

(*) The addition and lease termination included in farming facilities represents the termination of the lease agreement with a company controlled by certain directors, and the signing of a new agreement with an arm's length party. The key terms of the lease agreement feature a ten year initial lease term with two five year renewal options. Monthly rent approximates $17 ($22,000 CAD) with an annual increase based on the Consumer Price Index per Statistics Canada on December 31.

The Group recognized rent expense from short-term leases of $62 for the nine months ended September 30, 2019.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

IFRIC 23, "Uncertainty over Income Tax Treatments"

In June 2017, the IASB issued IFRIC 23, "Uncertainty over Income Tax Treatments" ("the Interpretation"). The Interpretation clarifies the accounting for recognition and measurement of assets or liabilities in accordance with the provisions of IAS 12, "Income Taxes", in situations of uncertainty involving income taxes. The Interpretation provides guidance on considering whether some tax treatments should be considered collectively, examination by the tax authorities, measurement of the effects of uncertainty involving income taxes on the financial statements and accounting for changes in facts and circumstances in respect of the uncertainty. The Interpretation has been initially applied in these financial statements. The initial adoption of the Interpretation did not have a material effect on the interim consolidated financial statements.

NOTE 3:- OPERATING SEGMENTS

a. General:

The operating segments are identified on the basis of information that is reviewed by the chief operating decision maker ("CODM") to make decisions about resources to be allocated and assess its performance. Accordingly, for management purposes, the Group is organized into operating segments based on the products and services of its business units and has operating segments as follows:

Backbone - Backbone operates server farms that support the validation and verification of transactions on the blockchain, earning cryptocurrency tokens for providing these services.

Volta - Volta provides electrician services to both commercial and residential customers in Quebec.

The segment results reported to the CODM include items that are allocated directly to the segments and items that can be allocated on a reasonable basis.

Items that were not allocated, mainly general and administrative costs and financial expenses are managed on a group basis.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except per share, cryptocurrency data, warrants and quantity of PPE

NOTE 3:- OPERATING SEGMENTS (Cont.)

b. Reporting on operating segments:

	Three months ended September 30, 2019 (unaudited)			
	Backbone	Volta	Adjustments	Total
Revenues:				
External customers	$ 8,942	$ 797	$ -	$ 9,739
Inter segment revenues	-	1,182	(1,182)	-
Total revenues	8,942	1,979	(1,182)	9,739
Cost of revenues	4,641	1,663	(1,028)	5,276
Gross profit	4,301	316	(154)	4,463
General and administrative expenses	2,145	172	-	2,317
Impairment	56	-	-	56
Segment profit	$ 2,100	$ 144	$ (154)	$ 2,090
Unallocated corporate income				17
Financial income, net				2,185
Income before taxes on income				$ 4,292

	Three months ended September 30, 2018 (unaudited)			
	Backbone	Volta	Adjustments	Total
Revenues:				
External customers	$ 6,760	$ 106	$ -	$ 6,866
Inter segment revenues	-	1,119	(1,119)	-
Total revenues	6,760	1,225	(1,119)	6,866
Cost of revenues	6,201	1,545	(1,597)	6,149
Gross profit (loss)	559	(320)	478	717
General and administrative expenses	1,966	181	-	2,147
Segment profit (loss)	$ (1,407)	$ (501)	$ 478	$ (1,430)
Unallocated corporate expenses				(243)
Financial expenses, net				(39)
Loss before taxes on income				$ (1,712)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except per share, cryptocurrency data, warrants and quantity of PPE

NOTE 3:- OPERATING SEGMENTS (Cont.)

	Nine months ended September 30, 2019 (unaudited)			
	Backbone	**Volta**	**Adjustments**	**Total**
Revenues:				
External customers	$ 19,630	$ 2,256	$ -	$ 21,886
Inter segment revenues	-	2,621	(2,621)	-
Total revenues	19,630	4,877	(2,621)	21,886
Cost of revenues	11,600	4,093	(2,413)	13,280
Gross profit	8,030	784	(208)	8,606
General and administrative expenses	6,860	469	-	7,329
Impairment	56	-	-	56
Segment profit	$ 1,114	$ 315	$ (208)	$ 1,221
Unallocated corporate expenses				(253)
Financial expenses, net				(2)
Income before taxes on income				$ 966

