
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of March 2025

Commission File Number: 001-40370

BITFARMS LTD.
(Translation of registrant's name into English)

110 Yonge Street, Suite 1601, Toronto, Ontario, Canada M5C 1T4
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

DOCUMENTS INCLUDED AS PART OF THIS FORM 6-K

See the Exhibits listed below.

Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Audited Consolidated Financial Statements as at and for the years ended December 31, 2024 and 2023
99.2	Management's Discussion and Analysis for the year ended December 31, 2024

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BITFARMS LTD.

By: /s/ Ben Gagnon

Name: Ben Gagnon

Title: Chief Executive Officer

Date: March 27, 2025



**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

(Expressed in thousands of U.S. dollars - audited)

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BITFARMS LTD.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders and Board of Directors of Bitfarms Ltd.

The accompanying consolidated financial statements of Bitfarms Ltd., their presentation and the information contained in the Management's Discussion and Analysis ("MD&A") including information determined by specialists, are the responsibility of management and have been approved the Board of Directors (the "Board").

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). The most significant of these accounting principles are set out in Note 3 to the consolidated financial statements.

The Board is composed of a majority of independent directors who are neither Management nor employees of the Company. The Board is responsible for overseeing Management in the performance of its financial reporting responsibilities, and for approving the financial information included in the consolidated financial statements. The Board fulfills these responsibilities by reviewing the financial information prepared by Management and discussing relevant matters with Management.

The Audit Committee is composed of independent directors who are neither Management nor employees of the Company. The Audit Committee has the responsibility of meeting with Management and the Company's independent registered public accounting firm to discuss the internal controls over financial reporting, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Company's external auditors.

The independent auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and Management to discuss their audit findings.

/s/ Ben Gagnon

Chief Executive Officer ("CEO") & Director

/s/ Jeffrey Lucas

Chief Financial Officer ("CFO")

BITFARMS LTD.

MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management, under the supervision of the Company's CEO and CFO, is responsible for establishing and maintaining adequate internal controls over financial reporting ("ICFR"). Internal controls over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards.

All control systems contain inherent limitations, regardless of how well designed. As a result, Management acknowledges that its internal controls over financial reporting will not prevent or detect all misstatements due to error or fraud. In addition, Management's evaluation of controls can provide only reasonable, not absolute, assurance that all control issues that may result in material misstatements, if any, have been detected.

Management, under the supervision of the CEO and CFO, has evaluated the effectiveness of the Company's ICFR, as at December 31, 2024, in accordance with the criteria established in the *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that assessment, Management concluded that its ICFR was not effective as of December 31, 2024 due to the identification of the material weakness discussed below.

A material weakness is a deficiency, or a combination of deficiencies, in ICFR such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Based on this definition Management has concluded that the material weakness noted below existed in the Company's ICFR.

In the fourth quarter of 2024, Management determined that the restatement of financial information presented was necessary to correct the classification of proceeds from the sales of digital assets from cash flows from operations to cash flows from investing activities. The error was corrected in the restated consolidated financial statements for the year ended December 31, 2023, filed on December 9, 2024.

Management also identified errors in the accounting for warrants that should have been classified as a financial liability and accounted for at fair value through profit and loss, and not as equity instruments. The restatement to correct the classification and subsequent accounting for those warrants impacted the consolidated financial statements of the Company for the year ended December 31, 2023, filed on December 9, 2024.

Management has determined that they did not maintain effective internal controls over the cash flow classification relating to the proceeds from the sales of digital assets. Management also determined that they did not maintain effective controls over the financial instruments that impacted the presentation, disclosure and accuracy of the accounting for complex financial instruments. Specifically, in both matters, Management did not design effective controls that enable the finance department to evaluate the appropriate accounting for more complex arrangements. This material weakness resulted in the misstatements in the consolidated financial statements, as described above, and could result in further misstatement of the financial statements or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2024 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.



Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Bitfarms Ltd.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statements of financial position of Bitfarms Ltd. and its subsidiaries (the Company) as of December 31, 2024 and 2023, and the related consolidated statements of profit or loss and comprehensive profit or loss, of changes in equity and of cash flows for the years then ended, including the related notes (collectively referred to as the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the COSO because a material weakness in internal control over financial reporting existed as of that date related to the control over accounting for complex transactions.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in the accompanying Management's Report on Internal Control Over Financial Reporting. We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audit of the 2024 consolidated financial statements, and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in management's report referred to above. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2500, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, ca_toronto_18_york_fax@pwc.com

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.



Revenues from sale of computational power used for hashing calculations

As described in Notes 3, 9 and 30 to the consolidated financial statements, the Company recorded \$186.5 million of revenues from sale of computational power used for hashing calculations to mining pool operators for the year ended December 31, 2024, of which a significant portion related to one mining pool operator (the Mining Pool Operator). In exchange for providing computational power to mining pool operators, the Company receives non-cash consideration in the form of Bitcoin based on a prescribed formula, and accounts for the Bitcoin to be received as variable consideration.

The principal considerations for our determination that performing procedures relating to revenues from sale of computational power used for hashing calculations is a critical audit matter are the significant judgment used by the auditor in determining the procedures to be performed over the revenue balance and a high degree of auditor effort required to perform the procedures to test (i) the computational power provided to the Mining Pool Operator, (ii) the associated contractual amounts the Company is entitled to receive in return for providing the computational power, and (iii) the quantity of the Bitcoin received from the Mining Pool Operator.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of certain controls relating to the revenues from the sale of computational power used for hashing calculations. These procedures also included, among others (i) testing the computational power provided to the Mining Pool Operator by confirming directly with the Mining Pool Operator, (ii) testing the associated contractual amounts the Company is entitled to receive by recalculating the amount based on the prescribed formula; (iii) agreeing all the Bitcoin received directly to the blockchain and tracing all receipts during the year to the Company's wallet addresses by using our proprietary software; and (iv) testing the settlement and ending balances of Bitcoin or cash by agreeing to third party custodian data and the Company's bank statements.

/s/ PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

March 26, 2025

We have served as the Company's auditor since 2020.

BITFARMS LTD.**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Expressed in thousands of U.S. dollars - audited)

		As of December 31,	As of December 31,
	Notes	2024	2023
Assets			
Current			
Cash		59,542	84,038
Trade receivables	6	1,259	714
Other assets	7	7,285	1,494
Short-term prepaid deposits		14,554	6,393
Income taxes receivable		424	—
Digital assets	8	87,298	31,870
Digital assets - restricted	8	32,826	—
Digital assets - collateralized	8, 18	—	2,101
Electrical component inventory		1,180	705
Derivative assets	9, 23	3,418	1,281
Assets held for sale	10	5,923	1,388
		213,709	129,984
Non-current			
Property, plant and equipment	12, 30	348,525	186,012
Right-of-use assets	19	23,020	14,315
Long-term deposits, equipment prepayments and other	14	56,367	44,437
Refundable deposits	15	21,956	277
Intangible assets	13	4,039	3,700
Deferred tax asset	20	—	—
Total assets		667,616	378,725
Liabilities			
Current			
Trade payables and accrued liabilities	16	25,894	20,739
Derivative liabilities	9, 23	128	—
Current portion of long-term debt	18	146	4,022
Current portion of lease liabilities	19	2,089	2,857
Taxes payable	20	—	1,110
Warrant liabilities	17	8,013	40,426
		36,270	69,154
Non-current			
Long-term debt	18	1,430	—
Lease liabilities	19	19,750	12,993
Asset retirement provision	21	2,106	1,816
Deferred tax liability	20	65	—
Total liabilities		59,621	83,963
Shareholders' equity			
Share capital	22	852,286	535,009
Contributed surplus		67,521	56,622
Accumulated deficit		(334,507)	(299,810)
Revaluation surplus		22,695	2,941
Total equity		607,995	294,762
Total liabilities and equity		667,616	378,725

Should be read in conjunction with the notes to the consolidated financial statements

March 26, 2025	/s/ <i>Brian Howlett</i>	/s/ <i>Ben Gagnon</i>	/s/ <i>Jeffrey Lucas</i>
Date of approval of the financial statements	Chairman of the Board of Directors	CEO & Director	CFO

BITFARMS LTD.**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE PROFIT OR LOSS**

(Expressed in thousands of U.S. dollars, except per share amounts - audited)

	Notes	Year ended December 31,	
		2024	2023
Revenues	8, 30	192,881	146,366
Cost of revenues	29	(225,240)	(167,868)
Gross loss		(32,359)	(21,502)
Operating expenses			
General and administrative expenses	29	(71,240)	(39,292)
Reversal of revaluation loss on digital assets	8	—	2,695
Loss on disposition of property, plant and equipment and deposits	12	(336)	(1,778)
Impairment on short-term prepaid deposits, property, plant and equipment and assets held for sale	11	(3,628)	(12,252)
Operating loss		(107,563)	(72,129)
Net financial income (expenses)	29	39,210	(37,194)
Net loss before income taxes		(68,353)	(109,323)
Income tax recovery	20	14,290	401
Net loss		(54,063)	(108,922)
Other comprehensive income (loss)			
Item that will not be reclassified to profit or loss:			
Change in revaluation surplus - digital assets, net of tax	8	39,120	9,242
Total comprehensive loss, net of tax		(14,943)	(99,680)
Loss per share	27		
Basic and diluted		(0.13)	(0.42)
Weighted average number of common shares outstanding	27		
Basic and diluted		414,669,947	262,237,117

Should be read in conjunction with the notes to the consolidated financial statements

BITFARMS LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in thousands of U.S. dollars, except number of shares - audited)

	Notes	Number of shares	Share capital	Contributed surplus	Accumulated deficit	Revaluation surplus	Total equity
Balance as of January 1, 2024		334,153,330	535,009	56,622	(299,810)	2,941	294,762
Net loss		—	—	—	(54,063)	—	(54,063)
Change in revaluation surplus - digital assets, net of tax		—	—	—	—	39,120	39,120
Total comprehensive loss, net of tax		—	—	—	(54,063)	39,120	(14,943)
Transfer of revaluation surplus on disposal of digital assets to accumulated deficit, net of tax		—	—	—	19,366	(19,366)	—
Share-based payment	28	—	—	13,949	—	—	13,949
Issuance of common shares	22	137,006,905	292,534	—	—	—	292,534
Settlement of restricted share units	28	416,666	1,116	(1,116)	—	—	—
Exercise of stock options and warrants	22, 28	7,755,984	23,627	(1,934)	—	—	21,693
Balance as of December 31, 2024		479,332,885	852,286	67,521	(334,507)	22,695	607,995
Balance as of January 1, 2023		224,200,170	404,934	47,653	(197,189)	—	255,398
Net loss		—	—	—	(108,922)	—	(108,922)
Change in revaluation surplus - digital assets, net of tax		—	—	—	—	9,242	9,242
Total comprehensive loss, net of tax		—	—	—	(108,922)	9,242	(99,680)
Transfer of revaluation surplus on disposal of digital assets to accumulated deficit, net of tax		—	—	—	6,301	(6,301)	—
Share-based payment	28	—	—	10,915	—	—	10,915
Issuance of common shares	22	97,386,182	93,901	—	—	—	93,901
Settlement of restricted share units	28	250,002	692	(692)	—	—	—
Exercise of stock options and warrants	22, 28	12,316,976	35,482	(1,254)	—	—	34,228
Balance as of December 31, 2023		334,153,330	535,009	56,622	(299,810)	2,941	294,762

Should be read in conjunction with the notes to the consolidated financial statements

BITFARMS LTD.**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in thousands of U.S. dollars - audited)

	Notes	Year ended December 31,	
		2024	2023
Cash flows used in operating activities			
Net loss		(54,063)	(108,922)
Adjustment for non-cash items:			
Depreciation and amortization	29, 31	140,967	84,785
Impairment on short-term prepaid deposits, property, plant and equipment and assets held for sale	11	3,628	12,252
Net financial (income) expenses	29	(39,210)	37,194
Digital assets earned	8	(186,527)	(141,306)
Reversal of revaluation loss on digital assets	8	—	(2,695)
Share-based payment	28, 29	13,949	10,915
Income tax recovery	20	(14,290)	(401)
Loss on disposition of property, plant and equipment and deposits		336	1,778
Digital assets exchanged for services	8	1,463	—
Interest income received		5,649	1,787
Interest expenses paid	29	(1,738)	(13,923)
Income taxes (paid) received		(1,510)	11,590
Changes in non-cash working capital components	31	(9,216)	1,235
Net change in cash related to operating activities		(140,562)	(105,711)
Cash flows from (used in) investing activities			
Proceeds from sale of digital assets	8	152,135	129,309
Purchase of property, plant and equipment		(286,919)	(48,436)
Proceeds from sale of property, plant and equipment and assets held for sale		5,460	3,111
Purchase of marketable securities	29	(22,375)	(36,262)
Proceeds from disposition of marketable securities	29	24,688	48,507
Purchase of derivative assets and liabilities	9	(13,961)	—
Proceeds from disposition of derivative assets and liabilities	9	31,120	—
Refundable Hosting Deposits	15	(15,600)	—
Equipment and construction prepayments		(52,935)	(22,869)
Acquisitions of assets	5	—	(2,394)
Net change in cash related to investing activities		(178,387)	70,966
Cash flows from financing activities			
Issuance of common shares and warrants	22	289,534	109,074
Repayment of long-term debt	18	(4,141)	(30,545)
Proceeds from long-term debt	18	1,695	—
Lease incentive received	19	714	—
Repayment of lease liabilities	19	(2,223)	(3,634)
Exercise of stock options and warrants	22, 28	8,883	12,983
Net change in cash related to financing activities		294,462	87,878
Net (decrease) increase in cash		(24,487)	53,133
Cash, beginning of the year		84,038	30,887
Exchange rate differences on currency translation		(9)	18
Cash, end of the year		59,542	84,038

Should be read in conjunction with the notes to the consolidated financial statements

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 1: NATURE OF OPERATIONS

Bitfarms Ltd. was incorporated under the Canada Business Corporations Act on October 11, 2018 and continued under the Business Corporations Act (Ontario) on August 27, 2021. The consolidated financial statements of the corporation comprise the accounts of Bitfarms Ltd. and its wholly-owned subsidiaries (together referred to as the “Company” or “Bitfarms”). The common shares of the Company are listed on the Nasdaq Stock Market and the Toronto Stock Exchange (Nasdaq/TSX: BITF). Its registered office is located at 110 Yonge Street, Suite 1601, Toronto, Ontario, Canada, M5C 1T4.

The activities of the Company are mainly comprised of selling its computational power used for hashing calculations for the purpose of cryptocurrency mining in multiple jurisdictions as described in Note 30 “Geographical Information”. The Company’s operations are currently located in Canada, Paraguay, the United States and Argentina. Volta, a wholly-owned subsidiary of the Company, assists the Company in building and maintaining its data centers and provides electrician services to both commercial and residential customers in Quebec, Canada.

Bitfarms primarily owns and operates data centers housing computers (referred to as “Miners”) designed for the purpose of validating transactions on the Bitcoin Blockchain (referred to as “Mining”). Bitfarms generally operates its Miners 24 hours per day to produce computational power used for hashing calculations (measured by hashrate) that Bitfarms sells to Mining pool operators under a formula-driven rate commonly known in the industry as Full Pay Per Share (“FPPS”). Under FPPS, Mining pool operators compensate Mining companies for their computational power used for hashing calculations, measured by hashrate, based on what the Mining pool operator would expect to generate in revenue for a given time period if there was no randomness involved. The fee paid by a Mining pool operator to Bitfarms for its computational power used for hashing calculations may be in cryptocurrency, U.S. dollars, or another currency. However, the fees are paid to the Company on a daily basis in BTC (as defined below). Bitfarms accumulates the cryptocurrency fees it receives or exchanges them for U.S. dollars through reputable and established cryptocurrency trading platforms.

Terms and definitions

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

	Term	Definition
1	Backbone	Backbone Hosting Solutions Inc.
2	Volta	9159-9290 Quebec Inc.
3	Backbone Argentina	Backbone Hosting Solutions SAU
4	Backbone Paraguay	Backbone Hosting Solutions Paraguay SA
5	Backbone Mining	Backbone Mining Solutions LLC
6	Orion	Orion Constellation Technologies Inc.
7	Backbone Sharon	Backbone Sharon LLC
8	Backbone Paso Pe	D&N Ingenieria SA
9	Backbone Yguazu	Zunz SA
10	Backbone Paraguay LP	Bitfarms Paraguay LP
11	BTC	Bitcoin
12	BVVE	Blockchain Verification and Validation Equipment (primarily Miners and mining-related equipment)
13	MW	Megawatt
14	CAD	Canadian dollars
15	USD	U.S. dollars
16	ARS	Argentine Pesos

BITFARMS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 2: LIQUIDITY

Bitfarms is primarily engaged in the Bitcoin Mining industry, a highly volatile industry subject to significant inherent risk. Declines in the market prices of cryptocurrencies, an increase in the difficulty of BTC mining, delays in the delivery of Mining equipment, changes in the regulatory environment and adverse changes in other inherent risks can significantly and negatively impact the Company's operations and cash flows and its ability to maintain sufficient liquidity to meet its financial obligations. Adverse changes to the factors mentioned above can impact the recoverability of the Company's digital assets and property, plant and equipment ("PPE"), resulting in impairment losses being recorded.

The Company's operating cash flows are expected to remain negative until the Company has another significant revenue stream, as the proceeds from the BTC sold from its mining operations are classified within investing activities. The Company's current operating budget and future estimated cash flows indicate that the Company will generate positive cash flow in excess of the Company's cash commitments within the twelve-month period following the date these consolidated financial statements were authorized for issuance (the "twelve-month period"). These analyses are based on BTC market factors including price, difficulty and network hashrate for the twelve-month period.

A BTC Halving event is scheduled to occur once every 210,000 blocks, or roughly every four years, until the total amount of BTC rewards issued reaches 21 million, which is expected to occur around 2140. The most recent BTC Halving event occurred on April 19, 2024, at which time BTC block rewards decreased from 6.25 BTC per block to 3.125 BTC per block. Once 21 million BTC are generated, the network will stop producing more BTC, and the industry will then need to rely on transaction fees and/or other sources of revenue. While BTC prices have had a history of significant fluctuations around BTC Halving events, there is no guarantee that the price change will be favorable or would compensate for the reduction in Mining rewards and the compensation from Mining pool operators. Similar to past BTC Halvings events, the BTC price did not have an immediate favorable impact after the BTC Halving that occurred on April 19, 2024. It took approximately six months for revenue per terahash to return to the level experienced prior to the May 2020 BTC Halving event. Since the BTC halving on April 19, 2024, revenue per terahash has not yet returned to pre-halving levels.

At current BTC prices, the Company's existing cash resources and the proceeds from sales of its BTC treasury and BTC earned may not be sufficient to fund capital investments to fully support its growth objectives. If the proceeds from the sale of BTC are not sufficient, the Company would be required to raise additional funds from external sources to meet these requirements. There is no assurance that the Company will be able to raise such additional funds on acceptable terms, if at all.

If the Company raises additional funds by issuing securities, existing shareholders' ownership in the Company may be diluted. If the Company is unable to obtain financing, including by issuing securities, or if funds from operations and proceeds from sales of the Company's BTC holdings are negatively impacted by the BTC price, the Company may have difficulty meeting its payment obligations.

BITFARMS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 3: BASIS OF PRESENTATION AND MATERIAL ACCOUNTING POLICY INFORMATION

The following accounting policies have been applied consistently in the consolidated financial statements for all periods presented unless otherwise stated.

a. Basis of presentation of the financial statements

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”). These consolidated financial statements were approved and authorized for issue by the Board on March 26, 2025.

The consolidated financial statements have been prepared on a cost basis, except for warrant liabilities, derivative financial instruments and digital assets that are measured at fair value. The consolidated financial statements are presented in U.S. dollars and all values are rounded to the nearest thousand, except where otherwise indicated.

b. Material accounting policy information

Presentation of profit and loss

The Company has elected to present the profit or loss items using the function of expense method.

The operating cycle

The operating cycle of the Company is to exchange computational power used for hashing calculations for digital assets and then routinely deposit them into custody, or convert them to fiat currency as needed. The Company’s activities have a one-year operating cycle. Accordingly, the assets and liabilities are classified in the statement of financial position as current assets and liabilities based on the Company’s operating cycle.

Consolidated financial statements

These financial statements consolidate the Company’s subsidiaries from the date of acquisition until the date that control is lost. The subsidiaries are controlled by the Company, where control is achieved when the Company is exposed to or has the right to variable returns from its involvement with the investee and has the current ability to direct the activities of the investee that significantly affect the investee’s returns.

The financial statements of the Company and its subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all subsidiaries of the Company. Significant intercompany balances and transactions and gains or losses resulting from intercompany transactions are eliminated in full in the consolidated financial statements.