	Nine months ended September 30, 2018 (unaudited)			
	Backbone	**Volta**	**Adjustments**	**Total**
Revenues:				
External customers	$ 27,889	$ 1,262	$ -	$ 29,151
Inter segment revenues	-	4,361	(4,361)	-
Total revenues	27,889	5,623	(4,361)	29,151
Cost of revenues	15,177	4,896	(4,017)	16,056
Gross profit	12,712	727	(344)	13,095
General and administrative expenses	6,171	462	-	6,633
Segment profit	$ 6,541	$ 265	$ (344)	$ 6,462
Unallocated corporate expenses				(1,470)
Financial expenses, net				(175)
Income before taxes on income				$ 4,817

U.S. dollars in thousands, except per share, cryptocurrency data, warrants and quantity of PPE

NOTE 4:- OTHER ASSETS

	September 30, 2019		December 31, 2018	
	Unaudited			
Sales taxes receivable	$	847	$	345
Prepaid expenses		225		84
	$	1,072	$	429

NOTE 5:- INVENTORIES

	September 30, 2019		December 31, 2018	
	Unaudited			
Electrical components	$	173	$	85
Cryptocurrency tokens		-		39
	$	173	$	124

Details of the Company's cryptocurrency inventory are as follows:

	September 30, 2019 (unaudited)				December 31, 2018			
	Bitcoin	Bitcoin Cash	Other	Total $	Bitcoin	Bitcoin Cash	Other	Total $
Quantity	-	-	-	-	11	-	-	-
Cost	-	-	-	-	$ 39	-	-	$ 39
Fair value*)	-	-	-	-	$ 39	-	-	$ 39

*) The Company based the fair value of the inventory on the prices quoted on www.coinmarketcap.com which calculates the price by taking the weighted average prices, based on volume, reported in each cryptocurrency market as at December 31, 2018. The fair value measurement is categorized as level 1 in the fair value hierarchy.

NOTE 6:- ASSETS HELD FOR SALE

On May 24, 2019, the Company's management decided to sell 2,500 Antminer L3+ and committed to carry out a plan for the sale of the equipment. The total proceeds were estimated to be $310. As at September 30, 2019, the Company had received non-refundable deposits totaling approximately $332, and has made the mining hardware available to the purchaser. The purchaser has not collected the mining hardware, which is no longer in use by the Company. As a result, the Company has taken an impairment of $56 on the mining hardware because they do not present economic benefits through use or sale. The Company has deferred recognizing a gain on the disposition of the assets, as it is not reasonably certain that the transaction will be completed. The proceeds received from the purchaser have been accounted for as a liability included in accounts payable. Assets held for sale at December 31, 2018, were sold in February 2019 for approximately their carrying amount.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except per share, cryptocurrency data, warrants and quantity of PPE

NOTE 7:- PROPERTY, PLANT AND EQUIPMENT (Cont.)

a. As of September 30, 2019 and 2018, property, plant and equipment consisted of:

	BVVE and electrical components	Mineral assets	Land and buildings	Leasehold improvements	Vehicles	Total
Cost:						
Balance as of January 1, 2019	$ 35,439	$ 9,000	$ 2,033	$ 2,140	$ 333	$ 48,945
Additions during the period	16,960	-	527	139	56	17,682
Dispositions during the period	(880)	-	-	-	(25)	(905)
Balance as of September 30, 2019 (unaudited)	51,519	9,000	2,560	2,279	364	65,722
Balance as of January 1, 2018	21,758	-	-	412	-	22,170
Acquisition through reverse acquisition and business combination	18	9,000	-	15	130	9,163
Additions during the period	13,837	-	3,865	1,713	208	19,623
Dispositions during the period	(174)	-	-	-	(5)	(179)
Transfer to assets held for sale	-	-	(1,832)	-	-	(1,832)
Balance as of December 31, 2018	35,439	9,000	2,033	2,140	333	48,945
Accumulated Depreciation:						
Balance as of January 1, 2019	26,424	-	38	1,530	91	28,083
Depreciation	2,982	-	45	113	63	3,203
Dispositions during the period	(702)	-	-	-	(10)	(712)
Impairment loss (Note 6)	56	-	-	-	-	56
Balance as of September 30, 2019 (unaudited)	28,760	-	83	1,643	144	30,630
Balance as of January 1, 2018	807	-	-	22	-	829
Depreciation	10,348	-	81	362	93	10,884
Dispositions during the period	(39)	-	-	-	(2)	(41)
Impairment losses	15,308	-	511	1,146	-	16,965
Transfer to assets held for sale	-	-	(554)	-	-	(554)
Balance as of December 31, 2018	26,424	-	38	1,530	91	28,083
Net book value as of December 31, 2018	$ 9,015	$ 9,000	$ 1,995	$ 610	$ 242	$ 20,862
Net book value as of September 30, 2019 (unaudited)	$ 22,759	$ 9,000	$ 2,477	$ 636	$ 220	$ 35,092