BITFARMS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 3: BASIS OF PRESENTATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

b. Material accounting policy information (Continued)

Foreign currency translation

i. Functional currency and presentation currency

The financial statements are presented in U.S. Dollars, which is the functional currency of the parent company, as well as the functional currency of Backbone, Backbone Argentina, Backbone Paraguay, Backbone Mining, Orion, Backbone Sharon, Backbone Paso Pe, Backbone Yguazu and Backbone Paraguay LP. The functional currency is the currency that best reflects the economic environment in which the Company operates and conducts its transactions. The Company determines the functional currency of each subsidiary.

ii. Transactions, assets and liabilities in foreign currency

Transactions in foreign currency are initially recorded at the exchange rate in effect on the transaction date. Monetary assets and liabilities in foreign currency are subsequently translated into the functional currency at the exchange rate in effect at each reporting date. Exchange rate differences, other than those capitalized to qualifying assets or carried to equity in hedging transactions, are included in profit or loss. Non-monetary assets and liabilities in foreign currency stated at cost are translated at the exchange rate in effect at the transaction date. Non-monetary assets and liabilities in foreign currency carried at fair value are translated at the exchange rate at the date on which the fair value was determined.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 3: BASIS OF PRESENTATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

b. Material accounting policy information (Continued)

Revenue recognition

Revenue from contracts with customers is recognized when control over the goods or services is transferred to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes). The following are the specific revenue recognition criteria which must be met before revenue is recognized:

i. Revenues from the sale of computational power used for hashing calculations

The Company has entered into arrangements with Mining pool operators, which are the Company's customers, and has undertaken the single performance obligation of providing a service to perform hash calculations for the Mining pool operators, which is an output of the Company's ordinary business activities, in exchange for non-cash consideration in the form of Bitcoin, which is variable consideration. The Bitcoin are calculated based on a formula which, in turn, is based on the hashrate contributed by the Company's provided computing power used for hashing calculations allocated to the Mining pool operators, assessed over a 24-hour period, and distributed daily based on the FPPS formula. The Company assesses the estimated amount of the variable non-cash consideration to which it expects to be entitled for providing computational power used for hashing calculations at contract inception and subsequently measures if it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The uncertainties regarding the daily variable consideration to which the Company is entitled for providing its computational power used for hashing calculations are no longer constrained at 23:59:59 UTC regardless of the timing of the BTC received. The amount earned is calculated based on the Company's computing power used for hashing calculations provided to the Mining pool operators and the estimated (i) block subsidies and (ii) daily average transaction fees which the Mining pool operators expect to earn, less (iii) a Mining pool discount.

(i) Block subsidies refers to the block reward that are expected to be generated on the BTC network as a whole. The fee earned by the Company is first calculated by dividing (a) the total amount of hashrate the Company provides to the Mining pool operator, by (b) the total BTC network's implied hashrate (as determined by the BTC network difficulty), multiplied by (c) the total amount of block subsidies that are expected to be generated on the BTC network as a whole.

(ii) Transaction fees refers to the total fees paid by users of the network to execute transactions. The fee paid by the Mining pool operator to the Company is further calculated by 1 plus (a) the total amount of transaction fees that are actually generated on the BTC network as a whole less the 3 largest and 3 smallest blocks, divided by (b) the total amount of block subsidies that are actually generated on the BTC network as a whole less the 3 largest and 3 smallest blocks, multiplied by (c) the Company's fee earned as calculated in (i) above. The Company is entitled to its relative share of consideration even if a block is not successfully added to the blockchain by the mining pool.

(iii) Mining pool discount refers to the discount applied to the total amount earned based on the FPPS formula otherwise attributed to computing power service providers for their sale of computing power used for hashing calculations as defined in the rate schedule of the agreement with the Mining pool operator.

NOTE 3: BASIS OF PRESENTATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

b. Material accounting policy information (Continued)

Revenue recognition (Continued)

i. Revenues from the sale of computational power used for hashing calculations (Continued)

The Company is entitled to the fee from the Mining pool operators as calculated above regardless of the actual performance of the Mining pool operators. Therefore, even if the Mining pool operators do not successfully add any block to the blockchain in a given contract period, the fee remains payable by the Mining pool operators to the Company. Accordingly, the Company is not sharing in the earnings of the Mining pool operators. The Company's enforceable right to compensation begins when, and continues as long as, the Company provides its services to the Mining pool operators, and the Company decides when to provide these services under the contracts.

The Company's agreements with the Mining pool operators provide the Mining pool operators and the Company with the enforceable right to terminate the contract at any time without substantively compensating the other party for the termination. Upon termination, the Mining pool operators are required to pay the Company the amount due related to previously satisfied performance obligations. As a result, the Company has determined that the duration of the contract is less than 24 hours and the contract is continuously renewed throughout the day. The Company has also determined that the Mining pool operators' renewal right is not a material right as the terms, conditions, and compensation amounts are at then-current market rates.

The Bitcoin earned is received in full and can be paid in fractions of cryptocurrency. Revenues from providing Bitcoin a service to perform hash calculations for the Mining pool operators are recognized upon delivery of the service (i.e., when the Mining pool operators obtain control of the hash calculations) over a 24-hour period. The Company updates the estimated transaction price of the non-cash consideration received at its fair market value. Management estimates fair value daily based on the quantity of Bitcoin received multiplied by the price quoted from Coinbase Inc. ("Coinbase Prime") on the day it was received. Management considers the prices quoted on Coinbase Prime to be a level 1 input under IFRS 13, *Fair Value Measurement*.

ii. Revenue from electrical services

The Company, through Volta, sells electrical components and provides electrician installation of those components as well as repair and maintenance services. Revenues are recognized according to the stage of completion of the transaction as of the balance sheet date. The stage of completion is estimated based on the costs incurred for the transaction compared to the estimated cost of completion for the project. Under this method, revenues are recognized in the reporting period in which the services are provided. In the event that the outcome of the contract cannot be measured reliably, the revenues are recognized to the extent of the recoverable expenses incurred.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 3: BASIS OF PRESENTATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

b. Material accounting policy information (Continued)

Digital assets

Cryptocurrency on hand at the end of a reporting period, if any, is classified as digital assets, and is accounted for under IAS 38, *Intangible Assets*, as an intangible asset with an indefinite useful life initially measured at cost, deemed to be the fair value upon receipt as described above, and subsequently measured under the revaluation model. Under the revaluation model, increases in the cryptocurrency's carrying amount, determined as the excess of fair value on revaluation over the weighted average cost, are recognized in other comprehensive income, except to the extent that they reverse a revaluation decrease previously recognized in profit or loss. Decreases are recognized in profit or loss, except to the extent that they reverse a revaluation increase previously recognized in other comprehensive income. Once the cryptocurrency is sold, the revaluation increase related to it is transferred from revaluation surplus to retained earnings. The Company revalues its cryptocurrency on hand on a monthly basis and following any significant fair value fluctuations. The fair value of cryptocurrency on hand at the end of the reporting period is calculated as the quantity of cryptocurrency on hand multiplied by the price quoted on Coinbase Prime as of the reporting date.

The Company reports cryptocurrency on hand at the end of the reporting period as digital assets, which are classified as current assets as Management has determined that the cryptocurrency on hand at the end of the reporting period has markets with sufficient liquidity to allow conversion within the Company's normal operating cycle and the Company expects to realize the digital asset within twelve months after the reporting period. The Company presents cryptocurrency collateralized separate from unencumbered cryptocurrency.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 3: BASIS OF PRESENTATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

b. Material accounting policy information (Continued)

Income tax

The income tax expense for the year comprises current and deferred taxes. These taxes are recognized in profit or loss except to the extent they relate to items which are recognized in other comprehensive income or loss or directly in shareholders' equity.

i. Current taxes

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with tax liabilities in respect of previous years.

ii. Deferred taxes

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes. Deferred taxes are measured at the tax rate that is expected to apply when the asset is realized, or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable they will be utilized. Deductible carryforward losses and temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that their utilization is probable.

Taxes that would apply in the event of the disposal of investments in investees have not been taken into account in computing deferred taxes as long as the disposal of the investments in investees is not probable in the foreseeable future.

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 3: BASIS OF PRESENTATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)**b. Material accounting policy information (Continued)*****Leases***

The Company assesses at contract inception whether a contract is, or contains, a lease. The determination is based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company as a lessee applies a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets ("ROU assets") representing the right to use the underlying assets.

i. ROU assets

The Company recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Asset Class	Depreciation Method	Depreciation period
Leased premises	Straight-line	4-10 years
Vehicles and other	Straight-line	3-5 years
BVVE	Straight-line	3 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, the asset is depreciated over the estimated useful life of the asset and is classified with property plant and equipment. Refer to the accounting policies of property, plant and equipment in this note. The ROU assets are also subject to impairment. Refer to the accounting policies of impairment of non-financial assets in this note.

Refer to Note 4b for details regarding the change in useful life and depreciation method.

NOTE 3: BASIS OF PRESENTATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

b. Material accounting policy information (Continued)

Leases (Continued)

ii. Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. 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 if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii. Short-term leases and leases of low value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery, equipment and data centers (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). The Company also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Assets held for sale

Non-currents assets or a disposal group are classified as held for sale if their carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the assets must be available for immediate sale in their present condition, the Company must be committed to their sale, there must be a program to locate a buyer, and it is highly probable that a sale will be completed within one year from the date of classification. From the date of such initial classification, the assets are no longer depreciated and are presented separately as current assets at the lower of their carrying amount and fair value less costs to sell. The gain or loss on disposition of assets held for sale will be presented separately in other comprehensive income (loss) only when it qualifies as part of discontinued operations.

When an entity no longer plans to sell an asset in a sale transaction, it ceases the classification of the asset as held for sale and measures it at the lower of its carrying amount had it not been classified as held for sale or the recoverable amount of the asset on the date of the decision not to sell the asset.

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 3: BASIS OF PRESENTATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)**b. Material accounting policy information (Continued)*****Property, Plant and Equipment***

Property, plant and equipment are carried at cost, including directly attributable costs, less accumulated depreciation, accumulated impairment losses and any related investment grants, and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that are used in connection with plant and equipment. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which the item is located.

Property, plant and equipment are depreciated as follows:

Asset Class	Depreciation Method	Depreciation period
BVVE		
Miners	Straight-line	3 years
Mining-related equipment	Straight-line	5 years
Mineral assets *	N/A	N/A
Leasehold improvements	Straight-line	Shorter of the lease term and the expected life of the improvement
Buildings	Declining balance	4%
Vehicles	Declining balance	30%

* From the acquisition of mineral assets in 2018 until their disposal during the year ended December 31, 2023, there has been no production.

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized. Refer to Note 4b for details regarding the change in useful life and depreciation method.

Intangible assets

Intangible assets consist of acquired software and access rights to electricity. Intangible assets acquired separately are initially measured at cost plus direct acquisition costs. Intangible assets acquired in business combinations are measured at their fair value as of the acquisition date.

Intangible assets, other than access rights to electricity, with a finite useful life are amortized over their useful lives using the sum of years method. Access rights to electricity are amortized using the straight-line method over the lease term of the data center or the access rights period. Intangible assets are reviewed for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at each year end.

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 3: BASIS OF PRESENTATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)**b. Material accounting policy information (Continued)*****Intangible assets*** (Continued)

Intangible assets are amortized as follows:

Asset Class	Amortization Method	Amortization period
Systems software	Sum of years	5 years
Access rights to electricity	Straight-line	Lease term of the data center or the access rights period

i. Systems software

The Company's assets include computer systems comprised of hardware and software. Certain hardware comes pre-installed with firmware. Without this firmware, the hardware could not function and therefore both the hardware and firmware are classified within property, plant and equipment. In contrast, stand-alone software that adds functionality to the hardware is classified as an intangible asset.

ii. Access rights to electricity

The Company's access rights to electricity were obtained from the acquisitions of assets described in Note 5.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, and which has been identified as the Management team that makes strategic decisions.

Impairment of non-financial assets

The Company evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash generating unit ("CGU") to which the asset belongs. Impairment losses are recognized in profit or loss.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as noted above, shall not be increased above the lower of the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

BITFARMS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 3: BASIS OF PRESENTATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

b. Material accounting policy information (Continued)

Financial instruments

i. Financial assets

Initial recognition and measurement

Financial assets are initially measured at fair value plus transaction costs that can be directly attributed to the acquisition of the financial asset, except in the case of a financial asset measured at fair value through profit or loss (“FVTPL”) in respect of which transaction costs are charged to profit or loss.

Subsequent measurement

Financial assets presented at amortized cost are subsequently measured using the effective interest rate (“EIR”) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Company’s financial assets at amortized cost includes trade receivables, refundable deposits, and certain items included in other assets. Net changes in financial assets measured at fair value are recognized in the statement of profit or loss. The Company’s financial assets at fair value include derivative assets.

Impairment

The Company recognizes an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Company applies a simplified approach in calculating ECLs. The Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

For Refundable Hosting Deposits, the Company applies the general approach in calculating ECLs. The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on credit rating and historical data adjusted by forward-looking information. As for the exposure at default, this is represented by the Refundable Hosting Deposits’ gross carrying amount at the reporting date, the Company’s understanding of the specific future financing needs of the debtor, and other relevant forward-looking information. The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original EIR.

The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

NOTE 3: BASIS OF PRESENTATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)**b. Material accounting policy information (Continued)*****Financial instruments (Continued)****ii. Financial liabilities**Initial recognition and measurement*

Financial liabilities are classified at initial recognition at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade payables, accrued liabilities, derivative liabilities, warrant liabilities and long-term debt.

Subsequent measurement

Financial liabilities are either measured at fair value through profit or loss or at amortized cost. Financial liabilities measured at fair value through profit or loss included warrant liabilities relating to the private placement described in Note 3e, 9 and 22. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as financial expenses in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

iii. Non-hedge derivative instruments

The Company entered into BTC option contracts to reduce the risk of variability of cash flows resulting from the fluctuations in the BTC price that impact future sales of digital assets. In addition, the Company entered into contracts and earned premiums by agreeing to sell BTC if the price reached specific targets ("BTC call option") to reduce the risk of variability of cash flows.

Both BTC option contract and BTC call option meet the definition of a cash flow hedge as per IFRS 9, *Financial Instruments* ("IFRS 9"). IFRS 9 provides a non-compulsory accounting policy choice of hedge accounting where the Company elected to not apply hedge accounting on BTC option contracts. All derivative financial instruments not designated in a hedge relationship that qualify for hedge accounting are classified as financial instruments at FVTPL. Derivative financial instruments at FVTPL are recorded in the consolidated statement of financial position at fair value. Changes in the estimated fair value of non-hedge derivatives at each reporting date are included in the statement of profit or loss as non-hedge gain or loss on derivative assets and liabilities.

iv. Derecognition of financial assets

Financial assets are derecognized when the contractual rights to receive the cash flows from the financial asset expire, or when the Company transfers the contractual rights to a third party to receive the cash flows from the financial asset or assumes an obligation to pay the cash flows received in full to a third party without significant delay.

v. Derecognition of financial liabilities

Financial liabilities are derecognized when they are extinguished, which occurs when the obligation defined in the contract is fulfilled, cancelled or expires. A financial liability is fulfilled when the debtor repays the liability by paying cash, providing other financial assets, goods or services, or is otherwise legally released from the liability.

BITFARMS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 3: BASIS OF PRESENTATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

b. Material accounting policy information (Continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market or, in the absence of a principal market, in the most advantageous market. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Fair value measurement of non-financial assets takes into account the ability of a market participant to derive economic benefits from the asset through its best use, or by selling it to another market participant capable of using the asset to its best use.

Assets and liabilities measured at fair value, or whose fair value is disclosed, are classified into categories within the fair value hierarchy based on the lowest level input that is significant to the overall fair value measurement:

Level	Definition
Level 1	Unadjusted quoted prices in an active market of identical assets and liabilities
Level 2	Non-quoted prices included in Level 1 that are either directly or indirectly observable
Level 3	Data that is not based on observable market information, such as valuation techniques without the use of observable market data

Provisions

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligations and the amounts can be reliably estimated. When the Company expects that part or all of the expense will be refunded, such as an insurance claim, the refund will be recognized as a separate asset only on the date when there is certainty of receiving the asset. The expense will be recognized in the statement of profit or loss net of the expected refund.

Asset retirement provisions

These provisions relate to Backbone and Backbone Argentina's legal obligation, in relation to its leased properties, to restore the properties to their original condition at the end of the lease period. The provisions are calculated at the present value of the expected costs to settle the obligations using estimated future cash flows discounted at a rate that reflects the risks specific to the obligations. Changes in the estimated future costs, or in the discount rate applied, are recorded as an adjustment of the cost of the related asset.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 3: BASIS OF PRESENTATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

b. Material accounting policy information (Continued)

Share-based transactions

Transactions settled with equity instruments

The cost of employee services paid in equity instruments is measured at the fair value of the equity instruments as of the grant date. The fair value is determined using a generally accepted option pricing model. Equity settled transactions with other services providers are measured at the fair value of the goods or services received in return for the equity instruments. The cost of equity-settled transactions is recognized in profit or loss together with a corresponding increase in contributed surplus during the period in which the performance and/or service conditions are to be satisfied and ending on the date on which the relevant employees become entitled to the award (“the vesting period”). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and Management’s best estimate of the number of equity instruments that will ultimately vest.

Expenses related to grants that do not vest are not recognized. Grants where the fair value is determined at the date of the grant based on non-vesting market conditions are treated as vested, assuming all other vesting conditions (service and/or performance) are met.

When the Company modifies the terms of equity-settled transactions, an additional expense is recognized on the date of the modification and is calculated as the increase in the fair value of the compensation granted in excess of the original expense. Cancellation of equity settlement that has not vested is treated as if it had vested on the date of cancellation, with the unrecognized expense recognized immediately. However, if the cancellation is subsequently replaced by a new agreement and is designated as an alternative settlement, then it is treated as a modification of the original agreement as described above.

Earnings per share

Earnings per share is calculated by dividing the net income attributable to the Company’s shareholders by the weighted average number of common shares outstanding during the period. Potential common shares are included in the calculation of diluted earnings per share if their effect dilutes earnings per share from continuing operations. Potential common shares that were converted during the period are included in diluted earnings per share only up to the conversion date, and from that date are included in basic earnings per share.

Share capital and issue of a unit of securities

Share capital represents the amount received on the issuance of shares, less issuance costs (net of tax).

The issue of a unit of securities involves the allocation of the proceeds received before issue expenses to the securities issued in the unit based on the following order: financial derivatives and other financial instruments measured at fair value in each period. Fair value is then determined for financial liabilities that are measured at amortized cost. The proceeds allocated to equity instruments are determined to be the residual amount. Issue costs are allocated to each component pro rata to the amounts determined for each component in the unit.

NOTE 3: BASIS OF PRESENTATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

c. New accounting amendments issued and adopted by the Company

The following amendments to existing standards were adopted by the Company as of January 1, 2024:

Amendments to IFRS 16, Leases (“IFRS 16”)

Amendments to IFRS 16 require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a manner that does not recognize any amount of the gain or loss that relates to the right-of-use retained. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease.

Amendments to IAS 1, Presentation of the Financial Statements (“IAS 1”)

Amendments to IAS 1 clarify how to classify debt and other liabilities as current or non-current. The amendments help to determine whether, in the consolidated financial statements, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments also include clarifying the classification requirements for debt that an entity might settle by converting into equity.

Amendments to IAS 1 specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require information about these covenants be disclosed in the notes to the financial statements.

Amendments to IAS 7, Statement of Cash Flows (“IAS 7”) and IFRS 7, Financial Instruments: Disclosures (“IFRS 7”)

Amendments to IAS 7 and IFRS 7 introduce disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on an entity’s liabilities, cash flows and exposure to liquidity risk.

The adoption by the Company of the amendments listed above did not have a significant impact on the Company’s Financial Statements.

d. New accounting amendments and standard issued to be adopted at a later date

The following amendments to existing standards have been issued and are applicable to the Company for its annual period beginning on January 1, 2025, with an earlier application permitted:

Amendments to IAS 21, The Effects of Changes in Foreign Exchange Rates (“IAS 21”)

Amendments to IAS 21 require an entity to apply a consistent approach in assessing whether a currency can be exchanged into another currency and, when it cannot, in determining the exchange rate to use and the disclosures to provide.

The Company is currently evaluating the impact of adopting the amendments on the Company’s Financial Statements.

BITFARMS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 3: BASIS OF PRESENTATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

d. New accounting amendments and standard issued to be adopted at a later date (Continued)

The following amendments to existing standards have been issued and are applicable to the Company for its annual period beginning on January 1, 2026, with an earlier application permitted:

Amendments to IFRS 9, *Financial Instruments* (“IFRS 9”) and IFRS 7

Amendments to IFRS 9 and IFRS 7 clarify that financial assets and financial liabilities are recognized and derecognized at settlement date except for regular way purchases or sales of financial assets and financial liabilities meeting conditions for the new exception. The new exception permits companies to elect to derecognize certain financial liabilities settled via electronic payment systems earlier than the settlement date.

These amendments also provide guidelines to assess contractual cash flow characteristics of financial assets, which apply to all contingent cash flows, including those arising from environmental, social, and governance (ESG)-linked features.

In addition, the amendments for investments in equity instruments reported at fair value through other comprehensive income require separately disclosing the fair value gain or loss for investments derecognized in the period and investments held. The amendments added disclosure requirements for financial instruments with contingent features that could change the timing or amount of contractual cash flows that do not relate directly to basic lending risks and costs.