Further details of the BVVE held by the Company are as follows:

	Bitmain Antminer S9 (BTC/BCH)	Bitmain New Gen Antminers (BTC/BCH) (**)	Bitmain Antminer L3+ (LTC)	Innosilicon T3 & T2T (BTC/BCH) (***)	GPU (ETH)	Canaan Avalon A10 (BTC/BCH)	Whatsminer M20S (BTC/BCH)
Balance as of January 1, 2019 (*)	16,688	-	500	-	2,361	-	-
Additions during the period	-	2,071	2,400	6,541	-	604	203
Dispositions during the period	-	-	(2,500)	-	(2,361)	-	-
Balance as of September 30, 2019 (unaudited)	16,688	2,071	400	6,541	-	604	203

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except per share, cryptocurrency data, warrants and quantity of PPE

NOTE 7:- PROPERTY, PLANT AND EQUIPMENT (Cont.)

(*) Excludes Antminer S7 and Antminer D3 whose carrying value was written off in 2018. All Antminer S7 and Antminer D3 were not operational due to reduced profitability resulting from changes in economic conditions rendering their use unfavorable.

(**) Includes 1,554 Antminer T15, 116 Antminer S17, 399 Antminer S15, and 2 Antminer S11.

(***) Includes 5,095 T3 and 1,446 T2T.

During the nine months ended September 30, 2019 the Group disposed of all Ethereum mining hardware, consisting of 2,361 GPU'S with a net book value of $178 for proceeds of $135 and impaired 2,500 Antminer L3+ mining hardware with a net book value of $56 for an impairment loss of of $56.

In addition to the equipment details listed above, Backbone entered into profit sharing agreements with two parties to host 1,165 Antminer S9's. The profit-sharing agreements are structured such that Backbone does not share the profits with the other parties unless minimum profitability thresholds are met. Once the profitability threshold is met, the other parties are entitled to 39% of the revenues and Backbone must pay all related electricity costs. The contracts can be terminated by either party at any time. For the three and nine month periods ended September 30, 2019, Backbone mined a total of approximately 35 and 153 Bitcoin (September 30, 2018 – nil) using the hosted Antminer S9's. As at September 30, 2019 accounts payable and accrued liabilities included $13 payable to the two parties, as the profitability threshold was met during the three months ended September 30, 2019.

NOTE 8:- LONG-TERM DEPOSITS AND ADVANCE PAYMENTS ON EQUIPMENT

As of September 30, 2019 and December 31, 2018 deposits consisted of the following:

	September 30, 2019	December 31, 2018
	Unaudited	
Security deposits for rent and energy	$ 1,481	$ 644
Advance payments for mining hardware and supporting infrastructure	3,263	399
Prepaid transaction fees related to financing facility	-	20
	$ 4,744	$ 1,063

NOTE 9:- LONG-TERM DEBT

As of September 30, 2019, long-term debt consisted of the following:

a. Dominion Capital Loan

On March 15, 2019, the Group entered into a secured debt financing facility for up to $20,000 with Dominion Capital LLC (the Lender). The debt facility is structured into four separate loan tranches of $5,000 per tranche. Each loan tranche bears interest at 10% per annum and the term of each loan tranche is 24 months with a balloon payment for any remaining outstanding balance at the end of the term. A monthly payment equivalent to

NOTE 9:- LONG-TERM DEBT (Cont.)

10% of the value of cryptocurrencies mined by Backbone during the month is required in repayment of the total loan tranches drawn. The monthly payments shall be applied to interest and the balance to principal, and in the event that the amount of the cryptocurrency mined is less than the amount of interest owing, such additional amounts shall be remitted such that the interest is payable in full on a current basis.

The loan contains a "make-whole" clause which stipulates that the 10% interest rate is calculated on the initial principal balance of the loan tranche and does not decrease as the principal balance is repaid. The 10% interest rate is calculated over the 24-month term of each loan tranche regardless of whether the loan tranche is repaid prior to its maturity. Any unpaid interest at the earlier of the loan tranche's early repayment, or the loan tranche's 24-month maturity, is included in the balloon payment.

The loan tranches are fully secured by the assets of the Group on a first-priority basis. Pursuant to the terms with the Lender, the Company is required to comply with certain covenants as long as any amount is outstanding. The significant covenants are to maintain a bank balance of $1,000 at all times. However, Dominion Capital reached an agreement with the Company in order to postpone this loan clause until December 31, 2019. The Company must also respect restrictions on issuing additional debt or selling property, plant and equipment without re-investing the proceeds into new purchases of property, plant and equipment.

The Company drew down all four $5,000 loan tranches in March, April, June and August 2019. As of September 30, 2019, the carrying amount, less capitalized transaction fees and plus accrued interest, was $14,479.

In addition, Bitfarms Ltd. issued 1,666,667 Lender warrants, which vested upon issuance, to acquire 1,666,667 shares of Bitfarms Ltd. for each loan tranche drawn with an exercise price of $0.40 per share and an expiration date of five years. As a result, an aggregate of 6,666,668 Lender warrants to acquire 6,666,668 shares have been issued as of September 30, 2019.

The loan features result in a loan liability measured at amortized cost, a warrant liability component measured at fair value through profit or loss, which was subsequently modified as described below under Warrant issuance, and an embedded derivative measured at fair value through profit or loss.

Loan liability

The loan liability is initially measured as the residual amount of the proceeds received, net of transaction costs and the fair value of the warrant issuance. The loan is then measured at amortized cost using the effective interest method. Management used significant judgement and estimates when determining the effective interest rate. Payment amounts are determined as 10% of the cryptocurrency mined by Backbone. In order to calculate the effective interest rate, management had to estimate Backbone's future cryptocurrency mining revenues in order to estimate the timing and amount of future loan repayments. The effective interest rate was determined to be 26.93%, 30.16%, 37.10 % and 38.02% for the first, second, third and fourth tranches,

NOTE 9:- LONG-TERM DEBT (Cont.)

respectively. The carrying amount of the loan liability approximates its fair value. Included in financial expenses for the three and nine months ended September 30, 2019 are $1,019 and $1,615 of interest expense related to the loan.

Key assumptions

Key assumptions used in recording the above loan features as of September 30, 2019, are described below. These assumptions are subject to change based on future developments and such changes could have a material effect on the warrant and derivative liabilities.

Revenues - Two optimistic, two pessimistic and one status quo scenario were used in estimating future bitcoin price and network difficulty, which are key factors in predicting revenues from cryptocurrency mining. Management assigned probabilities to each scenario, which were used to calculate weighted average expected outcomes. The weighted average bitcoin price and network difficulty used in the projections upon the inception of Tranches #1 and #2 were $5.4 and 5.36X10^12, respectively. The weighted average bitcoin price and network difficulty used in the projections upon the inception of Tranche #3 were $10.2 and 7.82X10^12, respectively. The weighted average bitcoin price and network difficulty used in the projections upon the inception of Tranche #4 were $13.9 and 1.33X10^13, respectively.

Internal hashrate - Management was required to predict the growth of the Company's internal hashrate, one of the main revenue drivers in combination with bitcoin price and network difficulty, to predict revenues. Accordingly, management was required to make assumptions regarding the timing of all four loan tranche drawdowns as well as the pricing and availability of cryptocurrency mining hardware.

Transaction fees

Backbone incurred transaction fees of $626 in order to secure the $20,000 debt financing facility. Management expected to drawdown all four loan tranches of $5,000. As a result, the transaction fees benefited each loan tranche equally. As of September 30, 2019, the transaction fees, including additional transaction fees incurred subsequent to securing the debt financing facility, were allocated on a pro-rata basis with $25, $33, $38 and $54 allocated to the four warrant issuances, which were expensed as incurred.

The remaining transaction fees amounting to $123, $115, $110 and $128 allocated to four loan tranches, were deducted from the carrying amount of the loan and will be amortized over the term of the loan agreement.

Warrant issuance

In March, April, June and August 2019 Bitfarms Ltd. drew down all four loan tranches, requiring the issuance of 1,666,667 warrants per loan tranche to the Lender to purchase 1,666,667 shares of Bitfarms Ltd. at an exercise price of $0.40 per share, for a total of 6,666,668 warrants.

U.S. dollars in thousands, except per share, cryptocurrency data, warrants and quantity of PPE

NOTE 9:- LONG-TERM DEBT (Cont.)