Furthermore, the amendments to IFRS 9 clarify: i) the requirements to account for an extinguishment of a lessee’s lease liability that results in a gain or loss recognized in net income; and ii) the definition of the term “transaction price”.

The Company is currently evaluating the impact of adopting the new standards on the Company’s Financial Statements.

The following new standard has been issued and is applicable to the Company for its annual period beginning on January 1, 2027, with an earlier application permitted:

IFRS 18, *Presentation and Disclosure in Financial Statements* (“IFRS 18”)

On April 9, 2024, the International Accounting Standards Board issued IFRS 18, the new standard on presentation and disclosure in financial statements, which will replace IAS 1, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- The structure of the statement of profit or loss, including specified totals and subtotals;
- Required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity’s financial statements (i.e., management-defined performance measures); and
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

The Company is currently evaluating the impact of adopting the new standards on the Company’s Financial Statements.

NOTE 4: SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires Management to undertake judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. These judgments and estimates are based on Management's best knowledge of the events or circumstances and actions the Company may take in the future. The actual results may differ from these assumptions and estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to assumptions and estimates are recognized in the period in which the assumption or estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

a. Judgements

Revenue recognition

There is currently no specific guidance for cryptocurrencies under IFRS Accounting Standards. However, judgement is still required due to the particular characteristics of mining cryptocurrencies. The Company applies judgement to account for the revenue recognition from the sale of computational power used for hashing calculations. In the event that new guidance is issued by the International Accounting Standards Board, the Company may be required to change its accounting policies, which could have a material effect on the Company's financial statements.

Digital assets

There is currently no specific guidance for cryptocurrencies under IFRS Accounting Standards. However, judgement is still required due to the particular characteristics of holding cryptocurrencies. The Company applies judgement to account for the subsequent remeasurement of cryptocurrencies held under IAS 38, *Intangible Assets*. In the event that new guidance is issued by the International Accounting Standards Board, the Company may be required to change its accounting policies, which could have a material effect on the Company's financial statements.

b. Estimates and assumptions

Leases

The application of IFRS 16 requires the Company to make judgments and estimates that affect the valuation of the lease liabilities and the valuation of ROU assets. These include the determination of contracts in scope of IFRS 16 for the lease term for discounting future cash flows.

BITFARMS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 4: SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

b. Estimates and assumptions (Continued)

Leases (Continued)

The Company 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. The Company has the option under some of its leases to lease the assets for additional terms of three to ten years. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew and it considers all relevant factors that create an economic incentive for it to exercise the renewal.

After the commencement date, the Company 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 Company includes the renewal period as part of the lease term for leases of most data centers due to the significance of those assets to its operations. The Company has not included renewal periods for data centers when the lease term exceeds 10 years from the commencement of the lease.

Property, plant and equipment and intangible assets

Estimates of useful lives, residual values and methods of depreciation are reviewed annually. Any changes based on additional available information are accounted for prospectively as a change in accounting estimate.

During the first quarter of 2024, in connection with the replacement of older Miners following the Company's transformative fleet upgrade as described in Note 12, the Company reviewed and adjusted the useful lives, residual values and method of depreciation of older Miners that will be replaced by the new fleet in 2024. For these Miners, the depreciation was accelerated to bring the book value to the estimated recoverable value at the time they are expected to be replaced. The residual values were adjusted to reflect the expected proceeds from the eventual sale and the depreciation method was modified from sum-of-years to straight-line method.

During the fourth quarter of 2024, as part of the Company's annual review of its estimates used to account for property, plant and equipment, the Company reassessed the depreciation method, the useful life and the residual values of the Miners. As a result of rapid improvements in mining hardware technology, the Company modified the useful life of the Miners from 5 to 3 years and the depreciation method from sum-of-years to the straight-line. The residual values of the Miners remained nil.

In addition, the depreciation method of mining-related equipment was modified from the original sum-of-years to the straight-line method. The useful life and the residual values remained unchanged.

All these modifications represent changes in accounting estimates and were applied prospectively. Refer to Note 12 - Property, Plant and Equipment.

BITFARMS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 4: SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

b. Estimates and assumptions (Continued)

Impairment and reversal of impairment of non-financial assets

Management exercises significant judgement in estimating the inputs used to determine the value in use of its equipment and construction prepayments, property, plant and equipment, right-of-use assets and intangible assets. When there is any indication that any tangible and intangible assets other than goodwill have incurred an impairment loss, the determination of the recoverable amount of such tangible and intangible assets other than goodwill requires Management to estimate cash flows expected to arise from those assets and a suitable discount rate in order to calculate the present value in a manner described above for goodwill.

Contingent Liability

Contingent liability is an existing condition, situation, or set of circumstances involving uncertainty as to a possible loss that will ultimately be resolved when one or more future events occur or fail to occur. The Company is party to various legal proceedings, claims, and regulatory, tax or government inquiries and investigations that arise in the ordinary course of business. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company, with assistance from its legal counsels, evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought. A provision for legal claims against the Company is recorded when the Company has a present legal or constructive obligation as a result of past events, and that is more likely than not to be settled with an outflow of economic resources that can be measured reliably.

Measurement of Financial Instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Company used a combination of the Monte Carlo valuation technique and the Black-Scholes model to calculate the fair value for embedded derivatives (redemption option of BTC).

The Monte Carlo method relies on computational algorithm that uses repeated random sampling to obtain the likelihood of a range of results of occurring to simulate the future price of BTC. Management exercises significant judgement in considering the input values and selecting the probability distribution used in the Monte Carlo method to estimate the possible outcomes of an uncertain event.

The Black-Scholes model is used to value each redemption option of BTC, taking into account the option's maturity date, expected future price, the exercise price, time to maturity, BTC volatility and the risk-free interest rate.

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 5: ACQUISITIONS OF ASSETS**a. Acquisition of assets in Baie-Comeau**

On July 5, 2023, the Company acquired 100% of the shares of a corporation, referred to as Orion, that owns the right to 22 MW of hydro power capacity in Baie-Comeau, Quebec, Canada. The consideration transferred at closing totaled \$1,964 (CAD\$2,603), of which \$610 (CAD\$814) was paid in cash and \$1,354 (CAD\$1,789) was paid through the issuance of 820,837 common shares of the Company.

The acquisition of Orion does not meet the definition of a business combination under IFRS 3, *Business Combinations*, as Orion's primary assets consist mainly of a contractual right for up to 22 MW of hydro power capacity. Therefore, the transaction has been recorded as an acquisition of a group of assets.

The assets acquired and the liabilities assumed were recognized and measured by allocating the fair value of the consideration paid to their relative fair values at the closing date of the transaction. All financial assets acquired and financial liabilities assumed were recorded at fair value.

The purchase price and the net assets acquired are as follows:

	Note	As of July 5, 2023
Purchase price		
Cash consideration		610
Value of 820,837 common shares transferred at closing		1,354
Transaction costs		218
		2,182
Net assets acquired		
Security deposits		241
Leasehold improvements		7
Trade payables and accrued liabilities		(174)
Customer deposit		(207)
Intangible - access rights to electricity	13	2,315
		2,182

In addition, the Company separately entered into a lease agreement with a third party for a site to install the infrastructure to operate the acquired capacity. Refer to Note 19.

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 5: ACQUISITIONS OF ASSETS (Continued)**b. Acquisitions of assets in Paraguay**

On July 14, 2023, the Company acquired 100% of the shares of two corporations that own the rights to 50 MW and 100 MW, respectively, of hydro power capacity in Villarrica (Paso Pe) and Yguazu, Paraguay, respectively. The cash considerations totaled \$1,095 and \$450, respectively.

The transactions have been recorded as acquisitions of a group of assets as the acquirees' primary assets consist mainly of contractual rights to electricity supply. The purchase prices and the net assets acquired as of July 14, 2023 are as follows:

	Notes	Villarrica (Paso Pe)	Yguazu
Purchase price			
Cash consideration paid at closing		95	250
Cash consideration payable		1,000	200
Transaction costs		17	4
		1,112	454
Net assets acquired			
Cash, cash equivalent and other current assets		17	27
Property, plant and equipment		30	6
Intangible - access rights to electricity	13	1,065	421
		1,112	454

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 6: TRADE RECEIVABLES

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Most trade receivables are derived from the sale of electrical components and services to external customers by the Company's wholly-owned subsidiary, Volta. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

Information about the credit risk exposure of the Company's trade receivables as of December 31, 2024 and December 31, 2023 is detailed in the trade receivables aging as follows:

	As of December 31,	As of December 31,
	2024	2023
1 - 30 days	573	353
31 - 60 days	331	119
61 - 90 days	189	63
> 91 days	213	230
Allowance for ECL	(47)	(51)
	1,259	714

NOTE 7: OTHER ASSETS

	As of December 31,	As of December 31,
	2024	2023
Sales taxes receivable	5,898	805
Other receivables	1,387	689
	7,285	1,494

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 8: DIGITAL ASSETS

BTC transactions and the corresponding values for the years ended December 31, 2024 and 2023 were as follows:

	Year ended December 31,			
	2024		2023	
	Quantity	Value	Quantity	Value
Balance of digital assets including digital assets collateralized as of January 1,	804	33,971	405	6,705
BTC earned*	2,914	186,527	4,928	141,306
BTC exchanged for cash	(2,419)	(152,135)	(4,529)	(129,309)
BTC exchanged for services	(14)	(1,463)	—	—
Realized gain on disposition of digital assets**	—	27,209	—	7,713
Change in unrealized gain on revaluation of digital assets**	—	26,015	—	7,556
Balance of digital assets including restricted digital assets and digital assets collateralized as of December 31,	1,285	120,124	804	33,971
Less restricted digital assets as of December 31,***	(351)	(32,826)	—	—
Less digital assets collateralized as of December 31,****	—	—	(50)	(2,101)
Balance of digital assets excluding restricted digital assets and digital assets collateralized as of December 31,	934	87,298	754	31,870

* Management estimates the fair value of BTC earned on a daily basis as the quantity of cryptocurrency received multiplied by the price quoted on Coinbase Prime on the day it was received. Management considers the prices quoted on Coinbase Prime to be a level 1 input under IFRS 13, *Fair Value Measurement*.

** A portion of the realized gain on disposition of digital assets and the change in unrealized gain on revaluation of digital assets is presented in other comprehensive income after reversing previously recorded revaluation loss on digital assets in the statement of profit or loss. For the year ended December 31, 2024, a gain of \$39,120, net of \$14,104 of deferred income tax expense, was presented in other comprehensive income (year ended December 31, 2023: a gain of \$9,242, net of \$3,332 of deferred income tax expense).

*** Refer to Note 9 and 14 for details regarding the BTC payment (“BTC Pledged”) to a third party as a deposit of Miners presented as restricted digital assets. As the Company has the right to redeem the BTC Pledged, the ability of the third party to control the asset is limited, and the BTC Pledged does not meet the definition of a sale. Subsequently, in January 2025, the Company exercised the first BTC Installment. Refer to Note 32 for more details.

**** Refer to Note 18 for details of the Company’s long-term debt and BTC collateralized. During the first quarter of 2024, the NYDIG Loan balance was fully repaid and the BTC previously collateralized thereunder became unencumbered.

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 9: DERIVATIVE ASSETS AND LIABILITIES**BTC option and selling contracts**

Starting in the first quarter of 2023, the Company purchased BTC option contracts that gave it the right, but not the obligation, to sell digital assets at a fixed price. Option contracts are used to reduce the risk of BTC price volatility and reduce the variability of cash flows resulting from future sales of digital assets. The Company also entered into contracts and earned premiums by agreeing to sell BTC if the price reached specific targets. The Company did not apply hedge accounting to these contracts. Refer to Note 3b (Financial Instruments) for more details.

BTC Redemption Option

In November 2024, the Company entered into two supplemental agreements (“Supplementary Agreements”) in relation to the Purchase Option and the March Purchase Option as explained in Note 14. The Supplementary Agreements allow the Company to pay for the Miners in cash, BTC or a combination of both.

In the event that the Company elects for BTC Pledged either full or partial, the Company has the option to redeem back the BTC Pledged at the price originally pledged in four quarterly installments (“BTC Installments”) within 12 months after the redemption period starts. The redemption period starts when the Miners are shipped. See Note 23 for more details. If the Company elects not to redeem one of the BTC Installments, the Company forfeits the right to redeem the remaining BTC Installments. The right to redeem the BTC (“BTC Redemption Option”) meets the definition of an embedded derivative. In November 2024, the Company paid for the Miners in the Supplementary Agreements using 351 BTC valued at \$33,200. The BTC Redemption Option was initially recognized at a fair value of \$1,349 which was allocated to the option from the initial equipment deposit. As of December 31, 2024, the BTC Redemption Option fair value increased to \$3,418 resulting in an unrealized gain of \$2,069 in Net financial income (expenses).

Subsequently, the Company exercised the first BTC Installment. Refer to Note 32 for more details.

The following table summarizes the derivatives:

	As of December 31,	
	2024	2023
Derivative assets		
BTC option contracts	—	1,281
BTC redemption option	3,418	—
	3,418	1,281
Derivative liabilities		
BTC selling contracts	(128)	—

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 9: DERIVATIVE ASSETS AND LIABILITIES (Continued)

Reconciliation of the fair value measurement of BTC option and selling contracts derivatives (Level 2):

	As of December 31,			
	2024		2023	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Balance as of January 1,	1,281	—	—	—
Remeasurement recognized in statement of profit or loss during the period	15,871	(121)	28	20
Purchases	13,610	351	1,253	366
Sales	(30,762)	(358)	—	(386)
Balance as of period end	—	(128)	1,281	—

The following gain or loss on BTC option and selling contracts derivatives are recognized in Net financial income (expenses) in the consolidated statements of profit or loss and comprehensive profit or loss:

	Year ended December 31,	
	2024	2023
Unrealized change in fair value of outstanding contracts	(179)	409
Realized gain (loss) on settled contracts	15,929	(361)
	15,750	48

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 10: ASSETS HELD FOR SALE

As of December 31, 2024 and December 31, 2023, assets held for sale consisted of the following:

	As of December 31,	As of December 31,
	Note	2023
Miners	i.	521
Mining electrical components		867
		1,388
		4,806
		5,923

Assets held for sale were measured at the lower of their carrying amount and fair value less costs to sell at the time of the reclassification. The fair value of the asset was determined using the latest sale approach, which is based on recent sales price concluded by the Company. It is a level 3 measurement under the fair value hierarchy and is a non-recurring measurement. The key assumption used by Management to determine the fair value is the latest amount invoiced.

i. Miners held for sale

The following table summarizes the movement of Miners held for sale:

	MicroBT WhatsMiner M30, M31 & M50 Miners		Innosilicon T2T & T3, Canaan Avalon A10 and Antminer T15 & S15 Miners		MicroBT WhatsMiner M20S Miners		Bitmain S19j Pro Miners		TOTAL	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Balance as of January 1, 2023	—	—	1,272	190	2,512	1,030	—	—	3,784	1,220
Additions	—	—	1,848	198	—	—	300	205	2,148	403
Dispositions	—	—	—	—	(1,781)	(714)	—	—	(1,781)	(714)
Impairment	—	—	(3,120)	(388)	—	—	—	—	(3,120)	(388)
Balance as of December 31, 2023	—	—	—	—	731	316	300	205	1,031	521
Additions	40,026	8,171	—	—	—	—	8,395	2,409	48,421	10,580
Dispositions	(15,099)	(2,299)	—	—	(258)	(108)	(699)	(260)	(16,056)	(2,667)
Impairment	—	(3,120)	—	—	(473)	(208)	—	(300)	(473)	(3,628)
Balance as of December 31, 2024	24,927	2,752	—	—	—	—	7,996	2,054	32,923	4,806

a. S19j Pro Bitmain Miners

During the second and third quarter of 2024, the Company ceased using 2,609 and 5,786 Bitmain S19j Pro Miners, respectively, and plans to dispose of them within the next 12 months.

During the year ended December 31, 2024, the Company sold 699 Bitmain S19j Pro Miners with a carrying amount of \$260 and disposed of them for net proceeds of \$205 resulting in a loss of \$55.

During the year ended December 31, 2024, the Company reassessed the fair value less costs to sell of the Bitmain S19j Pro Miners and recognized an impairment loss of \$300.

During the fourth quarter of 2023, the Company ceased using 300 Bitmain S19j Pro Miners and planned to dispose of them within the next 12 months.

BITFARMS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 10: ASSETS HELD FOR SALE (Continued)

i. Miners held for sale (Continued)

b. MicroBT WhatsMiner M30, M31 and M50 Miners

During the first quarter of 2024, the company ceased using 2,775 MicroBT WhatsMiner M30 Miners and 4,921 MicroBT WhatsMiner M31 Miners and plans to dispose of them within the next 12 months.

During the second quarter of 2024, the Company ceased using 22,956 MicroBT WhatsMiner M30 Miners, 7,118 MicroBT WhatsMiner M31 Miners and 532 MicroBT WhatsMiner M50 Miners and plans to dispose of them within the next 12 months.

During the third quarter of 2024, the company ceased using 277 MicroBT WhatsMiner M30 Miners and plans to dispose of them within the next 12 months.

During the fourth quarter of 2024, the company ceased using 1,447 MicroBT WhatsMiner M30 Miners and plans to dispose of them within the next 12 months.

During the year ended December 31, 2024, the Company sold an aggregate 15,099 MicroBT WhatsMiner M30 and M31 Miners with a carrying amount of \$2,299 and disposed of them for net proceeds of \$2,308 resulting in gain of \$9.

During the year ended December 31, 2024, the Company reassessed the fair value less costs to sell of the MicroBT WhatsMiner M30, M31 and M50 Miners and recognized an impairment loss of \$3,120.

c. MicroBT WhatsMiner M20S Miners

During the year ended December 31, 2024, the Company sold 258 MicroBT WhatsMiner M20S Miners with a carrying amount of \$108 and disposed of them for net proceeds of \$34 resulting in a loss of \$74.

During the year ended December 31, 2024, the Company reassessed the fair value less costs to sell of the remaining MicroBT WhatsMiner M20S Miners and recognized an impairment loss of \$208 to fully write off these Miners.

During the year ended December 31, 2023, the Company sold 1,781 MicroBT WhatsMiner M20S Miners with carrying amount of \$714 and disposed of them for net proceeds of \$407 resulting in a loss of \$307. Management determined that the remaining MicroBT WhatsMiner M20S Miners continue to meet the criteria to be classified as held for sale as of December 31, 2023

d. Innosilicon T2T, Innosilicon T3, Canaan Avalon A10, Antminer T15 and Antminer S15 Miners

During the first quarter of 2023, the Company ceased using its Innosilicon T3 Miners with plans to dispose of them within the next 12 months. Due to the performance of these Miners, they were fully written off along with the remaining Innosilicon T2T Miners and an impairment loss of \$388 was recognized.

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 11: IMPAIRMENT**2024 impairment loss**

During the year ended December 31, 2024, the Company recorded \$3,628 of impairment on Miners held for sale as a result of the reassessment of the fair value less costs to sell. Refer to Note 10 for more details.

2023 impairment loss

The following table details the impairment recorded for the year ended December 31, 2023:

	Year ended December 31,			
	2023			
	Short-term prepaid deposits	Assets held for sale	Property, plant and equipment	Total
Immersion cooling equipment	—	—	1,882	1,882
Short-term deposits	6,982	—	—	6,982
Miners held for sale	—	388	—	388
Suni mineral asset	—	—	3,000	3,000
	6,982	388	4,882	12,252

Impairment on short-term prepaid deposits during the second quarter of 2023*i. Background*

In 2022, the Company entered into agreements with external import brokers to be able to proceed with the importation of its miners into Argentina. Under the agreements, the Company was required to make advance deposits to the external import brokers, which were classified as short-term prepaid deposits on the consolidated statements of financial position. During the second quarter of 2023, the Company decided to terminate the importation agreements with the external import brokers as of June 30, 2023.

ii. Impairment loss

The Company assumed the cost of terminating the importation agreements with the brokers in order to execute its new importation strategy, resulting in the Company forgoing a deposits balance of \$6,982. Accordingly, during the second quarter of 2023, the Company impaired \$6,982 of short-term prepaid deposits. This impairment is presented in the consolidated statements of profit or loss and comprehensive profit or loss under Impairment on short-term prepaid deposits, equipment and construction prepayments, property, plant and equipment and right-of-use assets.

BITFARMS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 11: IMPAIRMENT (Continued)

2023 impairment loss (Continued)

Impairment on mineral assets during the second quarter of 2023

i. Background

The Suni mineral asset was acquired in connection with the reverse acquisition of Bitfarms Ltd (Israel) on April 12, 2018, and its value at the time was estimated at \$9,000 based on an independent appraiser's valuation. Suni is an iron ore deposit located in Canada that was held by the acquiree. Since its acquisition, following the presence of impairment indicators, the Suni mineral asset was written down to a net book value of \$3,000 as of December 31, 2022.

ii. Impairment loss

During the second quarter of 2023, in connection with the planned disposal of the Suni mineral asset, Management tested the CGU for impairment, resulting in a further impairment charge of \$3,000 and reducing the carrying amount to nil. This impairment charge is presented in the consolidated statements of profit or loss and comprehensive profit or loss under Impairment on short-term prepaid deposits, equipment and construction prepayments, property, plant and equipment and right-of-use assets. On July 27, 2023, the Company sold the Suni mineral asset for a nominal amount to a third party.

Impairment on electrical components during the fourth quarter of 2023

i. Background

During the third quarter of 2023, the Company de-energized its 2 MW immersion cooling pilot project in Washington State as the equipment did not perform to the Company's expectations of performance and costs. With the de-energization of the immersion cooling pilot project, the 2 MW of hydro-electricity remains available to the Company to use in the future.

ii. Impairment loss

During the fourth quarter of 2023, in connection with the planned disposal of the de-energized immersion cooling electrical components, Management tested those assets for impairment, resulting in an impairment charge of \$1,882 before being reclassified to assets held for sale. This impairment charge is presented in the consolidated statements of profit or loss and comprehensive profit or loss under Impairment on short-term prepaid deposits, equipment and construction prepayments, property, plant and equipment and right-of-use assets.

BITFARMS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

As of December 31, 2024 and December 31, 2023, PPE consisted of the following:

	Notes	BVVE	Mineral assets	Land and buildings	Leasehold improvements	Vehicles	Total
Cost							
Balance as of January 1, 2024		354,803	—	5,740	50,728	1,262	412,533
Additions		294,311	—	29,114	10,228	529	334,182
Dispositions		(433)	—	—	(560)	(25)	(1,018)
Transfer to assets held for sale	10	(208,471)	—	—	—	—	(208,471)
Effect of change in discount rate in asset retirement obligations	21	—	—	—	88	—	88
Sales tax recovery	29	(14,763)	—	(428)	(657)	(18)	(15,866)
Balance as of December 31, 2024		425,447	—	34,426	59,827	1,748	521,448
Accumulated Depreciation							
Balance as of January 1, 2024		199,794	—	424	25,656	647	226,521
Depreciation	29, 31	141,219	—	423	4,166	222	146,030
Sales tax recovery - depreciation	29, 31	(8,624)	—	(28)	(104)	(4)	(8,760)
Dispositions		(62)	—	—	(423)	(16)	(501)
Transfer to assets held for sale	10	(197,199)	—	—	—	—	(197,199)
Impairment on deposits transferred to PPE		6,750	—	—	82	—	6,832
Balance as of December 31, 2024		141,878	—	819	29,377	849	172,923
Net book value as of December 31, 2024		283,569	—	33,607	30,450	899	348,525

	Notes	BVVE	Mineral assets	Land and buildings	Leasehold improvements	Vehicles	Total
Cost							
Balance as of January 1, 2023		308,205	9,000	4,392	45,278	1,082	367,957
Additions		63,598	—	1,348	5,924	272	71,142
Additions related to asset acquisitions	5	13	—	—	30	—	43
Dispositions		(7,325)	(9,000)	—	(5)	(92)	(16,422)
Transfer to assets held for sale	10	(9,688)	—	—	—	—	(9,688)
Effect of change in discount rate in asset retirement obligations	21	—	—	—	(499)	—	(499)
Balance as of December 31, 2023		354,803	—	5,740	50,728	1,262	412,533
Accumulated Depreciation							
Balance as of January 1, 2023		120,097	6,000	270	21,636	526	148,529
Depreciation	29, 31	77,551	—	154	3,556	194	81,455
Dispositions		(5,756)	(9,000)	—	(5)	(73)	(14,834)
Transfer to assets held for sale	10	(8,418)	—	—	—	—	(8,418)
Impairment	11	1,882	3,000	—	—	—	4,882
Impairment on deposits transferred to PPE		14,438	—	—	469	—	14,907
Balance as of December 31, 2023		199,794	—	424	25,656	647	226,521
Net book value as of December 31, 2023		155,009	—	5,316	25,072	615	186,012

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 12: PROPERTY, PLANT AND EQUIPMENT (Continued)**Miners**

Further details of the quantity and models of BTC Miners held by the Company as of December 31, 2024 and December 31, 2023 are as follows:

	Notes	MicroBT WhatsMiner*	Bitmain S19j Pro	Bitmain T21	Bitmain S21**	Total
Quantity as of January 1, 2024		51,738	16,361	—	—	68,099
Additions		1,943	—	62,443	9,363	73,749
Dispositions		(15,830)	(699)	—	—	(16,529)
Quantity as of December 31, 2024		37,851	15,662	62,443	9,363	125,319
Classified as assets held for sale	10	(24,927)	(7,996)	—	—	(32,923)
Presented as property, plant and equipment		12,924	7,666	62,443	9,363	92,396

* Includes 23,106 M30 of which 15,226 are classified as assets held for sale, 10,329 M31 of which 9,169 are classified as assets held for sale, 2,473 M50 of which 532 are classified as assets held for sale and 1,943 M53 Miners.

** Includes 3,975 S21, 4,523 S21 Pro and 865 S21 Hydro Miners.

Refer to Note 10 for more details on assets held for sale.

	Notes	MicroBT WhatsMiner*	Bitmain S19j Pro	Innosilicon T3 & T2T	Bitmain S19XP	Total
Quantity as of January 1, 2023		45,375	7,172	5,711	—	58,258
Additions		8,281	9,289	—	409	17,979
Dispositions		(1,918)	(100)	(5,711)	(409)	(8,138)
Quantity as of December 31, 2023		51,738	16,361	—	—	68,099
Classified as assets held for sale	10	(731)	(300)	—	—	(1,031)
Presented as property, plant and equipment		51,007	16,061	—	—	67,068

* Includes 731 M20S classified as assets held for sale, 36,018 M30S, 12,517 M31S and 2,473 M50 Miners.

Refer to Note 10 for more details on assets held for sale.

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 12: PROPERTY, PLANT AND EQUIPMENT (Continued)**Changes in the useful life, residual value and depreciation method of certain Miners in the first quarter of 2024***i. Background*

During the first quarter of 2024, the Company exercised its purchase option for 28,000 Bitmain T21 Miners and entered into purchase agreements to acquire 19,280 Bitmain T21 Miners, 3,888 Bitmain S21 Miners and 740 Bitmain S21 Hydro Miners. Refer to Note 14 for more details. The Company intends to liquidate its older Miners that are expected to be replaced with the Bitmain T21 Miners, Bitmain S21 Miners, Bitmain S21 Hydro Miners and other Hydro Miners. Refer to Note 10 for more details about the Miners held for sale.

ii. Accelerated depreciation

The older Miners will remain in service until the new Miners are installed to replace them. The Company has changed the usage and the retention strategy of the older Miners and, accordingly, revised their specific useful life, residual value and depreciation method.

The changes are summarized as follows:

- decreasing the specific useful life of the older Miners from five years to two years to reflect their eventual disposal in 2024;
- decreasing the residual values to reflect the expected proceeds from the eventual disposals; and
- accelerating the depreciation method from sum-of-years over five years to straight-line method over two years to represent the change in pattern in which their future economic benefits are expected to be consumed by the Company.

During the year ended December 31, 2024, the Company recorded accelerated depreciation of \$77,600 on its older Miners. These older Miners assets were fully depreciated to their residual values by the end of 2024 and no effect is expected in future periods.

The decision to replace the older Miners, as well as a review of the useful life, residual value and depreciation method were indicators for impairment testing during the first quarter of 2024. As a result, the Company performed evaluations of the recoverable amount of the assets for operating the data centers separately in Canada, United States, Argentina and Paraguay. Based on its calculations, which were based on discounted cash flow models, the Company determined that no impairment loss should be recorded.

Change in the useful life, depreciation method and residual values of all Miners in the fourth quarter of 2024

In the fourth quarter of 2024, as part of the Company's annual review of its estimates used to account for property, plant and equipment, the Company reassessed the depreciation method, the useful life and the residual values of BVVE.

During 2024, the Company made the strategic decisions to i) replace older Miners before the end of their initial useful life as explained above and ii) amend on November 12, 2024 the Purchase Option and the March 2024 Purchase Order and upgrade 18,853 Bitmain T21 Miners with 18,853 Bitmain S21 Pro Miners. Refer to Note 14 for more details.

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 12: PROPERTY, PLANT AND EQUIPMENT (Continued)**Change in the useful life, depreciation method and residual values of all Miners in the fourth quarter of 2024 (Continued)**

The Company concluded that the expected average useful life of Miners is less than 5 years and the sum-of-year method does not best reflect the pattern of consumption of its future economic benefits.

Accordingly, the Company modified the useful life of the Miners from 5 to 3 years and the depreciation method from sum-of-years to the straight-line method. The residual values of the Miners remained nil.

In addition, the depreciation method of the mining-related equipment was modified from sum-of-years to the straight-line method.

All these modifications represent changes in accounting estimates and were applied prospectively, starting December 1, 2024, resulting in an additional depreciation expense of \$2,061 during the year ended December 31, 2024.

NOTE 13: INTANGIBLE ASSETS

	Notes	Systems software	Access rights to electricity	Total
Cost				
Balance as of January 1, 2024		5,150	3,801	8,951
Additions		—	912	912
Balance as of December 31, 2024		5,150	4,713	9,863
Accumulated amortization				
Balance as of January 1, 2024		5,138	113	5,251
Amortization		12	561	573
Balance as of December 31, 2024		5,150	674	5,824
Net book value as of December 31, 2024		—	4,039	4,039
Cost				
Balance as of January 1, 2023		5,150	—	5,150
Additions related to asset acquisitions	5	—	3,801	3,801
Balance as of December 31, 2023		5,150	3,801	8,951
Accumulated amortization				
Balance as of January 1, 2023		5,117	—	5,117
Amortization		21	113	134
Balance as of December 31, 2023		5,138	113	5,251
Net book value as of December 31, 2023		12	3,688	3,700

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 13: INTANGIBLE ASSETS (Continued)**2024 additions related to access rights to electricity**

In April 2023, the Company received approval from the power supplier in Washington State, United States, for a 6 MW expansion. During the second quarter of 2023, the Company began constructing an additional data center on Company-owned land and paid \$912 to the power supplier for establishing the connection, which was capitalized as long-term deposits, equipment, prepayments and other. During the year ended December 31, 2024, the power supplier established the electricity connection, allowing the Company to access the 6 MW of hydro power capacity. As a result, the balance of \$912 was reclassified from long-term deposits, equipment, prepayments and other to intangible assets.

2023 additions related to acquisitions of assets

During the year ended December 31, 2023, the Company made three acquisitions of groups of assets, resulting in additional access rights to electricity. The access rights represent a contractual right to hydro power capacity and are classified as intangible assets. The assets acquired, including the intangible assets, and the liabilities assumed were recognized and measured by allocating the fair value of the consideration paid to their relative fair values at the closing date of the transactions. Refer to Note 5 for more details.

The following table summarizes the access rights to electricity:

Year	Location	Additions to intangibles (\$)	Original capacity	Term of contractual access rights	Amortization method and period
2024	Washington State, United States	912	6 MW	No termination date	Declining balance 4%
		912	6 MW		
2023	Baie-Comeau, Quebec, Canada	2,315	22 MW	No termination date	Straight-line over the lease term of the data center
2023	Paso Pe, Paraguay	1,065	50 MW *	Ending in December 31, 2027	Straight-line over the access rights period
2023	Yguazu, Paraguay	421	100 MW **	Ending in December 31, 2027	Straight-line over the access rights period
		3,801	172 MW		
		4,713	178 MW		

* In November 2023, the Company finalized an amendment to the existing contract for an additional 20 MW of energy capacity for a total capacity of 70 MW.

** In May 2024, the Company finalized an amendment to the existing contract for an additional 100 MW of energy capacity for a total capacity of 200 MW.

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 14: LONG-TERM DEPOSITS, EQUIPMENT PREPAYMENTS AND OTHER

	As of December 31, 2024	As of December 31, 2023
Security deposits for insurance and rent	4,513	4,624
Equipment and construction prepayments	51,854	39,813
	56,367	44,437

Equipment and construction prepayments

The following table details the equipment and construction prepayments:

		As of December 31, 2024	As of December 31, 2023
Miner credits	i.	—	11,330
Bitmain T21 & S21 Pro Miners Purchase Order and Purchase Option	ii.	—	16,912
March 2024 Purchase Order	iii.	34,791	—
Other BVVE and electrical components	iv.	3,499	4,400
Construction work and materials	v.	13,564	7,171
		51,854	39,813

i. Miner credits

In December 2022, the Company renegotiated its previous purchase agreements for 48,000 Miners by extinguishing the outstanding commitments of \$45,350 without penalty and establishing a \$22,376 credit for deposits previously made. The Company received \$3,279 of Miners, reducing the outstanding credit balance to \$19,097 at December 31, 2022, which was fully utilized during 2023 for the acquisition of Hydro Miners and hydro containers. These items were received during the year ended December 31, 2024 and the long-term deposit balance was reduced to nil upon the transfer to property, plant and equipment.

ii. Bitmain T21 & S21 Pro Miners Purchase Order and Purchase Option

During the fourth quarter of 2023, the Company placed a firm purchase order for approximately 35,888 Bitmain T21 Miners (the "Purchase Order") totaling \$95,462 with deliveries scheduled from March 2024 to June 2024 and made a non-refundable deposit of \$9,464. In addition, the Company secured a purchase option for approximately an additional 28,000 Bitmain T21 Miners (the "Purchase Option") totaling \$74,480 and made a non-refundable deposit of \$7,448. This Purchase Option gives the Company the right, exercisable until December 31, 2024, but not the obligation, to purchase up to 28,000 additional Bitmain T21 Miners. The total hashrate from the Miners received should correspond to the total hashrate specified in the initial agreements. The quantity of Miners received may vary based on the individual specifications of each Miner.

During the first quarter of 2024, the Company fully exercised the Purchase Option with deliveries initially scheduled for September and October 2024. In November 2024, the Company amended the Purchase Option and upgraded 6,000 Bitmain T21 Miners to 6,000 Bitmain S21 Pro Miners for \$10,576.

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 14: LONG-TERM DEPOSITS, EQUIPMENT PREPAYMENTS AND OTHER (Continued)**Equipment and construction prepayments (Continued)***ii. Bitmain T21 & S21 Pro Miners Purchase Order and Purchase Option (Continued)*

During the year ended December 31, 2024, the Company made additional deposits of \$153,030 towards the Purchase Order and the Purchase Option, of which approximately 58,123 Bitmain T21 Miners with a cost of \$153,987 were received and 3,604 Bitmain S21 Pro Miners with a cost of \$15,955 were received or in transit.

As of December 31, 2024, the deposit balance for the Purchase Order and the Purchase Option is detailed as follows:

	As of December 31,
	2024
Non-refundable deposit on the Purchase Order made in 2023	9,464
Non-refundable deposit on the Purchase Option made in 2023	7,448
Non-refundable deposit on the Purchase Order and the Purchase Option made in 2024	153,030
Bitmain T21 Miners received	(153,987)
Bitmain S21 Pro Miners received or in transit	(15,955)
	—

iii. March 2024 Purchase Order

During the first quarter of 2024, the Company purchased approximately an additional 19,280 Bitmain T21 Miners, 3,888 Bitmain S21 Miners and 740 Bitmain S21 Hydro Miners (collectively defined as the "March 2024 Purchase Order") for \$51,285, \$13,608 and \$4,338, respectively, with deliveries scheduled from April 2024 to November 2024. In November 2024, the Company amended the March 2024 Purchase Order and upgraded approximately 12,853 Bitmain T21 Miners to 12,853 S21 Pro Miners for \$22,654. The amendment had an embedded derivative for the BTC Redemption Option, as described in Note 9. The BTC Redemption Option was initially recognized at a fair value of \$1,349 reducing the Company's Long-term deposits, equipment prepayments and other.

During the year ended December 31, 2024, the Company made deposits of \$91,886 towards the March 2024 Purchase Order, of which approximately 4,317 Bitmain T21 Miners with a cost \$11,072, 3,975 Bitmain S21 Miners with a cost of \$13,608, 919 Bitmain S21 Pro Miners with a cost of \$4,068 and 762 Bitmain S21 Hydro Miners with a cost of \$4,338 were received or in transit.

As of December 31, 2024, the deposit balance for the March 2024 Purchase Order was \$34,791. The total hashrate from the Miners received should correspond to the total hashrate specified in the initial agreements. The quantity of Miners received may vary based on the individual specifications of each Miner. As of December 31, 2024, the deposit balance for the March 2024 Purchase Order is detailed as follows:

	As of December 31,
	2024
Non-refundable deposit on the March 2024 Purchase Order	69,231
Bitmain T21 Miners received or in transit	(11,077)
Bitmain S21 Miners received	(13,608)
Bitmain S21 Pro Miners received or in transit	(4,068)
Bitmain S21 Hydro Miners received	(4,338)
Initial fair value of BTC Redemption Option	(1,349)
	34,791

BITFARMS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 14: LONG-TERM DEPOSITS, EQUIPMENT PREPAYMENTS AND OTHER (Continued)

Equipment and construction prepayments (Continued)

iv. Other BVVE and electrical components

As of December 31, 2024, the Company had deposits for other BVVE and electrical components in the amount of \$3,499.

v. Construction work and materials

As of December 31, 2024, the Company had deposits for construction work and materials in the amount of \$13,564, mainly for the Paraguay and United States expansions.

Commitments

As of December 31, 2024, the Company's total remaining payment obligations in connection with the amended Purchase Option and the March 2024 Purchase Order was \$33,200. As described in Note 8 and 9, in November 2024, the Company transferred 351 BTC which can be redeemed in four installments. The Company is not obligated to redeem all of the BTC installments. If the Company elects not to redeem one of the BTC Installments, the Company forfeits the right to redeem the remaining BTC Installments. In January 2025, the Company exercised the first BTC Installment. Refer to Note 32 for more details.

Contingent liability

In 2021, the Company imported Miners into Washington State, United States, that the vendor located in China claimed originated in Malaysia. In early 2022, U.S. Customs and Border Protection challenged the origination of the Miners, asserting that the Miners were manufactured in China, and notified the Company of a potential assessment of a U.S. importation duty of 25%.

During the third quarter of 2023 and the first quarter of 2025, the Company submitted supporting documentation to U.S. Customs and Border Protection in defense of its position that the Miners were manufactured outside China and the associated custom duties in the amount of \$9,424 do not apply. While the final outcome of this matter is uncertain at this time, Management has determined it is not probable that it will result in a future cash outflow for the Company and, as such, no provision was recorded as of December 31, 2024.

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 15: REFUNDABLE DEPOSITS

	As of December 31,	As of December 31,
	2024	2023
Security deposits for energy	7,740	277
Refundable Hosting Deposits	14,216	—
	21,956	277

Security deposits for energy

The security deposits for energy consumption at its operational Paso Pe data center and at its future Yguazu data center in Paraguay totaled \$5,931 and \$3,379, respectively. On May 13, 2024, the Company amended its power purchase agreement (“PPA”) for its Yguazu data center to increase the contracted power from 100 MW to 200 MW beginning on January 1, 2025. The Company is required to pay security deposits totaling \$16,245 between June 2024 and April 2025 for future electricity consumption. The security deposits paid to the energy supplier are refundable at the end of the contract term in December 2027 assuming the Company draws power based on the agreed upon schedule and is not in breach of other clauses in the PPA.

Refundable Hosting Deposits*i. Panther Creek Hosting Agreement*

In September 2024, the Company entered into a Miner hosting agreement (“Panther Creek Hosting Agreement”) with Stronghold Digital Mining Hosting, LLC, a subsidiary of Stronghold Digital Mining, Inc. (together referred to as “Stronghold”), which commenced on October 1, 2024. In connection with the execution of the Hosting Agreement, the Company deposited \$7,800 with Stronghold (“Panther Creek Refundable Deposit”).

ii. Scrubgrass Hosting Agreement

In October 2024, the Company entered into a second Miner hosting agreement (“Scrubgrass Hosting Agreement”) with Stronghold, which commenced on November 1, 2024. In connection with the execution of the Scrubgrass Hosting Agreement, Bitfarms deposited \$7,800 with Stronghold (“Scrubgrass Refundable Deposit”).

iii. Terms of the Panther Creek Refundable Deposit and the Scrubgrass Refundable Deposit (collectively, the “Refundable Hosting Deposits”)

The Refundable Hosting Deposits are equal to the approximate estimated cost of power for three months of operations of the Company’s Miners, which will be repaid in full to the Company within one business day from the end of the initial term expiring on December 31, 2025. The Refundable Hosting Deposits bear an annual interest rate at Secured Overnight Financing Rate (“SOFR”) + 1% (the “Annual Interest Rate”).

The Refundable Hosting Deposits are accounted for as financial assets and recorded at fair value on initial recognition based on the contractual right to receive only each refundable hosting deposit plus interest at the end of the term.

The Annual Interest Rate is lower than the rate used in determining the fair value, resulting in the Panther Creek Refundable Deposit and the Scrubgrass Refundable Deposit being recorded at a fair value of \$7,125 and \$7,542, respectively, upon initial recognition. Subsequently, the Refundable Deposits are recorded at amortized cost. Refer to Note 23 for more details.