The following table lists the inputs to the Black Scholes model used for the fair value measurement for the above issuance of warrants at their initial issuance dates, as well as at the remeasurement date as described below. The fair value measurement of the warrants is based upon level 2 inputs:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	September 27, 2019
Dividend yield (%)	-	-	-	-	-
Expected volatility of the share price (%)	110%	114%	114%	115%	114%
Risk-free interest rate (%)	2.40%	2.40%	1.80%	1.60%	-
Expected life of warrants (years)	5	5	5	5	4.47-4.87
Share price (U.S. Dollar)	0.62	0.73	0.83 *)	1.06	0.57
Warrant value (U.S. Dollar)	0.57	0.68	0.77	0.94	0.47
Quantity of warrants	1,666,667	1,666,667	1,666,667	1,666,667	6,666,668
Total value	**$ 946**	**$ 1,137**	**$ 1,283**	**$ 1,570**	**$ 3,160**

*) As of the drawdown date of tranche #3 as well as at June 30, 2019 the Company was not publicly traded. As a result, a linear regression model was used to estimate the share price as of the valuation dates. The linear regression model used a weighted average of the last five days of trading on the Tel Aviv Stock Exchange as well as the five days of trading on the TSXV ending August 2, 2019.

Based on the above inputs, the fair value of the warrants issued in connection with the four tranche drawdowns, were determined to be $0.57, $0.68, $0.77 and $0.94 per warrant, for a total of $946, $1,137, $1,283 and $1,570, respectively for a total of $4,936, upon their respective issuance dates.

Upon inception of the loan, the warrants contained an anti-dilutive feature that could have resulted in a reduction in the exercise price in the event that Bitfarms Ltd. (Canada) were to issue shares at a price lower than the exercise price. As a result of this feature, the warrants would not necessarily have resulted in a fixed number of shares being issued for a fixed price. The possibility of variation in the settlement price resulted in the warrants being classified as a liability that is measured at fair value through profit or loss. On September 27, 2019, the Company received all necessary approvals in order to remove the anti-dilutive feature, resulting in the reclassification of the warrants to equity at their fair market value as remeasured on the reclassification date, based on the above inputs. In exchange for removal of the anti-dilutive feature, the Company agreed not to issue common shares below the exercise price of $0.40 USD during the term of the loan with the lender. The remeasurement resulted in gains of $2,558 and $1,776 for the three and nine months ended September 30, 2019, included in financial income.

Embedded derivative

The value of the "make-whole" clause described above will vary based on management's projections of the timing of the loan repayment, which are based on Backbone's cryptocurrency mining revenues. This interest feature has been accounted for as an embedded derivative that is measured at fair value through profit or loss. Since this is a non-option derivative, the fair value upon initial recognition of the loan liability is nil.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except per share, cryptocurrency data, warrants and quantity of PPE

NOTE 9:- LONG-TERM DEBT (Cont.)

As of September 30, 2019, management revised its projections of the timing of the loan repayment and discounted future payments to their present value using the effective interest rates determined upon inception of each loan tranche. The weighted average bitcoin price and network difficulty used in the projections in order to determine the fair value of the embedded derivative were $10.4 and 9.84X10^12, respectively. The fair value measurement is based upon level 3 inputs, as a result management has performed a sensitivity analysis using varying discount rates:

	Scenario 1	Scenario 2	Scenario 3
Discount rate	30.05%	33.05%	36.05%
Total value	**$ (221)**	**$ 422**	**$ 1,056**

As of September 30, 2019, management recognized an embedded derivative asset with a fair value of $422 (June 30, 2019 – a liability of $409) resulting in an unrealized gain of $831 and $422 for the three and nine months ended September 30, 2019 included in financial income.

b. Backbone Vendor Financing

Backbone signed an agreement to purchase BVVE in the amount of $2,000, with an outstanding balance of $785 at September 30, 2019 (December 31, 2018 - $1,438). According to the agreement, the abovementioned amount will be repaid in 20 equal monthly instalments commencing on June 15, 2018. A discount rate of 8% was used to calculate the present value of the installments and record the BVVE in the amount of $1,826 upon acquisition.

c. Volta Vehicle Leases

Volta signed several agreements to purchase vehicles, with an outstanding balance of $130 (CAD $173,000) as of September 30, 2019 (December 31, 2018 - $125). Ten notes payable, bearing interest between 3.49% and 8.2% repayable in monthly instalments totaling $3.5 (CAD $4,600) principal and interest, maturing between February 2019 and October 2025, secured by vehicles having a net carrying value of $157.

d. Volta Vendor Financing

Volta received long-term vendor financing with an outstanding balance of $131 (CAD $174,000) as of September 30, 2019, bearing interest at 5%, payable by monthly instalments of $4 (CAD $5,198) principal and interest, maturing September 2022.