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 16: TRADE PAYABLES AND ACCRUED LIABILITIES

	As of December 31,	As of December 31,
	2024	2023
Trade accounts payable and accrued liabilities	21,915	9,077
BTC option contracts payable	243	—
Government remittances*	3,736	11,662
	25,894	20,739

* Refer to Note 29b for more details about the reversal of Canadian government remittances payable.

NOTE 17: WARRANT LIABILITIES

The fair value of warrant liabilities is as follows:

	As of December 31,	As of December 31,
	2024	2023
2023 private placement	8,013	34,276
2021 private placements	—	6,150
	8,013	40,426

In November 2023, the Company completed a private placement that included 22,222,223 warrants and 3,000,000 broker warrants to purchase common shares (the “2023 private placement”). The warrants and broker warrants are convertible for a fixed number of common shares of the Company but have a contingent cashless exercise clause which results in a classification of the warrants and broker warrants as a financial liability and measurement of such warrants at fair value through profit or loss recognized in Net financial income (expenses).

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 17: WARRANT LIABILITIES (Continued)

Details of the outstanding warrants are as follows:

	Year ended December 31,			
	2024		2023	
	Number of warrants	Weighted average exercise price (USD)	Number of warrants	Weighted average exercise price (USD)
Outstanding, January 1,	35,105,390	2.83	19,152,797	4.21
Granted	—	—	25,222,223	1.18
Exercised	(5,111,111)	1.17	(9,269,630)	1.18
Expired	(19,152,797)	4.21	—	—
Outstanding, December 31,	10,841,482	1.17	35,105,390	2.83

The weighted average contractual life of the warrants as of December 31, 2024, was 1.9 years (December 31, 2023: 1.6 years).

On January 7, 2024, 96,000 broker warrants from the January 7, 2021 private placement expired and were derecognized during the first quarter of 2024, which resulted in a non-cash gain on revaluation of warrants of \$61 included in Net financial income (expenses) during the year ended December 31, 2024.

In February 2024, 5,000,000 warrants and 111,111 broker warrants related to the 2023 private placement were exercised resulting in the issuance of 5,111,111 common shares for proceeds of approximately \$5,986.

On March 11, 2024, 25,000 warrants relating to the acquisition of the Garlock building in Sherbrooke, Quebec, Canada issued during the first quarter of 2022 expired. These warrants were recorded as equity instruments.

On May 17, 2024, 10,613,208 warrants and 1,132,076 broker warrants from the May 17, 2021 private placement expired and were derecognized during the second quarter of 2024, which resulted in a non-cash gain on revaluation of warrants of \$1,739 in Net financial income (expenses) during the year ended December 31, 2024.

On July 10, 2024, 558,660 warrants and 446,927 broker warrants from the January 10, 2021 private placements expired and were derecognized during the third quarter of 2024, which resulted in a non-cash gain on revaluation of warrants of \$505 in Net financial income (expenses) during the year ended December 31, 2024.

On August 7, 2024, 6,156,070 warrants and 124,856 broker warrants from the February 7, 2021 private placements expired and were derecognized during the third quarter of 2024, which resulted in a non-cash gain on revaluation of warrants of \$3,412 in Net financial income (expenses) during the year ended December 31, 2024.

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 17: WARRANT LIABILITIES (Continued)

The Black-Scholes model and inputs below were used in determining the weighted average values of the warrants and broker warrants prior to their derecognition, which resulted in a non-cash loss on revaluation of warrants of \$1,836 (year ended December 31, 2023: \$19,359) included in Net financial income (expenses).

2023 warrants and broker warrants

Measurement date	Remeasurement on settlement of warrants	Remeasurement at period end	
	February 12 to 28, 2024	December 31, 2024	December 31, 2023
Dividend yield (%)	—	—	—
Expected share price volatility (%)	87%	77%	91%
Risk-free interest rate (%)	4.67%	4.27%	4.23%
Expected life of warrants (years)	2.74	1.89	2.90
Share price (CAD)	4.42	2.13	3.85
Exercise price (USD)	1.17	1.17	1.17
Fair value of warrants (USD)	2.51	0.74	2.15
Number of warrants (exercised) outstanding	(5,111,111)	10,841,482	15,952,593

2021 warrants and broker warrants

Measurement date	Remeasurement at period end December 31, 2023
Dividend yield (%)	—
Expected share price volatility (%)	82%
Risk-free interest rate (%)	4.23%
Expected life of warrants (years)	0.46
Share price (CAD)	3.85
Exercise price (USD)	4.20
Fair value of warrants (USD)	0.32
Number of warrants outstanding	19,127,797

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 18: LONG-TERM DEBT

	As of December 31, 2024	As of December 31, 2023
Building financing	1,576	—
Equipment financing	—	4,022
Total long-term debt	1,576	4,022
Less current portion of long-term debt	(146)	(4,022)
Non-current portion of long-term debt	1,430	—

Movement in long-term debt is as follows:

	As of December 31, 2024	As of December 31, 2023
Balance as of January 1,	4,022	47,147
Issuance of long-term debt	1,695	—
Payments	(4,435)	(33,233)
Gain on extinguishment of long-term debt	—	(12,580)
Interest on long-term debt	294	2,688
Balance as of period end	1,576	4,022

a. Building financing

In March 2024, the Company sold its Garlock building in Sherbrooke, Quebec, Canada for \$1,695 and immediately leased it back for 10 years. Since the lease agreement included a substantive repurchase option of the building in a form of a call option, the Company has not transferred the control of the asset to the buyer, and the transaction does not qualify as a sale. Accordingly, it is accounted for as a financing arrangement for the proceeds received from the buyer, and the building continues to be recognized as property, plant and equipment of the Company.

b. Equipment financing activity**Repayment of NYDIG Loan**

In June 2022, Backbone entered into an equipment financing agreement, referred to as the “NYDIG Loan”, for gross proceeds of \$36,860 collateralized by 10,395 WhatsMiner M30S Miners. The net proceeds received by the Company were \$36,123, net of origination and closing fees of \$737. As part of the agreement, the Company was required to maintain in a segregated wallet an approximate quantity of BTC whose value equates to at least one month of interest and principal payments on the outstanding loan. The pledged BTC was held in a segregated Coinbase Custody account and owned by the Company unless there was an event of default under the NYDIG Loan.

During the first quarter of 2024, the NYDIG Loan balance was fully repaid, and the Company’s Miners collateralizing the loan and BTC collateralized became unencumbered.

BITFARMS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 18: LONG-TERM DEBT (Continued)

b. Equipment financing activity (Continued)

Repayment of Foundry Loans #2, #3 and #4

In April and May 2021, the Company entered into four loan agreements for the acquisition of 2,465 WhatsMiner Miners referred to as “Foundry Loans #1, #2, #3 and #4.” During 2022, Foundry Loan #1 matured and was fully repaid. In January 2023, the principal amounts of the remaining Foundry Loans #2, #3 and #4 were fully repaid before their maturity date with forgiveness of prepayment penalties totaling \$829.

Settlement of the loan with BlockFi Lending LLC (“BlockFi”)

In February 2022, Backbone Mining entered into an equipment financing agreement for gross proceeds of \$32,000 collateralized by 6,100 Bitmain S19j Pro Miners referred to as the “BlockFi Loan”. The net proceeds received by the Company were \$30,994 after capitalizing origination, closing and other transaction fees of \$1,006.

In December 2022, Backbone Mining ceased making installment payments, which constituted a default under the loan agreement, and the BlockFi Loan was classified as current.

In February 2023, BlockFi and the Company negotiated a settlement of the loan in its entirety with a then- outstanding debt balance of \$20,330 for cash consideration of \$7,750, discharging Backbone Mining of all further obligations and resulting in a gain on extinguishment of long-term debt of \$12,580 recognized in Net financial (expenses) income in the consolidated statements of profit or loss and comprehensive profit or loss during the year ended December 31, 2023. Upon settlement, all of Backbone Mining’s assets, including the 6,100 Miners collateralizing the loan, were unencumbered.

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 19: LEASES

Set out below are the carrying amounts of the Company's ROU assets and lease liabilities and their activity during the years ended December 31, 2024 and 2023:

	Leased premises	Vehicles	Other equipment	Total ROU assets	Lease liabilities
As of January 1, 2024	13,762	544	9	14,315	15,850
Additions, extensions and modifications to ROU assets	12,077	129	—	12,206	9,919
Depreciation	(2,865)	(250)	(9)	(3,124)	—
Lease termination	(373)	(4)	—	(377)	(518)
Payments	—	—	—	—	(3,667)
Interest	—	—	—	—	1,444
Foreign exchange	—	—	—	—	(1,189)
As of December 31, 2024	22,601	419	—	23,020	21,839
Less current portion of lease liabilities					(2,089)
Non-current portion of lease liabilities					19,750

	Leased premises	Vehicles	Other equipment	Total ROU assets	Lease liabilities
As of January 1, 2023	15,694	265	405	16,364	17,864
Additions and extensions to ROU assets	1,020	534	—	1,554	1,553
Reclass to property, plant and equipment	—	—	(364)	(364)	—
Depreciation	(2,952)	(213)	(32)	(3,197)	—
Lease termination	—	(42)	—	(42)	(23)
Payments	—	—	—	—	(5,025)
Gain on extinguishment of lease liabilities	—	—	—	—	(255)
Interest	—	—	—	—	1,391
Foreign exchange	—	—	—	—	345
As of December 31, 2023	13,762	544	9	14,315	15,850
Less current portion of lease liabilities					(2,857)
Non-current portion of lease liabilities					12,993

a. 2024 lease activities**Sharon lease agreement**

On August 27, 2024, the Company entered into an agreement to lease an industrialized site in Sharon, Pennsylvania, United States, providing the Company immediate capacity of 12 MW of electricity and potential for up to an additional 98 MW for a total 110 MW of development capacity by 2026.

Upon signing the lease agreement, the Company issued 1,532,745 common shares with a total value of \$3,000 as a non-refundable deposit which was capitalized as part of the ROU asset. The initial lease term is five years with options to renew for a total of seventeen years along with an option to purchase the site at fair market value through the lease term or upon a change of control, as defined therein. The lease has variable minimum monthly payments increasing over the term of the lease from \$33 to \$138, with annual adjustments beginning after the third year. Prior to June 30, 2026, monthly lease payments can fluctuate based on the energized MW.

On initial recognition, the Company recognized \$11,390 of ROU asset and \$8,240 of lease liability with the difference of \$3,000 recorded in share capital as explained above and in Note 22.

BITFARMS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 19: LEASES (Continued)

a. 2024 lease activities (Continued)

Magog lease agreement

In November 2024, the Company agreed to terminate its lease for the data center in Magog, Quebec, Canada, and forfeit its fixed price purchase option in exchange for \$714 (CAD\$1,000) from the landlord. Concurrently, the Company signed a new lease with the same party with an initial term of 10 years with monthly payments totaling \$17 (CAD\$24) which took effect on December 1, 2024 and maintain an option to purchase the site at fair market value for the duration of the lease.

The new lease agreement is considered a lease modification that resulted in the remeasurement of the lease liability by discounting the revised lease payments in addition with a corresponding adjustment made to the ROU asset of \$708. The \$714 payment from the landlord is considered a lease incentive which reduced the ROU asset carrying amount.

b. 2023 lease activities

Reliz Lease

In February 2023, the Company negotiated a modification to its lease agreement with Reliz Ltd. (where BlockFi was the lender to Reliz Ltd.) in order to settle its outstanding lease liability of \$373 for a payment of \$118. Refer to Note 29 for more details.

Baie-Comeau

On July 5, 2023, in conjunction with the Baie-Comeau acquisition described in Note 5, the Company entered into a lease agreement with a third party for a site to install the infrastructure to operate the acquired capacity. The lease agreement is for an industrial site in Baie-Comeau, Quebec, Canada, for an initial term of 10 years at \$16 (CAD\$21) a month with an annual adjustment at the lesser of (i) the change in the Consumer Price Index and (ii) 3%. The lease agreement also provides the Company with the option to purchase the site for \$2,248 (CAD\$3,000) with an annual adjustment at the lesser of (i) the change in the Consumer Price Index and (ii) 3% throughout the lease term.

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 20: INCOME TAXES**Current and deferred income tax (expense) recovery**

	Year ended December 31,	
	2024	2023
Current tax (expense) recovery:		
Current year	(498)	(2,679)
Prior year	748	(252)
	250	(2,931)
Deferred tax recovery (expense):		
Current year	14,845	4,703
Prior year	(805)	(1,371)
	14,040	3,332
	14,290	401

Effective tax rate

	Year ended December 31,			
	2024		2023	
Income tax recovery at statutory rate of 26.5%	18,114	26.5%	28,971	26.5%
Increase (decrease) in taxes resulting from:				
Foreign tax rate differential	(2,900)	(4.2)%	103	0.1%
Prior year	(57)	(0.1)%	(1,623)	(1.5)%
Non-taxable warrant loss (gain) and other permanent differences	13,207	19.3%	(23,391)	(21.4)%
Deferred tax asset not recognized	(14,074)	(20.6)%	(3,659)	(3.3)%
	14,290	20.9%	401	0.4%

Deferred tax assets and liabilities

Deferred taxes are computed at a tax rate of 26.5% based on tax rates expected to apply at the time of realization. Deferred taxes relate primarily to the timing differences on recognition of expenses relating to the depreciation of fixed assets, loss carryforwards and professional fees relating to the Company's equity activity that are recorded as a reduction of equity.

As at December 31, 2024, the Company has analyzed the recoverability of its deferred tax assets and has concluded that it is not more likely than not that sufficient taxable profit is expected to utilize these deferred tax assets.

BITFARMS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 20: INCOME TAXES (Continued)
Deferred tax assets and liabilities (Continued)

Movement in deferred tax asset for the years ending December 31, 2024 and 2023, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Operating losses carried forward	Lease liability	Asset Retirement provision	Financing fees	PPE	Reserves and other	Total
As of January 1, 2023	—	4,161	126	—	10,538	12,623	27,448
Credited to statements of profit or loss	52,743	(141)	14	3,332	(5,884)	(6,564)	43,500
Deferred tax asset derecognized in the statements of profit or loss	(45,377)	—	—	—	—	—	(45,377)
Deferred tax asset derecognized in the statements of equity	—	—	—	(3,332)	—	—	(3,332)
As of December 31, 2023	7,366	4,020	140	—	4,654	6,059	22,239
Credited to statements of profit or loss	50,236	936	(1)	1,791	4,074	(1,109)	55,927
Credited to statements of equity	—	—	—	2,500	—	—	2,500
Deferred tax asset derecognized in the statements of profit or loss	(53,558)	—	—	(1,791)	—	—	(55,349)
Deferred tax asset derecognized in the statements of equity	—	—	—	(2,500)	—	—	(2,500)
As of December 31, 2024	4,044	4,956	139	—	8,728	4,950	22,817
Offsetting deferred tax liabilities as of December 31, 2024							(22,817)
Net deferred tax assets as of December 31, 2024							—

Movement in deferred tax liability for the years ending December 31, 2024 and 2023, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	PPE	ROU Asset	Reserves and other	Total
As of January 1, 2023	21,518	5,930	—	27,448
Credited to statements of profit or loss	(4,164)	(2,333)	1,288	(5,209)
As of December 31, 2023	17,354	3,597	1,288	22,239
Credited to statements of profit or loss	(14,634)	1,657	(484)	(13,461)
Charged to other comprehensive income	—	—	14,104	14,104
As of December 31, 2024	2,720	5,254	14,908	22,882
Offsetting deferred tax assets as of December 31, 2024				(22,817)
Net deferred tax liabilities as of December 31, 2024				65

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 21: ASSET RETIREMENT PROVISION

	As of December 31,	As of December 31,
	2024	2023
Balance as of January 1,	1,816	1,979
Additions during the period	—	209
Accretion expense	358	214
Effect of change in the foreign exchange rate	(156)	12
Effect of change in discount rate	88	(598)
Balance as of period end	2,106	1,816

As of December 31, 2024, the Company estimated the costs of restoring its leased premises to their original state at the end of their respective lease terms to be \$4,326 (December 31, 2023: \$4,326), discounted to present value of \$2,106 (December 31, 2023: \$1,816) using annual discount rates between 7% and 15% (December 31, 2023: between 7% and 17%) over the lease periods, which were estimated to range from seven to ten years depending on the location.

During the year ended December 31, 2024, the effect of the change in discount rate was accounted for as an increase in the asset retirement provision and related property, plant and equipment totaling \$88.

During the year ended December 31, 2023, the effect of the change in discount rate was accounted for as a reduction of asset retirement provision totaling \$598 and a decrease of \$499 in the related property, plant and equipment. As the decrease in the asset retirement provision exceeded the carrying amount of the related property, plant and equipment, the excess of \$99 was recognized as a gain in the consolidated statements of profit or loss and comprehensive profit or loss under Net financial expenses (income) during the year ended December 31, 2023.

NOTE 22: SHARE CAPITAL**Common shares**

The Company's authorized share capital consists of an unlimited number of common shares without par value and are fully paid. As of December 31, 2024, the Company had 479,332,885 issued and outstanding common shares (December 31, 2023: 334,153,330).

i. At-The-Market Equity Offering Program ("ATM Program")

Bitfarms commenced an ATM Program on March 11, 2024 (the "2024 ATM Program"), pursuant to which the Company may, at its discretion and from time-to-time, sell common shares of the Company, resulting in the Company receiving aggregate gross proceeds of up to \$375,000.

During the year ended December 31, 2024, the Company issued 135,474,160 common shares in the 2024 ATM Program in exchange for gross proceeds of \$299,905 at an average share price of approximately \$2.21. The Company received net proceeds of \$290,473 after paying commissions of \$8,997 to the sales agent for the 2024 ATM Program and \$435 in other transaction costs. The Company capitalized \$939 of professional fees and registration expenses to initiate the 2024 ATM Program.

BITFARMS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 22: SHARE CAPITAL (Continued)

Common shares (Continued)

i. At-The-Market Equity Offering Program (“ATM Program”) (Continued)

During the year ended December 31, 2023, the Company issued 52,120,899 common shares in its at-the-market equity offering program that commenced on August 16, 2021 (“the 2021 ATM Program”) in exchange for gross proceeds of \$70,770 at an average share price of approximately \$1.36. The Company received net proceeds of \$68,504 after paying commissions of \$2,187 to the sales agent for the 2021 ATM Program and \$79 in other transaction costs.

ii. Stock Options

During the year ended December 31, 2024, option holders exercised stock options to acquire 2,644,873 common shares (year ended December 31, 2023: 3,047,346) resulting in proceeds of approximately \$2,897 (year ended December 31, 2023: \$1,999) being paid to the Company.

iii. Warrants

In February 2024, 5,000,000 warrants and 111,111 broker warrants related to the 2023 private placement were exercised resulting in the issuance of 5,111,111 common shares for proceeds of approximately \$5,986.

In December 2023, 6,962,693 warrants and 2,306,667 broker warrants related to the 2023 private placement were exercised resulting in the issuance of 9,269,360 common shares for proceeds of approximately \$10,984.

iv. Shareholder rights plan

On June 10, 2024, the Board approved a shareholder rights plan (the “June 2024 Rights Plan”). On July 24, 2024, the Capital Markets Tribunal of the Ontario Securities Commission issued an order to cease trading any securities issued, or that may be issued, in connection with or pursuant to the June 2024 Rights plan. Also on July 24, 2024, the Board approved the adoption of a new shareholder rights plan (the “July 2024 Rights Plan”), pursuant to which one right (a “Right”) will be issued and attached to each common share outstanding as at August 6, 2024 (the “Record Time”). A Right will also be attached to each common share issued after the Record Time. Subject to the terms of the July 2024 Rights Plan, the Rights become exercisable if a person (the “Acquiring Person”), along with certain related persons (including persons “acting jointly or in concert” as defined in the July 2024 Rights Plan), acquires or announces its intention to acquire 20% or more of the common shares without complying with the “Permitted Bid” provisions of the July 2024 Rights Plan. Following a transaction that results in a person becoming an Acquiring Person, the Rights entitle the holder thereof to purchase common shares at a significant discount to the market price. The July 2024 Rights Plan was subject to the acceptance of the Toronto Stock Exchange (the “TSX”) and shareholder ratification within six months of its adoption. The TSX notified the Company that the TSX would defer its consideration of the acceptance of the July 2024 Rights Plan until (a) such time as it was satisfied that the appropriate securities commission will not intervene pursuant to National Policy 62-202 and (b) the July 2024 Rights Plan was ratified by the shareholders of the Company by no later than January 24, 2025. A deferral of acceptance of the July 2024 Rights Plan by the TSX did not affect the adoption or operation of the July 2024 Rights Plan. The Board recommended that shareholders of the Company ratify the July 2024 Rights Plan, which was approved at the Company’s special meeting of shareholders on November 20, 2024.