U.S. dollars in thousands, except per share, cryptocurrency data, warrants and quantity of PPE

NOTE 10:- ASSET RETIREMENT OBLIGATION

As of December 31, 2018, the Group estimated the costs of restoring its leased premises to their original state at the end of their respective lease terms to be $311, discounted to present value of $232 using a discount rate of 8% over the lease periods, which were estimated to range from two to five years depending on the location. Management has revised its estimate of the lease terms to be from two to ten years. The reason for the change in estimate was primarily based on securing the $20,000 financing facility described in Note 9, as well as the local energy tribunal's decision to reject a proposed increase in electricity prices on cryptocurrency miners. These two factors have resulted in management's estimate that certain leases containing asset retirement provisions will be renewed, thus delaying the cash outlay required to restore the properties. The change in estimate resulted in a reduction of the asset retirement provision of $51.

NOTE 11:- EQUITY

	Authorized	Issued and Outstanding	
	September 30, 2019 (unaudited)	September 30, 2019 (unaudited)	December 31, 2018
	Number of shares		
Common shares	Unlimited	83,374,980	39,739,785

On June 12, 2019 Bitfarms Ltd. (Israel) completed the Arrangement, which resulted in 39,739,785 Bitfarms Israel shares being exchanged on a 1:1 basis for 39,739,785 newly issued shares in the Company. The transaction has been accounted for as a reverse acquisition that does not constitute a business combination. For accounting purposes, the legal subsidiary, Bitfarms Ltd. (Israel), has been treated as the acquirer of the Company. Accordingly, these consolidated financial statements reflect a continuation of the financial position, operating results and cash flows of the Company’s legal subsidiary, Bitfarms Ltd. Israel. On the same date, 17,335,090 Backbone exchangeable shares were exchanged for shares in the Company on a one to one basis.

On August 15, 2019 the Company completed the acquisition of all remaining issued and outstanding shares of Backbone that were not included in the Arrangement (non-controlling interest) 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. The fair value of the Company's shares issued in the exchange in the amount of $24,938 was credited to share premium. The excess of the fair value of the issued shares over the carrying amount of the non-controlling interest at the date of the exchange in the amount of $21,267 was recorded as a reduction of share premium.

The Company was incorporated on October 11, 2018 for the purposes of obtaining a listing on the TSXV and engaging in the share exchange described above. The Company remained inactive from inception until the share exchange and had assets of $100 CAD and shareholders’ equity of $100 CAD.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 12:- ADDITIONAL DETAILS IN REGARD TO THE STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

Revenues:

Details of the cryptocurrency mined by the Bitfarms operating segment and their related fair values at the time of mining are as follows:

	Three months ended September 30, 2019 (unaudited)					
	Bitcoin	Bitcoin Cash	Dash	Litecoin	Ethereum	Total $
Quantity	834	-	-	1,219	-	-
Fair value *)	$ 8,623	$ -	$ -	$ 123	$ -	$ 8,746

	Three months ended September 30, 2018 (unaudited)					
	Bitcoin	Bitcoin Cash	Dash	Litecoin	Ethereum	Total $
Quantity	743	-	296	1,161	203	-
Fair value *)	$ 5,080	$ -	$ 59	$ 78	$ 69	$ 5,286

	Nine months ended September 30, 2019 (unaudited)					
	Bitcoin	Bitcoin Cash	Dash	Litecoin	Ethereum	Total $
Quantity	2,646	-	-	7,561	-	-
Fair value *)	$ 19,020	$ -	$ -	$ 653	$ -	$ 19,673

	Nine months ended September 30, 2018 (unaudited)					
	Bitcoin	Bitcoin Cash	Dash	Litecoin	Ethereum	Total $
Quantity	2,669	2,314	516	4,681	797	-
Fair value *)	$ 22,867	$ 4,130	$ 137	$ 682	$ 506	$ 28,322

The above figures differ from those included in Revenues as the Company's revenue recognition policy is to recognize revenues upon conversion of cryptocurrencies to fiat currency.

*) The Company based the fair value of the cryptocurrency mined at the time of mining on the prices quoted on www.coinmarketcap.com, which calculates the price by taking the weighted average prices, based on volume, reported in each cryptocurrency market. The fair value measurement is categorized as level 1 in the fair value hierarchy.

U.S. dollars in thousands, except per share, cryptocurrency data, warrants and quantity of PPE

NOTE 13:- TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a. Balances with related parties:

	September 30, 2019	December 31, 2018
	Unaudited	
Accounts receivable:		
Companies controlled by directors	$ 17	$ -
Accounts payable:		
Directors' remuneration (included in accrued liabilities)	$ 31	$ 26
Companies controlled by certain directors and consulting fees	75	28
	$ 106	$ 54
Lease liabilities:		
Companies controlled by directors	$ 2,000	$ -

Amounts due to related parties, are unsecured, non-interest bearing and payable on demand.

b. Transactions with related parties:

During the three and nine month periods ended September 30, 2019:

1. One of the companies in the Group was charged approximately $40 and $119 for the three and nine month periods ended September 30, 2019 (three and nine months periods ended September 30, 2018 - $88 and $183) for telecommunication expenses by a company in which a director has significant influence.