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 22: SHARE CAPITAL (Continued)**Common shares** (Continued)*v. Sharon Lease Agreement*

On August 27, 2024, the Company entered into an agreement to lease an industrialized site in Sharon, Pennsylvania, United States, and issued 1,532,745 common shares with a total value of \$3,000 as a non-refundable deposit. Refer to Note 19 for more details.

vi. 2023 private placement

In November 2023, the Company completed a private placement for total gross proceeds of \$43,799 (CAD \$60,001) in exchange for 44,444,446 common shares and 22,222,223 warrants to purchase common shares.

NOTE 23: FINANCIAL INSTRUMENTS**a. Measurement categories and fair value**

Financial assets and financial liabilities have been classified into categories that determine their basis of measurement. The following tables show the carrying values and the fair value of assets and liabilities for each of the applicable categories:

Measurement		As of December 31,	As of December 31,
		2024	2023
Financial assets at amortized cost			
Cash	Level 1	59,542	84,038
Trade receivables	Level 3	1,259	714
Other receivables	Level 3	1,387	689
Security deposits for energy	Level 2	7,740	277
Refundable Hosting Deposits	Level 2	14,216	—
Financial assets at fair value through profit and loss			
Derivative assets	Level 2	3,418	1,281
Total carrying amount and fair value		87,562	86,999
Financial liabilities at amortized cost			
Trade accounts payable and accrued liabilities	Level 3	22,158	9,077
Long-term debt	Level 2	1,576	4,022
Financial liabilities at fair value through profit and loss			
Derivative liabilities	Level 2	128	—
Warrant liabilities	Level 2	8,013	40,426
Total carrying amount and fair value		31,875	53,525
Net carrying amount and fair value		55,687	33,474

The carrying amounts of cash, trade receivables, other receivables, security deposits for energy, Refundable Hosting Deposits, trade payables and accrued liabilities, and long-term debt presented in the table above are a reasonable approximation of their fair value.

BITFARMS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 23: FINANCIAL INSTRUMENTS (Continued)

a. Measurement categories and fair value (Continued)

Derivatives

i. BTC option and selling contracts (derivatives)

The fair value of option contracts is categorized as Level 2 in the fair value hierarchy and is presented under derivative assets and liabilities in the consolidated statements of financial position when there is an outstanding contract at period end. Their fair values are a recurring measurement. Fair value of derivative financial instruments generally reflects the estimated amounts that the Company would receive or pay, taking into consideration the counterparty credit risk or the Company's credit risk at each reporting date. The Company uses market data such as BTC option futures to estimate the fair value of option contracts at each reporting date.

ii. BTC Redemption Option (embedded derivative)

The Supplementary Agreements explained in Note 9 provide the Company with the option to redeem the BTC Pledged at a market rate price determined when the BTC was first pledged ("Agreed BTC Price").

The right to redeem the BTC Pledged meets the definition of an embedded derivative as the derivative that is embedded in the non-financial contract is not closely related to the host contract. The embedded derivative is recorded at fair value through profit or loss and is categorized as Level 2 in the fair value hierarchy and is presented under derivative assets and liabilities in the consolidated statements of financial position. Its fair value is a recurring measurement and is determined using a combination of the Monte Carlo simulation model to simulate the future price of BTC using probability factors and the Black-Scholes Model to estimate the value of each BTC Redemption Option.

At each reporting date, the fair value is determined by multiplying the number of redeemable BTC pledged by the present value of the difference between the Agreed BTC Price and the simulated spot price of BTC while considering the likelihood of exercising the quarterly installments, with the change in fair value recorded to Net financial income (expenses).

Subsequently, the Company exercised the first BTC Installment. Refer to Note 32 for more details.

Warrant liabilities

Warrant liabilities related to the 2021 and 2023 private placements are classified as financial liabilities at fair value through profit or loss with the change in fair value recorded to Net financial income (expenses). The fair value measurement is categorized as Level 2 in the fair value hierarchy, is a recurring measurement and is calculated using a Black-Scholes pricing model at each reporting date. Refer to Note 17 for more details.

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 23: FINANCIAL INSTRUMENTS (Continued)**a. Measurement categories and fair value (Continued)****Refundable deposits***i. Refundable Hosting Deposits*

The Refundable Hosting Deposits are measured at amortized cost using the EIR method and are classified as Level 2 according to the Company's fair value hierarchy. Their fair values are a recurring measurement.

The valuation technique used is the income approach (discounted future cash flows) with an initial EIR greater than the SOFR + 1% rate in the Hosting Agreements. This resulted in the Panther Creek Refundable Deposit and the Scrubgrass Refundable Deposit being issued at a fair value of \$7,125 and \$7,542, respectively, which are both lower than the \$7,800 principal amount of each deposit. Upon initial recognition of the Refundable Deposits, the difference between the fair value and principal of \$675 and \$258, respectively, were recognized as a loss in Net financial income (expenses) during the year ended December 31, 2024. The EIR applicable as of December 31, 2024 was 12% and 9%, respectively.

The total interest income amounted to \$364 and was recognized in Net financial income (expenses) during the year ended December 31, 2024. In addition, using a general approach, the Company estimated a total ECL of \$815 which was recognized in Net financial income (expenses). Refer to Note 15 for more details.

ii. Security deposits for energy

The security deposits for energy are measured at amortized cost using the EIR method. They are classified as Level 2 according to the Company's fair value hierarchy. Their fair values are a recurring measurement. The valuation technique used is the income approach (discounted future cash flows) with an EIR of 6% over approximately 3 years. Upon initial recognition, the difference between the fair value and principal of \$1,571 was recognized as a loss in Net financial income (expenses) during the year ended December 31, 2024.

The following table details the movement in the refundable deposits:

	As of December 31,				
	2024				
	Panther Creek	Scrubgrass	Total Refundable Hosting Deposits	Security deposits for energy	Total refundable deposits
Balance as of January 1,	—	—	—	277	277
Additions	7,800	7,800	15,600	9,034	24,634
Initial loss on recognition	(675)	(258)	(933)	(1,571)	(2,504)
Fair value at initial recognition	7,125	7,542	14,667	7,740	22,407
Interest income	261	103	364	—	364
ECLs	(409)	(406)	(815)	—	(815)
Balance as of period end	6,977	7,239	14,216	7,740	21,956

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 23: FINANCIAL INSTRUMENTS (Continued)**b. Risk management policy**

The Company is exposed to foreign currency risk, credit risk, counterparty risk, liquidity risk and concentration risk. The Company's senior Management monitors these risks.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the U.S. dollar as all of its cryptocurrency Mining revenues, most of its capital expenditures and most of its financing are primarily measured or transacted in USD. The Company is exposed to variability in the Canadian dollar and Argentine peso to U.S. dollar exchange rates when making expenditures payable in CAD and ARS. The Company funds foreign currency transactions by buying the foreign currency at the spot rate when required. A 5% increase or decrease in the USD/CAD and USD/ARS exchange rates may have an impact of an increase or decrease of \$15 on retained earnings at December 31, 2024 (December 31, 2023: \$44).

Amounts denominated in CAD and ARS included in the consolidated statements of financial position, presented in thousands of USD, are as follows:

	As a of December 31,		As a of December 31,	
	2024		2023	
	CAD	ARS	CAD	ARS
Cash	5,362	1,983	8,904	183
Trade receivables	1,259	(6)	714	—
Trade payables and accrued liabilities	(5,341)	(1,385)	(8,372)	(544)
Long-term debt	(1,576)	—	—	—
	(296)	592	1,246	(361)

NOTE 23: FINANCIAL INSTRUMENTS (Continued)

b. Risk management policy (Continued)

Credit risk and counterparty risk

Credit risk is the risk of an unexpected loss if a third party fails to meet its contractual obligations, including cash and cash equivalents. The risk regarding cash is mitigated by holding the majority of the Company's cash with a Canadian chartered bank.

The Company is exposed to counterparty risk through the significant deposits it places with suppliers of Mining hardware to secure orders and delivery dates as well as deposits it places with construction companies and suppliers of electrical components and construction materials. The risk of a supplier failing to meet its contractual obligations may result in late deliveries or long-term deposits and equipment and construction prepayments that are not realized. The Company attempts to mitigate this risk by procuring Mining hardware from larger, more established suppliers and those with whom the Company has existing relationships and knowledge of their reputation in the market as well as by insuring deposits placed for construction work and materials.

The credit risk regarding trade receivables is derived mainly from sales to Volta's third-party customers. The Company performs ongoing credit evaluations of its customers. The Company maintains an allowance for expected credit losses to provide for the estimated amount of doubtful of collection. The allowance for expected credit losses is based on Management's assessment of a customer's credit quality as well as subjective factors and trends, including the aging of receivable balances.

The credit risk regarding the Refundable Hosting Deposits is derived from the deposits made to a vendor for the Company's hosting agreements. The Company performs ongoing credit evaluations of the vendor. The Company maintains an allowance for expected credit losses to provide for the estimated amount of doubtful collection. The allowance for expected credit losses is based on Management's assessment of the vendor's credit rating as well as subjective factors and trends.

The credit risk regarding the security deposits for energy is derived from deposits made to a hydroelectricity crown corporation in Paraguay. The Company determined that the credit risk is minimal because the security deposits are made to a governmental related agency in Paraguay.

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 23: FINANCIAL INSTRUMENTS (Continued)**b. Risk management policy (Continued)*****Liquidity risk***

Liquidity risk is a risk that the Company will not be able to pay its financial obligations when they are due. The Company's policy is to monitor its cash balances and planned cash flows generated from operations to ensure that it maintains sufficient liquidity in order to pay its projected financial liabilities. Refer to Note 2 for more details about the Company's liquidity.

The following are the undiscounted contractual maturities of financial liabilities and lease liabilities with estimated future interest payments as of December 31, 2024:

	2025	2026	2027	2028	2029 and thereafter	Total
Trade accounts payable and accrued liabilities	22,158	—	—	—	—	22,158
Long-term debt	156	161	165	170	2,982	3,634
Lease liabilities	3,451	4,182	4,309	3,936	16,114	31,992
	25,765	4,343	4,474	4,106	19,096	57,784

The Company does not have any future cash payments associated with warrant liabilities, and accordingly, they are not included in the table above.

Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The cryptocurrency Mining industry is highly volatile with significant inherent risk. The Company also holds a portion of its working capital in BTC. 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 Company's operations and the carrying value of its assets. Starting in the first quarter of 2023, the Company purchased BTC option contracts that gave it the right, but not the obligation, to sell digital assets at a fixed price. Option contracts are used to reduce the risk of BTC price volatility and reduce the variability of cash flows resulting from future sales of digital assets. Refer to Note 9 for more details.

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 24: TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The following table details balances payable to related parties:

	As of December 31, 2024	As of December 31, 2023
Trade payables and accrued liabilities		
Directors' remuneration	124	112
Director and senior management incentive plan	1,609	1,567
	1,733	1,679

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

In March 2024, the Board terminated the employment agreement of the Company's former Chief Executive Officer ("Former CEO"). It was planned that the Former CEO would depart upon completion of an executive search and would lead the Company during the interim; however, on May 13, 2024, the Company announced the acceleration of the termination of the Former CEO effective immediately.

During the second quarter of 2024, the Company made a termination payment under the Former CEO's employment agreement totaling \$1,614 subsequent to the Former CEO's departure. On May 10, 2024, the Former CEO filed a Statement of Claim in the Superior Court of Ontario against the Company which was settled during the third quarter of 2024 for an additional payment of \$2,500 and ending any outstanding litigation or claim.

The transaction described above occurred in the normal course of operations and recognized in profit or loss under General and administrative expenses.

Compensation of key management and directors

The Company considers its Directors, Chief Officers and Vice Presidents to be key management personnel. The remuneration paid to directors and other members of key management personnel are as follows:

	Year ended December 31,	
	2024	2023
Short-term benefits	1,563	1,520
Termination payments	4,114	—
Share-based payments	10,891	9,169
	16,568	10,689

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 25: CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are to maximize the return to its shareholders. The Company's definition of capital includes all components of equity. Capital for the reporting period is summarized in Note 22 and in the Consolidated statement of changes in equity. In order to meet its objectives, the Company monitors its capital structure and makes adjustments as required in light of changes in economic conditions and the risk characteristics of the underlying assets. These objectives will be achieved by maintaining a strong capital base so as to maintain investor confidence to sustain future development of the business, maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations as they come due and ensuring sufficient liquidity to pursue organic growth. In order to maintain or adjust the capital structure, the Company may issue new common shares or debt.

NOTE 26: SUBSIDIARIES

In 2024, Backbone Mining established Backbone Sharon LLC ("Backbone Sharon") which is incorporated in the State of Delaware, United States, and is a wholly owned and controlled by Backbone Mining.

In 2023, the Company acquired Orion and two corporations in Paraguay: Backbone Paso Pe and Backbone Yguazu. Refer to note 5 for more details.

The Company's significant subsidiaries as of December 31, 2024 are as follows:

Company name	Security type	Main place of business	Securities	Equity	Voting
Backbone	Common shares	CAN	100%	100%	100%
Backbone Argentina	Ordinary shares	ARG	100%	100%	100%
Backbone Paraguay	Ordinary shares	PAR	100%	100%	100%
Backbone Mining	Common shares	USA	100%	100%	100%
Backbone Sharon	Common shares	USA	100%	100%	100%
Backbone Paso Pe	Ordinary shares	PAR	100%	100%	100%
Backbone Yguazu	Ordinary shares	PAR	100%	100%	100%
Backbone Paraguay LP	Common shares	PAR	100%	100%	100%
Orion	Common shares	CAN	100%	100%	100%
Volta	Common shares	CAN	100%	100%	100%

Substantially all of the assets, liabilities, revenues, expenses and cash flows in the consolidated financial statements are those of the entities listed in the table above. Refer to Note 30 for geographic information of revenues and property, plant and equipment.

NOTE 27: NET LOSS PER SHARE

For the year ended December 31, 2024 and 2023, potentially dilutive securities have not been included in the calculation of diluted loss per share because their effect is anti-dilutive. The additional potentially dilutive securities that would have been included in the calculation of diluted earnings per share, had their effect not been anti-dilutive for the year ended December 31, 2024, would have totaled 12,610,966 (year ended December 31, 2023: 4,964,361).

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 28: SHARE-BASED PAYMENTS

The share-based payment expense related to stock options (“Options”) and restricted stock units (“RSU”) for employees, directors, consultants and former employees received was as follows:

	Year ended December 31,	
	2024	2023
Equity-settled share-based payment plans	13,949	10,915

Options

During the year ended December 31, 2024, the Board approved stock option grants to purchase 9,010,000 common shares in accordance with the Long-Term Incentive Plan (the “LTIP Plan”) adopted on May 18, 2021 (year ended December 31, 2023: 13,156,250 common shares). All Options issued according to the LTIP Plan become exercisable when they vest and can be exercised for a maximum period of 5 years from the date of the grant.

On March 31, 2023, upon the voluntary surrender by Option holders, the Company cancelled outstanding Options exercisable for 10,535,000 common shares. The Company intended, but had no obligation, to grant new Options no less than 90 days after the cancellation date of the original Options to the persons who formerly held the cancelled Options. As the Options were cancelled without the concurrent grant of a replacement award, the cancellation was treated as a settlement for no consideration, and all remaining unrecognized share-based payment expense associated with the cancelled Options was accelerated for an amount of \$914 during the first quarter of 2023.

Details of the outstanding stock options are as follows:

	Year ended December 31,			
	2024		2023	
	Number of Options	Weighted Average Exercise Price (\$CAD)	Number of Options	Weighted Average Exercise Price (\$CAD)
Outstanding, January 1,	20,939,387	2.41	21,804,233	3.47
Granted	9,010,000	2.96	13,156,250	2.58
Exercised	(2,644,873)	1.50	(3,047,346)	0.85
Cancelled	—	—	(10,633,750)	5.15
Forfeited	(142,500)	2.97	—	—
Expired	(296,250)	5.90	(340,000)	5.47
Outstanding, December 31,	26,865,764	2.64	20,939,387	2.41
Exercisable, December 31,	9,515,764	1.58	11,112,519	2.01

The weighted average contractual life of the outstanding Options as of December 31, 2024 was 3.7 years (December 31, 2023: 4.1 years).

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 28: SHARE-BASED PAYMENTS (Continued)**Options (Continued)**

The inputs used to value the stock option grants using the Black-Scholes model are as follows:

Grant date	May 22, 2024	August 23, 2024	September 5, 2024	September 30, 2024	December 18, 2024
Dividend yield (%)	—	—	—	—	—
Expected share price volatility (%)	83%	82%	82%	82%	81%
Risk-free interest rate (%)	4.64%	3.73%	3.61%	3.58%	4.35%
Expected life of stock options (years)	3	3	3	3	3
Share price (CAD)	2.55	3.07	2.62	3.03	2.60
Exercise price (CAD)	2.55	3.07	2.62	3.03	2.60
Fair value of options (USD)	0.97	1.16	1.00	1.15	0.92
Vesting period (years)	1.5	1.5	1.5	1.5	1.5
Number of options granted	330,000	400,000	480,000	7,200,000	600,000

RSU

Details of the RSUs are as follows:

	Year ended December 31,			
	2024		2023	
	Number of RSUs	Weighted Average Grant Price (\$CAD)	Number of RSUs	Weighted Average Grant Price (\$CAD)
Outstanding, January 1,	624,998	4.05	400,000	3.73
Granted	706,000	3.27	475,000	3.83
Settled	(416,666)	3.64	(250,002)	3.13
Forfeited	(16,666)	5.01	—	—
Outstanding, December 31,	897,666	3.61	624,998	4.05

During the year ended December 31, 2024, the Board approved the grant of 706,000 RSUs to certain members of executive management, which can be settled in common shares and vest between 33% and 50% after approximately one month from the grant date and an additional 25% to 33% approximately every 6 months. The fair value of the RSUs is based on the Company's share price at the date of grant.

During the year ended December 31, 2023, the Board approved the grant of 475,000 RSUs to certain members of senior Management and to the Directors which vest 25% at the time of grant and an additional 25% every 6 months.

The weighted average value of the RSUs on the grant date was \$2.41 per RSU (year ended December 31, 2023: \$2.89 per unit).

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 29: ADDITIONAL DETAILS TO THE STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE PROFIT OR LOSS**Cost of revenues**

		Year ended December 31,	
	Notes	2024	2023
Energy and infrastructure	a	(97,209)	(78,942)
Sales tax recovery - energy and infrastructure	b	17,017	—
Depreciation and amortization	31	(149,727)	(84,785)
Sales tax recovery - depreciation and amortization	b, 31	8,760	—
Electrical components and salaries	a	(4,081)	(4,141)
		(225,240)	(167,868)

General and administrative expenses

		Year ended December 31,	
	Notes	2024	2023
Salaries		(23,024)	(13,190)
Share-based payments		(13,949)	(10,915)
Professional services		(24,299)	(7,608)
Sales tax recovery - professional services	b	1,389	—
Insurance, duties and other		(9,339)	(5,668)
Travel, motor vehicle and meals		(1,711)	(1,018)
Hosting and telecommunications		(339)	(402)
Advertising and promotion		(721)	(491)
Sales tax recovery - other general and administrative expenses	b	753	—
		(71,240)	(39,292)

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 29: ADDITIONAL DETAILS TO THE STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE PROFIT OR LOSS (Continued)**Net financial income (expenses)**

	Notes	Year ended December 31,	
		2024	2023
Gain (loss) revaluation of warrants		19,603	(42,974)
Gain on derivative assets and liabilities		17,819	48
Gain on disposition of marketable securities	c	2,313	12,245
Gain on extinguishment of long-term debt and lease liabilities	18	—	12,835
Interest income		6,037	1,420
Interest on long-term debt and lease liabilities		(1,738)	(4,079)
Loss on foreign exchange		(1,481)	(7,842)
Warrant issuance costs		—	(2,000)
Provision expense on VAT receivable	d	—	(5,903)
Loss on initial recognition of refundable deposits	23	(2,504)	—
Other financial expenses		(839)	(944)
		39,210	(37,194)

a. Electrical component inventory

During the year ended December 31, 2024, the cost of electrical component inventory recognized as an expense and included in cost of revenues was \$3,392 (year ended December 31, 2023: \$3,320).

b. Canadian sales tax recovery

In April 2024, the Company received confirmation from the provincial tax authorities that Canadian sales taxes paid by the Company from February 5, 2022 onwards are refundable. Between February 5, 2022, the date on which the new crypto currency sales tax legislation came into effect, and April 2024, the Company filed monthly sales tax refund claims totaling approximately \$24,400 (CAD\$33,000) that were not paid to the Company, pending the finalization of the aforementioned legislation. The refund of sales taxes relates to sales taxes charged on various expenditures including, but not limited to, electricity costs, cost of property, plant and equipment, professional services, etc.

During the year ended December 31, 2024, sales tax recoveries of \$22,200 for previous years (i.e., 2022 and 2023) and \$2,200 for the period of January to April 2024 were recognized and presented as direct adjustments in their respective expense and asset categories. During the year ended December 31, 2024, the full \$24,400 sales tax claims were refunded by the Canadian tax authorities.

In addition to previously not receiving its Canadian sales tax refund claims, the Company was self-assessing sales taxes payable when appropriate. During the year ended December 31, 2024, the Company reversed \$9,560 of government remittances previously included in PPE and accrued in trade accounts payable and accrued liabilities, as disclosed in Note 16. Of this amount, \$5,360 was recorded as a decrease to cost of revenues, \$520 was recorded as a decrease to general and administrative expense and \$3,680 was recorded as a decrease to PPE.

BITFARMS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 29: ADDITIONAL DETAILS TO THE STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE PROFIT OR LOSS (Continued)

Net financial income (expenses) (Continued)

c. Gain on disposition of marketable securities

During the year ended December 31, 2024 and 2023, the Company funded its expansion in Argentina through the acquisition of marketable securities and the in-kind contribution of those securities to the Company's subsidiary in Argentina. The subsequent disposition of those marketable securities in exchange for ARS gave rise to a gain as the amount received in ARS exceeded the amount of ARS the Company would have received from a direct foreign currency exchange.

d. Provision expense on VAT receivable

Due to the political and economic uncertainties in Argentina, the Company is uncertain when, or if at all, the Argentine VAT receivable will be settled. As a result, the Company recorded a provision to reduce the Argentine VAT receivable to nil starting in the fourth quarter of 2023. During the year ended December 31, 2024, the provision expense is classified within the respective expense and asset categories.

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 30: GEOGRAPHICAL INFORMATION**Reportable segment**

The reporting 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 to assess performance. Accordingly, for Management purposes, the Company is organized into one operating segment which meets the definition of a reportable segment, cryptocurrency Mining, which is the operation of data centers that support the validation and verification of transactions on the BTC blockchain, earning cryptocurrency for providing these services, as described in Note 1.

Revenues

Revenues* by country are as follows:

	Year ended December 31,	
	2024	2023
North America		
Canada	116,846	104,434
United States	16,428	15,966
	133,274	120,400
South America		
Paraguay	25,960	6,916
Argentina	33,647	19,050
	59,607	25,966
	192,881	146,366

*Revenues are presented based on the geographical contribution of computational power used for hashing calculations (measured by hashrate) or sales to external customers. During the years ended December 31, 2024 and 2023, the Company earned 97% and 97% of its revenues, respectively, from one Mining pool operator. The Company has the ability to switch Mining Pools or to mine independently at any time.

Property, Plant and Equipment and other non-current assets

The net book value of property, plant and equipment and other non-current assets (excluding financial assets and deferred tax assets) by country is as follows:

	As of December 31,			As of December 31,		
	2024			2023		
	PPE	Other	Total non-current assets	PPE	Other	Total non-current assets
North America						
Canada	117,615	54,291	171,906	101,454	48,974	150,428
United States	62,854	15,491	78,345	18,154	2,038	20,192
	180,469	69,782	250,251	119,608	51,012	170,620
South America						
Paraguay	112,452	12,594	125,046	11,747	6,041	17,788
Argentina	55,604	1,050	56,654	54,657	5,399	60,056
	168,056	13,644	181,700	66,404	11,440	77,844
	348,525	83,426	431,951	186,012	62,452	248,464

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 31: ADDITIONAL DETAILS TO THE STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2024	2023
Changes in working capital components:		
Increase in trade receivables, net	(545)	(13)
Decrease in other current assets	2,342	1,104
Increase in electrical component inventory	(475)	(117)
Decrease in deposits	5,467	420
Decrease in trade payables and accrued liabilities	(15,827)	(315)
Increase (decrease) in taxes payable	(178)	156
	(9,216)	1,235
Significant non-cash transactions:		
Issuance of common shares in connection with acquisitions of assets and ROU assets	3,000	1,354
Addition of ROU assets and related lease liabilities	9,928	1,553
Purchase of PPE financed by short-term credit	8,113	1,365
Equipment prepayments realized as additions to PPE	32,433	7,372
Computational power revenue and its related service expense	1,023	—
Depreciation and Amortization		
Property, plant and equipment	137,270	81,455
ROU assets	3,124	3,197
Intangible assets	573	133
	140,967	84,785

NOTE 32: SUBSEQUENT EVENTS**Acquisition of Stronghold**

On August 21, 2024, the Company and Stronghold entered into a definitive merger agreement (the “Merger Agreement”) under which Bitfarms will acquire Stronghold in a stock-for-stock merger transaction (the “Transaction”). The Transaction was valued at approximately \$125,000 equity value plus the repayment of debt valued at approximately \$50,000 at the time of the agreement.

BITFARMS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 32: SUBSEQUENT EVENTS (Continued)**Transaction Details**

The Transaction was unanimously approved by the Boards of both companies, approved by the majority of Stronghold shareholders, and received the applicable regulatory approvals, certain third party consents and other customary closing conditions. On March 14, 2025, the transaction closed.

Under the terms of the Merger Agreement, Stronghold shareholders received 2.52 shares of Bitfarms for each share of Stronghold they own. The Company issued 59,866,852 common shares and 12,893,650 warrants in connection with the consummation of the Merger. In addition, approximately \$44,500 was paid at closing to retire outstanding Stronghold loans.

The Company is currently in the process of determining the fair value of identifiable assets acquired and liabilities assumed.

Sale of Yguazu Mining Site

On January 24, 2025, the Company announced that it had entered into a binding Letter of Intent to sell its 200 MW site in Yguazu, Paraguay to HIVE Digital Technologies, Ltd (“HIVE”).

On March 14, 2025, the transaction closed with HIVE purchasing from Bitfarms its 100% ownership stake of its Yguazu, Paraguay Bitcoin data center and the Company’s loan receivable from Backbone Yguazu for \$63,038, with Bitfarms receiving:

- \$20,000 of advance payment made in January 2025 upon signing the letter of intent;
- \$12,038 upon closing of this transaction; and
- \$31,000 over 6 months following closing.

2024 ATM Program

During the period from January 1, 2025 to March 26, 2025, the Company issued 14,444,643 common shares through the 2024 ATM Program in exchange for gross proceeds of \$24,386 at an average share price of approximately \$1.69. The Company received net proceeds of \$23,608 after paying commissions of \$778 to the sales agent. Refer to Note 22 for further details of the Company’s 2024 ATM program.

Redemption options of BTC

On January 30, 2025, the Company exercised its option to redeem the first installment of the BTC Pledged in relation to the purchase of Miners under the Supplementary Agreements. The Company redeemed 87 BTC for \$8,308. See Note 8 for more details.

BITFARMS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. dollars, except data relating to number of PPE, shares, warrants, options and digital assets - audited)

NOTE 32: SUBSEQUENT EVENTS (Continued)

Bitmain T21 and S21+ Miners Swap

On March 12, 2025, in connection with the Purchase Order, an exchange agreement was made signed to return 4,160 Bitmain T21 Miners. In consideration for the returned products Bitmain will refund the Company with a \$9,484 credit. Simultaneously, the Company placed another purchase order for 3,660 Bitmain S21+ Miners at a purchase price of \$11,858. The Company has the option to pay the net amount of \$2,374 in cash or in BTC. The payment terms, the BTC installments and the BTC Redemption Option are similar to the ones included in the Supplementary Agreements as described in Note 9. On March 13, 2025, the Company paid the net \$2,374 in BTC which can be redeemed on a quarterly basis.



**Management's Discussion & Analysis
For the year ended December 31, 2024**

2024

BITFARMS LTD.

Management's Discussion & Analysis

(In U.S. dollars, except where otherwise indicated)

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BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

1. INTRODUCTION

The following Management's Discussion and Analysis (the "MD&A") for Bitfarms Ltd. (together with its subsidiaries, the "Company" or "Bitfarms") has been prepared as of March 26, 2025. This MD&A should be read in conjunction with the Company's audited annual consolidated financial statements and its accompanying notes for the year ended December 31, 2024 (the "Financial Statements"), as well as the most recent Annual Information Form of the Company, which are available on SEDAR+ at www.sedarplus.ca and EDGAR at www.sec.gov/edgar.

The Company's Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). The Company's Financial Statements and this MD&A are reported in thousands of U.S. dollars and U.S. dollars, respectively, except where otherwise noted.

Bitfarms' management team ("Management") is responsible for the preparation and integrity of the Financial Statements including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the Financial Statements and MD&A, is complete and reliable.

The Company utilizes non-IFRS financial measures and ratios in assessing operating performance. Non-IFRS financial measures and ratios may exclude the impact of certain items and are used internally when analyzing operating performance. Refer to Section 10 - *Non-IFRS and Other Financial Measures and Ratios* and Section 23 - *Cautionary Note Regarding Non-IFRS and Other Financial Measures and Ratios* of this MD&A for more information.

This MD&A contains forward-looking statements. Refer to the risk factors described in Section 19 - *Risk Factors* of this MD&A and to Section 22 - *Cautionary Note Regarding Forward-Looking Statements* of this MD&A for more information. This MD&A contains various terms related to the Company's business and industry which are defined in Section 25 - *Glossary of Terms* of this MD&A.

In this MD&A, the following terms shall have the following definitions:

Term	Definition
Q4 2024	Three months ended December 31, 2024
Q4 2023	Three months ended December 31, 2023
FY 2024	Twelve months ended December 31, 2024
FY 2023	Twelve months ended December 31, 2023

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

2. COMPANY OVERVIEW

Founded in 2017, Bitfarms (Nasdaq/TSX: BITF) is a global, publicly traded energy and compute infrastructure company. Bitfarms primarily operates vertically integrated Bitcoin data centers with primarily in-house management and company-owned electrical engineering, installation service, and multiple onsite technical repair centers. The Company's proprietary data analytics system delivers best-in-class operational performance and uptime.

Bitfarms primarily owns and operates data centers housing computers (referred to as "Miners") designed for the purpose of validating transactions on the Bitcoin Blockchain (referred to as "Mining"). Bitfarms generally operates its Miners 24 hours per day to produce computational power used for hashing calculations (measured by hashrate) that Bitfarms sells to Mining pool operators under a formula-driven rate commonly known in the industry as Full Pay Per Share ("FPPS"). Under FPPS, Mining pool operators compensate Mining companies for their computational power used for hashing calculations, measured by hashrate, based on what the Mining pool operator would expect to generate in revenue for a given time period if there was no randomness involved. The fee paid by a Mining pool operator to Bitfarms for its computational power used for hashing calculations may be in cryptocurrency, U.S. dollars, or another currency. However, the fees are paid to the Company on a daily basis in Bitcoin ("BTC"). Bitfarms accumulates the cryptocurrency fees it receives or exchanges them for U.S. dollars through reputable and established cryptocurrency trading platforms.

Bitfarms currently has 15 operating Bitcoin data centers situated in four countries: Canada, the United States, Paraguay and Argentina, powered by long-term competitively priced power contracts.

The Company's ability to operate and secure power through its production sites are summarized as follows:

Country	Energized capacity as of March 26, 2025	Contracted capacity as of March 26, 2025
North America		
Canada	170 MW	180 MW ¹
United States	153 MW	438 MW ^{2, 3}
	323 MW	618 MW
South America		
Paraguay	80 MW	80 MW
Argentina	58 MW	210 MW ⁴
	138 MW	290 MW
	461 MW	908 MW

¹ The Company has secured the rights for 10 MW of hydro-electricity in the province of Quebec, Canada but does not currently have an expansion plan for those 10 MW of power. Bitfarms is continuing its efforts to search for economically viable properties for the available 10 MW of hydro-electricity.

² Refer to Section 7 - *Expansion Projects* for details on the timing of the remaining MW not yet operational.

³ The Company, through its recent acquisition of Stronghold Digital Mining Inc., has a hosting contract to operate 21 MW of Miners on behalf of a third party at the Panther Creek Bitcoin data center.

⁴ The Company retains the option, subject to the receipt of additional government approvals, to expand the Rio Cuarto operation to the full contracted amount of 210 MW. Due to the ongoing political and economic uncertainty in Argentina, the Company currently believes a higher expected return can be achieved from expanding and further developing its other locations.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

3. FINANCIAL HIGHLIGHTS

(U.S.\$ in thousands except where indicated)	Year ended December 31,		
	2024	2023	2022
Revenues	192,881	146,366	142,428
Gross (loss) profit	(32,359)	(21,502)	10,518
Gross margin ⁽¹⁾	(17)%	(15)%	7%
Operating loss	(107,563)	(72,129)	(284,022)
Operating margin ⁽¹⁾	(56)%	(49)%	(199)%
Net loss	(54,063)	(108,922)	(175,644)
Basic and diluted loss per share	(0.13)	(0.42)	(0.85)
Gross Mining profit ⁽²⁾	94,469	70,277	94,528
Gross Mining margin ⁽²⁾	50%	50%	59%
Adjusted EBITDA ⁽²⁾	54,661	43,558	66,147
Adjusted EBITDA margin ⁽²⁾	28%	30%	46%
Total assets	667,616	378,725	343,098
Current financial liabilities	30,445	53,525	56,120
Non-current financial liabilities	1,430	—	4,093
Long-term debt included in financial liabilities	1,576	4,022	47,147

There have not been any distributions or cash dividends declared per share for the periods disclosed above.

¹ Gross margin and Operating margin are supplemental financial ratios; refer to Section 10 - *Non-IFRS and Other Financial Measures and Ratios*.

² Gross Mining profit, Gross Mining margin, Adjusted EBITDA and Adjusted EBITDA margin are non-IFRS measures or ratios; refer to Section 10 - *Non-IFRS and Other Financial Measures and Ratios*.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

4. FOURTH QUARTER 2024 FINANCIAL RESULTS AND OPERATIONAL HIGHLIGHTS

Financial

- Revenues of \$56.2 million;
- Gross Mining profit² of \$25.8 million (47% Gross Mining margin²);
- Adjusted EBITDA² of \$14.3 million (25% Adjusted EBITDA margin²);
- Gross profit of \$1.4 million (gross margin¹ of 2%) including non-cash depreciation and amortization expense of \$24.6 million, operating loss of \$16.4 million (operating margin¹ of 29%), and net income of \$15.2 million; and
- Strategically capitalized on BTC price near all-time highs to close out Synthetic HODL³ positions, generating realized gains of \$14.8 million.

Operations

- Increased Hashrate from 11.3 EH/s at September 30, 2024 to 12.8 EH/s at December 31, 2024, an increase of 13%, through the installation of approximately 13,000 more efficient Miners;
- Earned 654 BTC at an average direct cost of \$40,800 per BTC² or an average total cash cost of \$60,800 per BTC² and held 1,285 BTC valued at approximately \$120.1 million as of December 31, 2024;
- Sold 502 BTC at an average price of \$81,400 per BTC for total proceeds of \$40.9 million, a portion of which was used to pay capital expenditures to support the Company's growth and efficiency improvement objectives; and
- In November 2024, amended purchase agreements to upgrade 18,853 Bitmain T21 Miners to 18,853 more efficient Bitmain S21 Pro Miners for an additional cost of \$33.2 million.

Expansions*United States*

- In October 2024, entered into a second Hosting agreement (the "Scrubgrass Hosting Agreement") with Stronghold Digital Hosting Inc., a subsidiary of Stronghold Digital Mining Inc. (together referred to as "Stronghold"), where the Company will deploy 11,600 S21 Pro Miners. Energization commenced in December 2024.

Financing

- Raised \$50.1 million in net proceeds through the Company's 2024 at-the-market equity offering program ("2024 ATM Program"); and
- Made a deposit of \$7.8 million ("Scrubgrass Refundable Deposit") with Stronghold, which is refundable on December 31, 2025, in connection with the Scrubgrass Hosting Agreement.

Other

- Appointed Andrew J. Chang as Independent Director of the Board of Directors (the "Board").
-

¹ Gross margin and Operating margin are supplemental financial ratios; refer to Section 10 - *Non-IFRS and Other Financial Measures and Ratios*.

² Gross Mining profit, Gross Mining margin, Adjusted EBITDA, Adjusted EBITDA margin, Direct Cost per BTC and Total Cash Cost per BTC are non-IFRS measures or ratios; refer to Section 10 - *Non-IFRS and Other Financial Measures and Ratios*.

³ Refer to section 11B - *Liquidity and Capital Resources - Synthetic HODL program for digital assets management*. Synthetic HODL realized gains are included in Gain on derivative assets and liabilities within Net financial income (expenses).

5. FULL YEAR 2024 RESULTS AND OPERATIONAL HIGHLIGHTS

Financial

- Revenues of \$192.9 million;
- Gross Mining profit² of \$94.5 million (50% Gross Mining margin²);
- Adjusted EBITDA² of \$54.7 million (28% Adjusted EBITDA margin²);
- Gross loss of \$32.4 million (gross margin¹ of negative 17%) including non-cash depreciation and amortization expense of \$141.0 million, operating loss of \$107.6 million (operating margin¹ of negative 56%) including impairment loss of \$3.6 million, and net loss of \$54.1 million; and
- Strategically capitalized on BTC price near all-time highs to close out Synthetic HODL³ positions, generating realized gains of approximately \$17.6 million.

Operations

- Increased Hashrate from 6.5 EH/s to 12.8 EH/s, an increase of 97%, through the installation of approximately 56,200 more efficient Miners;
- Improved ending energy efficiency from 35 Watts/TH to 21 Watts/TH, an improvement of 40%, through the energization of more efficient Miners;
- Earned 2,914 BTC at an average direct cost of \$30,500 per BTC² or an average total cash cost of \$45,600 per BTC²;
- Held 1,285 BTC valued at approximately \$120.1 million as of December 31, 2024, compared to 804 BTC as of December 31, 2023, representing an increase in the quantity of BTC of 60%; and
- Sold 2,419 BTC at an average price of \$62,900 per BTC for total proceeds of \$152.1 million, a portion of which was used to repay equipment-related indebtedness and pay capital expenditures to support the Company's growth and efficiency improvement objectives.

Expansions

- Strategically purchased an additional 47,280 Bitmain T21 Miners along with 3,888 Bitmain S21 Miners and 740 Bitmain S21 hydro Miners to maximize efficiency and power capacity utilization;
- Upgraded 18,853 Bitmain T21 Miners to 18,853 more efficient Bitmain S21 Pro Miners for an additional cost of \$33.2 million; and
- Deployed approximately 56,200 Miners across 13 data centers and (including two under hosting agreements) located in Canada, the US, Paraguay, and Argentina enabling the Company to achieve 12.8 EH/s at December 31, 2024.

United States

- Entered into a definitive merger agreement with Stronghold (the "Merger Agreement"), pursuant to which the Company acquired Stronghold on March 14 2025, which provides up to 307 MW of additional power capacity to the Company's operations and 648 MW of long-term power applications that the Company believes are well suited for HPC/AI, Bitcoin Mining and energy trading;
- Executed a lease agreement in Sharon, Pennsylvania, United States, providing the Company with an immediate capacity of 12 MW of electricity with up to 98 MW of additional development capacity. Bitfarms also signed a letter of intent for a lease to an additional 10 MW site, which would bring total site capacity to 120 MW. Upon completion, the Sharon data center is expected to support an additional 6 EH/s of Miner capacity with the latest-generation Miners; and

¹ Gross margin and Operating margin are supplemental financial ratios; refer to Section 10 - *Non-IFRS and Other Financial Measures and Ratios*.

² Gross Mining profit, Gross Mining margin, Adjusted EBITDA, Adjusted EBITDA margin, Direct Cost per BTC and Total Cash Cost per BTC are non-IFRS measures or ratios; refer to Section 10 - *Non-IFRS and Other Financial Measures and Ratios*.

³ Refer to section 11B - *Liquidity and Capital Resources - Synthetic HODL program for digital assets management*. Synthetic HODL realized gains are included in Gain on derivative assets and liabilities within Net financial income (expenses).

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

5. FULL YEAR 2024 RESULTS AND OPERATIONAL HIGHLIGHTS (Continued)

Expansions (Continued)*United States (Continued)*

- Entered into two Hosting agreements with Stronghold to accelerate the deployment of a mix of 21,600 Bitmain T21 and S21 Pro Miners. Energization began in November and December 2024 and brought 1.2 EH/s online at December 31, 2024.

Canada

- Installed approximately 26,100 Bitmain T21 Miners, 3,800 Bitmain S21 Miners and 100 MicroBT Whatsminer M53S Miners at the Company's Quebec, Canada data centers.

Paraguay

- Received and installed the main 80 MW transformer at the Paso Pe, Paraguay data center;
- Energized the Paso Pe data center and installed approximately 14,400 Bitmain T21 air-cooled Miners and 1,800 MicroBT M53S WhatsMiner Miners, completing the Paso Pe, Paraguay expansion;
- Developed the Yguazu facility by purchasing land, signing the engineering procurement and construction contract for the high-voltage interconnection to the Administración Nacional de Electricidad ("ANDE") substation and to the transmission line;
- Amended the energy contract at the Yguazu data center for an additional 100 MW of energy capacity for a total capacity of 200 MW; and
- Started and progressed on the construction of the Yguazu data center. In March 2025, the Company sold its Yguazu facility to HIVE Digital Technologies Ltd. ("HIVE") for \$63.0 million in its current state of development.