In addition, one of the companies in the Group made rent payments totaling approximately $125 and $447 for the three and nine month periods ended September 30, 2019 (three and nine month periods ended September 30, 2018 - $125 and $446) to companies controlled by certain directors. For the three and nine months periods ended September 30, 2019 the rent payments were classified as interest included in financial expenses and principal repayment of lease liabilities. For the three and nine months periods ended September 30, 2018 rent payments were included in cost of revenues.

2. One of the companies in the Group entered into consulting agreements with two of the directors. The consulting fees charged by directors totaled approximately $100 and $300 for the three and nine months periods ended September 30, 2019 ($100 and $347 for the three and nine months periods ended September 30, 2018).

3. One of the companies in the group sold 627 Bitcoin for the three and nine months ended September 30, 2019 (518 Bitcoin and 2,757 Bitcoin for the three and nine months ended September 30, 2018) to a company of

U.S. dollars in thousands, except per share, cryptocurrency data, warrants and quantity of PPE

NOTE 13:- TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont.)

which, at the time of such sales, had a director who was also a shareholder of Bitfarms Ltd. (Israel) for $2,283 ($3,761 and $24,889 for the three and nine months ended September 30, 2018).

The Bitcoin sold includes the conversion of other cryptocurrencies to bitcoin using arm's length exchanges. The company of which one of the Bitfarms shareholders is a director ceased operating in the cryptocurrency industry as of March 11, 2019, and since that date Bitfarms has not transacted with this company.

4. As described in Note 1, on June 12, 2019, two Bitfarms founding shareholders exchanged 17,335,090 exchangeable shares of Backbone into 17,335,090 common shares of the Company.

The transactions described in 1-3 above were incurred in the normal course of operations.

These transactions were included in consolidated statements of profit or loss and comprehensive income as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	Unaudited			
Cost of revenues	$ 107	$ 200	$ 466	$ 598
General and administrative expenses	140	283	419	531
Financial expenses	45	-	139	-
	$ 292	$ 483	$ 1,024	$ 1,129

c. Compensation of key management and directors:

Key management includes the Group's President, Chief Executive Officer, Chief Financial Officer, Chief Strategy Officer, Executive Vice President, Vice President of Operations and Vice President of Infrastructure.

The remuneration paid to directors and members of key management personnel are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	Unaudited			
Short-term benefits	$ 289	$ 167	$ 791	$ 586
Share based payments	786	198	2,335	581
	$ 1,075	$ 365	$ 3,126	$ 1,167

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 14:- NET EARNINGS (LOSS) PER SHARE

Details of the number of shares and income (loss) used in the computation of net earnings (loss) per share:

	Three months ended September 30, (unaudited)			
	2019		2018	
	Weighted average shares outstanding	Net income attributable to the shareholders of the Company	Weighted average shares outstanding	Net loss attributable to the shareholders of the Company
	Number of shares (in thousands)		Number of shares (in thousands)	
Total shares for the calculation of basic net earnings per shares	70,367	-	39,740	-
Total exchangeable shares	-	-	17,335	-
Total shares for the calculation of basic net earnings per shares	70,367	-	57,075	-
The effect of dilutive potential ordinary shares	9,256	-	-	-
Total shares for the purpose of calculating diluted earnings per share	79,623	-	57,075	-
Net income (loss) for the calculation of basic and diluted earnings per share	-	$ 3,900	-	$ (1,150)

	Nine months ended September 30, (unaudited)			
	2019		2018	
	Weighted average shares outstanding	Net income attributable to the shareholders of the Company	Weighted average shares outstanding	Net income attributable to the shareholders of the Company
	Number of shares (in thousands)		Number of shares (in thousands)	
Total shares for the calculation of basic net earnings per shares	61,522	-	43,301	-
Total exchangeable shares	-	-	10,898	-
Total shares for the calculation of basic net earnings per shares	-	-	54,199	-
The effect of dilutive potential ordinary shares	4,845	-	442	-
Total shares for the purpose of calculating diluted earnings per share	66,367	-	54,641	-
Net income for the calculation of basic and diluted earnings per share	-	$ 1,775	-	$ 3,703

U.S. dollars in thousands, except per share, cryptocurrency data, warrants and quantity of PPE

NOTE 15:- SHARE BASED PAYMENT

The expense recognized in the financial statements for employee services received is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	Unaudited			
Equity-settled share-based payment plans	$ 872	$ 198	$ 2,443	$ 581

The share-based payment transactions entered into between the Group and its employees during the nine month period ended September 30, 2019 are described below. On June 20, 2019, the Board of Directors approved a stock option plan which includes a maximum of 11,414,975 options to purchase 11,414,975 shares in the Company, exercisable within 5 years of the grant date. The plan that was approved June 20, 2019 included the grant of 7,554,998 options to purchase 7,554,998 shares which can be separated into three separate tranches:

a. 4,805,000 options exercisable at $0.99 CAD of which 2,601,667 vested as of the grant date with the remainder vesting in four equal tranches, every six months, over two years as of the grant date. The following table lists the inputs to the Black-Scholes model used to determine the fair value of the abovementioned options:

Dividend yield (%)	-
Expected volatility of the share price (%)	95%
Risk-free interest rate (%)	1.76%
Expected life of share options (years)	3
Share price (U.S. Dollar) *)	0.83

Based on the above inputs, the fair value of the options was determined at $0.52 at the grant date.

b. 1,623,679 options exercisable at $1.19 CAD of which 458,333 vests on December 20, 2019, 458,333 vest on March 20, 2020 and 707,013 vest on June 20, 2020. The following table lists the inputs to the Black-Scholes model used to determine the fair value of the above-mentioned options:

Dividend yield (%)	-
Expected volatility of the share price (%)	95%
Risk-free interest rate (%)	1.76%
Expected life of share options (years)	3
Share price (U.S. Dollar) *)	0.83

U.S. dollars in thousands, except per share, cryptocurrency data, warrants and quantity of PPE

NOTE 15:- SHARE BASED PAYMENT (Cont.)

Based on the above inputs, the fair value of the options was determined at $0.48 U.S. Dollars at the grant date.

c. 1,126,319 options contingent upon the share exchange with the non-controlling interest described in Note 16. The contingent options are exercisable at the greater of $1.19 CAD or the closing share price as at the date of the share exchange. 209,653 contingent options vest on September 2020, 458,333 vest on December 20, 2020 and 458,333 vest on March 20, 2021. The closing price as at the date of the share exchange was $1.25 CAD.

Dividend yield (%)	-
Expected volatility of the share price (%)	95%
Risk-free interest rate (%)	1.76%
Expected life of share options (years)	3
Share price (U.S. Dollar) *))	0.83

Based on the above inputs, the fair value of the options was determined at $0.56 at the grant date.

*) As of June 20, 2019 the Company was not publicly traded. As a result, a linear regression model was used to estimate the share price as of the valuation date. The linear regression model used a weighted average of the last five days of trading on the Tel Aviv Stock Exchange as well as the five days of trading on the TSXV ending August 2, 2019.

*)) The conditions required for the contingent options were met in August 2019.

The plan also approved the modification of the 500,000 options to purchase 500,000 shares in Backbone and 100,000 restricted shares in Backbone previously granted to the CEO and CFO, respectively. The modification resulted in the options and shares previously granted to the CEO and CFO by Backbone to be replaced with the option to purchase 500,000 shares in Bitfarms and 100,000 restricted shares, respectively, in Bitfarms. The strike price of the options remains unmodified, and both the shares and options that were modified were deemed to be 67% vested as at the modification date and 33% over the next twelve months. As a result of the replacement of stock compensation in Backbone with stock compensation in the Company, the amounts originally recorded in non-controlling interest were transferred to shareholder’s equity.

NOTE 16:- SUBSEQUENT EVENTS

Purchase commitments

On June 21, 2019, the Company entered into an agreement to purchase mining hardware for $4,400. The Company has placed deposits with the vendor totaling approximately $3,100 as of September 30, 2019. Subsequently, the Company has paid the remaining balance of $1,300 and received the mining hardware in November 2019.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except per share, cryptocurrency data, warrants and quantity of PPE

NOTE 16:- SUBSEQUENT EVENTS (Cont.)

New lease agreement

On October 1, 2019 a new lease for the Company's office in Toronto became effective. The lease term is five years with two, two year renewal options. Monthly rent is approximately $8 ($10,000 CAD) and the lease agreement resulted in the recognition of a right-of-use asset and lease liability in the amount of $365.

Warrant exercise

On November 22, 2019 Dominion Capital exercised 250,000 of warrants resulting in proceeds of $100 being paid to the Company.