Financing

- Commenced the 2024 ATM Program on March 11, 2024 and raised \$290.5 million in net proceeds;
- Received confirmation from the Provincial tax authorities that Canadian sales taxes paid by the Company from February 5, 2022 onwards is refundable and collected the sales tax recovery of approximately \$24.4 million for claims between February 5, 2022 and April 2024;
- Paid off in full the remaining \$4.0 million of equipment-related indebtedness;
- Executed a sale and leaseback agreement to monetize the value of the Garlock (Quebec, Canada) facility and received net proceeds of \$1.7 million to be allocated towards the Company's expansion plans; and
- Deposited \$15.6 million with Stronghold, which are refundable on December 31, 2025, in connection with the two Stronghold Hosting agreements ("Refundable Hosting Deposits").

Other

- Appointed Ben Gagnon as Chief Executive Officer ("CEO") and Director of the Board and Liam Wilson as Chief Operating Officer;
 - Appointed Lead Director Brian Howlett as Independent Chairman of the Board; appointed Fanny Philip, Amy Freedman and Andrew J. Chang as Independent Directors of the Board; nominated Fanny Philip as Chair of the Audit Committee; Emiliano Grodzki was not re-elected to the Board; and accepted the resignations of Nicolas Bonta and Andrés Finkielsztain from the Board;
 - Entered into the Settlement Agreement (as defined in Section 19 - *Risk Factors (The Company's business could be negatively impacted by unsolicited investor interest, takeover proposals, shareholder activism or proxy contests relating to the election of directors.)*) with Riot Platforms, Inc. ("Riot") on September 24, 2024; and
 - Settled an employment dispute with the former CEO (refer to Section 8C - *Financial Performance (General & Administrative Expenses)* for more details).
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BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

6. PRODUCTION AND MINING OPERATIONS**Key Performance Indicators**

	Three months ended December 31,			Year ended December 31,		
	2024	2023	% Change	2024	2023	% Change
Total BTC earned	654	1,236	(47)%	2,914	4,928	(41)%
Average Watts/Average TH efficiency*	22	35	(37)%	26	36	(28)%

* Average Watts represents the average energy consumption of deployed Miners

Q4 2024 v. Q4 2023

- 654 BTC earned in Q4 2024, compared to 1,236 BTC earned in Q4 2023, representing a decrease of 47% as a result of reduced Block Rewards following the April 2024 halving event and a 56% increase in average Network Difficulty, partially offset by an increase in Hashrate from the Company's expansions and upgrades to its Miner fleet with additional and higher efficiency Miners; and
- Improved ending energy efficiency to 21 Watts/TH on December 31, 2024 compared to 35 Watts/TH on December 31, 2023, as a result of the Company upgrading its fleet with more efficient Miners. This improvement resulted in a 22 average Watts/Average TH efficiency during Q4 2024, compared to 35 average Watts/Average TH efficiency during Q4 2023, representing an improvement of 37%.

FY 2024 v. FY 2023

- 2,914 BTC earned during FY 2024, compared to 4,928 BTC earned during FY 2023, representing a decrease of 41% from the previous year as a result of reduced Block Rewards following the April 2024 halving event and a 68% increase in average Network Difficulty, partially offset by an increase in Hashrate from the Company's expansions and upgrades to its Miner fleet with higher efficiency Miners; and
- Improved ending energy efficiency to 21 Watts/TH on December 31, 2024, compared to 35 Watts/TH on December 31, 2023, with the Company upgrading its Mining fleet. This improvement resulted in a 26 average Watts/Average TH efficiency during FY 2024, compared to 36 average Watts/Average TH efficiency during FY 2023, representing an improvement of 28%.

	As of December 31,		
	2024	2023	% Change
Period-end operating EH/s	12.8	6.5	97%
Watts/TH efficiency*	21	35	(40)%
Period-end energized capacity (MW) **	394	240	64%

* Watts represents the energy consumption of deployed Miners

** Includes 36 MW and 43 MW period-end energized capacity from Panther Creek and Scrubgrass hosted facilities, respectively (as of December 31, 2023: nil)

As of December 31, 2024 v. as of December 31, 2023

- 12.8 EH/s online as of December 31, 2024, compared to 6.5 EH/s online as of December 31, 2023, an increase of 97%, as a result of the Company's expansions in Paso Pe (Paraguay), the Stronghold Hosting Agreements in the Pennsylvania, United States, as well as the upgrade of its Miner fleet with higher efficiency Miners;
- Ending energy efficiency of 21 Watts/TH on December 31, 2024 compared to 35 Watts/TH on December 31, 2023, an improvement of 40% as a result of the Company upgrading its fleet with more efficient Miners; and
- 394 MW energized capacity as of December 31, 2024, compared to 240 MW energized capacity as of December 31, 2023, an increase of 64%, mainly due to the expansion in Paso Pe (resulting in an additional 70 MW) and the hosted facilities (resulting in an additional 79 MW).

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

7. EXPANSION PROJECTS

The Company describes its expansion plans below under the sections entitled "United States Expansion", "Paraguay Expansion", and "Canada Expansion". These expansion projects do not include updates from 2023 or earlier.

As of December 31, 2024, the Company operated 12.8 EH/s across its facilities, an increase of 6.3 EH/s, or 97%, compared to December 31, 2023. The increase is attributed to the installation of additional Miners in Paso Pe, Paraguay; Baie-Comeau, Quebec, Canada; and Rio Cuarto, Argentina, the Stronghold Hosting Agreements in Pennsylvania, United States, and the Company upgrading its overall fleet with more efficient Miners. In January 2025 the Company achieved 15.2 EH/s, and in February 2025 the Company achieved 16.1 EH/s, mainly due to fleet-wide operational excellence initiatives. Through its expansion projects and the investment in its transformative fleet upgrade, the Company achieved its target of 21 w/TH before the end of 2024 and is executing towards its revised targets of 18 EH/s operational and 21 EH/s and 19 w/TH installed by June 30, 2025. With the closing of the Stronghold transaction on March 14, 2025, the Company added approximately 1.4 EH/s, bringing the total EH under Management to 18.6 EH/s, including Stronghold's existing hosting agreements.

The Company's revised target reflects the underperformance of some of the Company's Bitmain T21 Miners. To address this, the Company upgraded 18,853 Bitmain T21 Miners remaining in its Purchase Option and March 2024 Purchase Order, as defined below, to more efficient Bitmain S21 Pro Miners. The Company also returned 4,160 Bitmain T21 Miners and ordered 3,660 Bitmain S21+ Miners.

The most recent BTC halving event occurred on April 19, 2024, and the Company continues to prudently explore further opportunities to expand its infrastructure and improve its Mining hardware to increase the Company's Hashrate, Miner efficiency and to monetize the Company's infrastructure to create long-term value for shareholders.

Cautionary statements

The estimated costs and timelines to achieve these expansion plans may change based on, among other factors, the cost and supply of Bitcoin Mining equipment, the ability to import equipment into countries where it operates in a cost-effective and timely manner, the supply of electrical and other supporting infrastructure equipment, the availability of construction materials, currency exchange rates and the impact of geopolitical events on the supply chains described above. The Company's expansion plans rely on a consistent supply of electricity at cost-effective rates; refer to Section 19 - *Risk Factors* (Section *Economic Dependence on Regulated Terms of Service and Electricity Rates Risks*) of this MD&A for further details, including a description of these and other factors.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

7. EXPANSION PROJECTS (Continued)**Transformative Fleet Upgrade**

The transformative fleet upgrade plan described above underpins the Company's 2024 expansion strategy. Securing additional Miners was anticipated to benefit the Company by capitalizing on elevated Bitcoin prices and drive rapid and meaningful improvements across three key operating metrics: Hashrate, energy efficiency and operating costs per TH.

- i. On November 27, 2023, the Company placed a firm purchase order for 35,888 Bitmain T21 Miners (the "Purchase Order") totaling \$95.5 million, or \$14/TH, which were delivered in 2024.
- ii. On November 27, 2023, the Company secured a purchase option for an additional 28,000 Bitmain T21 Miners (the "Purchase Option") for an aggregate purchase price of \$74.5 million, or \$14/TH. On March 11, 2024, the Company exercised the Purchase Option.
- iii. On March 11, 2024, the Company also purchased an additional 19,280 Bitmain T21 Miners for \$14/TH, and 3,888 Bitmain S21 Miners and 740 Bitmain S21 hydro Miners for \$17.50/TH, for an aggregate purchase price of \$69.2 million (collectively defined as the "March 2024 Purchase Order").
- iv. On November 12, 2024, the Company amended the Purchase Option and the March 2024 Purchase Order ("Supplementary Agreements") and upgraded 18,853 Bitmain T21 Miners with more efficient Bitmain S21 Pro Miners for an additional consideration of \$33.2 million which was paid in BTC and can be redeemed in 4 installments as described in Note 9 to the Financial Statements. The amended aggregate purchase price for the Purchase Option is \$85.1 million and the March 2024 Purchase Order is \$91.9 million.
- v. On March 12, 2025, in connection with the Purchase Order, an exchange agreement was signed to return 4,160 Bitmain T21 Miners. In consideration for the returned Miners, Bitmain will refund the Company with a \$9.5 million credit. Simultaneously, the Company placed another purchase order ("2025 Miners Swap") for 3,660 Bitmain S21+ Miners at a purchase price of \$11.9 million. On March 13, 2025, the net \$2.4 million was paid in BTC and can be repurchased in four quarterly installments resulting in an embedded derivative.

The March 2024 Purchase Order, combined with the Purchase Order and Purchase Option, is expected to enable the Company to reach 18 EH/s operating capacity and 19 w/TH efficiency in 2025. The Company intends to continue liquidating older Miners to offset the cost of capital expenditure. During FY 2024, the Company sold 16,056 older generation Miners to third parties for approximately \$2.5 million. Refer to Note 10 to the Financial Statements.

As of December 31, 2024, the Company paid the full amount of \$239.2 million, of which \$33.2 million was made in BTC towards these new orders. The Company has the option to repurchase the BTC resulting in an embedded derivative. See Note 9 to the Financial Statements for more details. The Company commenced the 2024 ATM Program on March 11, 2024, enabling the Company to access liquidity of up to \$375.0 million, with the intention to use the proceeds primarily for capital expenditures to support the Company's growth and development. Refer to Section 11A - *Liquidity and Capital Resources - Cash Flows from Financing Activities*.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

7. EXPANSION PROJECTS (Continued)**Transformative Fleet Upgrade (Continued)**

The following table details the status of the new Miner orders as of March 26, 2025:

Date	Order		Quantity ¹	Miner Model	Miners Energized	Hashrate (EH/s) ²	Remaining Miners
Q4 2023	Purchase Order	(i)	35,898	Bitmain T21	35,898	6.8	—
Q1 2024 (amended Q4 2024)	Purchase Option (amended November 2024)	(ii)	22,234	Bitmain T21	20,701	3.9	1,533
		(iv)	6,000	Bitmain S21 Pro	6,000	1.4	—
			28,234		26,701	5.3	1,533
Q1 2024 (amended Q4 2024)	March 2024	(iii)	6,475	Bitmain T21	—	—	6,475
	Purchase Order (amended November 2024)	(iv)	12,805	Bitmain S21 Pro	6,538	1.5	6,267
			3,975	Bitmain S21	3,975	0.9	—
			762	Bitmain S21 hydro	762	0.3	—
			24,017		11,275	2.7	12,742
Q1 2025	2025 Miners Swap	(v)	(4,160)	Bitmain T21	—	—	(4,160)
			3,660	Bitmain S21 Pro	—	—	3,660
			(500)		—	—	(500)
			87,649		73,874	14.8	13,775

Stronghold and Yguazu data center

Together, the Stronghold transaction and the sale of the Yguazu data center described below, enabled the Company to rebalance its portfolio of MW to approximately 80% in North America and 20% outside of North America and is expected to reduce the Company's average energy costs per kWh by up to 10%. Proceeds from the transaction will be reinvested towards its 1.1 GW growth pipeline as part of the Company's planned United States expansion for BTC and HPC/AI infrastructure, which marks a significant milestone in the Company's transition from an international Bitcoin miner to a North American energy and compute infrastructure company.

Development of HPC/AI Business

In January 2025, the Company engaged two separate expert consultants in HPC/AI, Appleby Strategy Group ("ASG") and World Wide Technology ("WWT"), to conduct formal evaluations of the Company's data centers and energy assets for potential partial or total conversion to HPC/AI. In parallel, ASG and WWT will conduct feasibility assessments, data center engineering, site map planning, construction budgeting, and help build accelerated sales and development strategies. Combined, they will support the building of the Company's operational capabilities and market the Company's sites to potential HPC/AI customers.

¹ The total Hashrate from the Miners received should correspond to the total Hashrate specified in the initial agreements. The quantity of Miners received may vary based on the individual Hashrate specifications of each Miner.

² The Hashrate is based on the average Miner specifications stated in the purchase agreements and the Company's actual realized Hashrate may differ.

7. EXPANSION PROJECTS (Continued)**A. United States Expansion*****Acquisition of Stronghold***

On August 21, 2024, the Company and Stronghold entered into a Merger Agreement pursuant to which Bitfarms acquired Stronghold in a stock-for-stock merger transaction (the "Transaction"). The Transaction was valued at an equity value of approximately \$125.0 million plus the repayment of debt valued at approximately \$50.0 million, which is repayable at closing. The Transaction was unanimously approved by the Board of Directors of both companies and was approved by shareholders representing a majority of the outstanding shares of Stronghold on February 27, 2025.

Stronghold is a vertically integrated power generation and data center company focused on environmental remediation and reclamation services. Stronghold owns over 750 acres of land with options on over 1,100 additional acres along with two merchant power plants: the Scrubgrass and Panther Creek facilities in Pennsylvania. These two power plants are recognized by Pennsylvania as a Tier 2 Alternative Energy Source (the same category as large-scale hydroelectric power plant) for their proven and significant environmental benefits and have removed hundreds of thousands of tons of industrial waste and converted it into power, while reclaiming hundreds of acres in the process.

As of December 31, 2024, Stronghold had a Hashrate of 2.9 EH/s and 165 MW of current nameplate generated power capacity. In addition, Stronghold has 142 MW of current Pennsylvania-New Jersey-Maryland Interconnection ("PJM") import capacity with multiple studies underway to potentially increase the total import capacity by an additional 648 MW, bringing as much as 790 MW of incremental potential power beyond 2025.

On March 14, 2025, the Transaction closed, following the receipt of Stronghold shareholder approval on February 27, 2025, applicable regulatory approvals, certain third-party consents and other customary closing conditions.

Under the terms of the Merger Agreement, Stronghold shareholders received 2.52 shares of Bitfarms for each share of Stronghold they own. The Company issued 59,866,852 common shares and 12,893,650 warrants in connection with the consummation of the Merger. In addition, approximately \$44.5 million was paid at closing to retire outstanding Stronghold loans.

The Company is currently in the process of determining the fair value of identifiable assets acquired and liabilities assumed.

The Stronghold Transaction added up to 307 MW of power capacity, with an additional 648 MW of incremental potential power capacity, for a total of 955 MW of potential power capacity, to the Company's operations and is aligned with the Company's strategic objectives to diversify its operations and expand its presence in the United States through vertical integration of power generation and energy arbitrage capabilities. This transaction solidifies Bitfarms' role as a dominant player in the Bitcoin Mining sector and positions it well for expansion into the HPC/AI sector with two strategically located facilities with energy infrastructure and expansion capacity.

BITFARMS LTD.

Management's Discussion & Analysis

(In U.S. dollars, except where otherwise indicated)

7. EXPANSION PROJECTS (Continued)

A. United States Expansion (Continued)

Panther Creek Hosting Agreement 2024 update

In September 2024, the Company entered the Panther Creek Hosting Agreement with Stronghold.

Under the terms of the Panther Creek Hosting Agreement, the Company deployed a mix of 10,000 Bitmain T21 and Bitmain S21 Pro Miners at Stronghold's Panther Creek site which were originally scheduled to come online at the Company's Yguazu, Paraguay site. Energization began in November 2024 and was completed in January 2025.

The Panther Creek Hosting Agreement came into effect on October 1, 2024, and is intended to continue for an initial term expiring on December 31, 2025, after which it will automatically renew for additional one-year periods unless terminated by either party. Pursuant to the Panther Creek Hosting Agreement, Bitfarms will pay Stronghold a monthly fee equal to 50 percent of the profit generated by the Bitfarms Miners, subject to certain monthly adjustments between the parties to account for the upfront monthly payment due from Bitfarms to Stronghold and for taxes and the net cost of power associated with the operation of the Bitfarms Miners.

In connection with the execution of the Panther Creek Hosting Agreement, Bitfarms deposited with Stronghold \$7.8 million, equal to the estimated cost of power for three months of operations of the Bitfarms miners, which will be refundable in full to Bitfarms within one business day of the end of the initial term ("Panther Creek Refundable Deposit").

Scrubgrass Hosting Agreement 2024 update

In October 2024, the Company entered the Scrubgrass Hosting Agreement. The Company deployed 11,600 Bitmain S21 Pro Miners at Stronghold's Scrubgrass site which were originally scheduled to come online at the Company's Yguazu, Paraguay site in December 2024. Energization began in December 2024 and is planned to be completed in April 2025.

The Scrubgrass Hosting Agreement came into effect on November 1, 2024, and is intended to continue for an initial term expiring on December 31, 2025, after which it will automatically renew for additional one-year periods unless terminated by either party. Pursuant to the Scrubgrass Hosting Agreement, Bitfarms will pay Stronghold a monthly fee equal to 50 percent of the profit generated by the Bitfarms Miners, subject to certain monthly adjustments between the parties to account for the upfront monthly payment due from Bitfarms to Stronghold and for taxes and the net cost of power associated with the operation of the Bitfarms Miners.

In connection with the execution of the Scrubgrass Hosting Agreement, Bitfarms also deposited with Stronghold \$7.8 million, equal to the estimated cost of power for three months of operations of the Bitfarms Miners, which will be refundable in full to Bitfarms within one business day of the end of the initial term ("Refundable Scrubgrass Deposit").

During the first quarter of 2025, approximately 10,000 S21 Pro Bitmain Miners were installed at the Scrubgrass and Panther Creek facilities. Following the closing of the Stronghold acquisition on March 14, 2025, the Panther Creek Hosting Agreement and Scrubgrass Hosting Agreement were terminated, settling the \$15.6 million Refundable Hosting Deposits to the Company and all Mining capacity is now accruing 100% to Bitfarms.

7. EXPANSION PROJECTS (Continued)**A. United States Expansion (Continued)*****Sharon Lease Agreement 2024 to 2026 plan***

In June 2024, the Company executed a lease agreement for a site located in Sharon, Pennsylvania, United States ("Sharon Lease Agreement"), and develop up to 110 MW of power capacity. Bitfarms also signed a letter of intent to lease an additional 10 MW site near the 110 MW site, which would bring total site capacity to 120 MW. The agreement includes a five-year lease in an industrialized area, including a 11,200 square feet warehouse with options to renew for a total of 17 years along with an option to purchase at fair market value throughout the lease. The lease has variable lease payments with minimum monthly payments increasing over the term of the lease from \$33,000 to \$138,000 with annual adjustments beginning after the third year of the agreement. Prior to June 30, 2026, monthly lease payments can fluctuate based on the energized MW.

In August 2024, the Company finalized the definitive lease agreement and assumed control of the property. With this transaction, the Company acquired a potential 110 MW of electricity capacity, with the transaction providing the Company with an immediate capacity increase of 12 MW of electricity. A total of 30 MW of capacity is slated to come online by the end of the second quarter of 2025 and the remaining 80 MW in 2026, when the installation of electrical infrastructure is expected to be completed.

Through profit sharing plans from future hosting agreements and/or through proprietary compute power dedicated to BTC, the Mining operations are expected to increase the online Hashrate under management up to 1.6 EH/s. Fully energized for computing power dedicated to Bitcoin Mining, the site could support over 7.0 EH/s with current generation Miners. The cost of developing the 110 MW Bitcoin data center for computational power and the installation of the high voltage lines is estimated to range from \$50.0 million to \$60.0 million. A concurrent evaluation of developing all or a portion of the site for HPC/AI is in exploratory stages and may impact estimated capital expenditures and the increase in online Hashrate.

Sharon Position as of December 31, 2024

As of December 31, 2024, the Company had placed deposits of \$3.2 million with suppliers for construction costs and for electrical components. As of December 31, 2024, property, plant and equipment ("PPE") included \$8.3 million related to the Sharon data center for facility construction and infrastructure equipment costs.

Sharon 2025 update

In January 2025, the Company energized 12 MW at the Sharon data center after installing 3,300 Miners. The Company is in the registration process for participation in Economic Demand Response and other grid support programs offered in the deregulated PJM market. Participation in these programs includes both demand response and energy arbitrage strategies that the Company plans to develop in the coming months across its PJM portfolio under Bitfarms' energy program. This program will be critical to maximizing the value of its PJM assets through more effective control of energy prices.

7. EXPANSION PROJECTS (Continued)

A. United States Expansion (Continued)

Washington State 2024 update

In January 2024, in connection with the construction of a new 6 MW data center on the Company's property in Washington State, the Company elected to cancel the lease of a 5 MW data center in the region and transfer Miners from the leased data center to the newly constructed data center. In April 2024, the cancellation of the lease was effective. In June 2024, the Company energized a 3 MW temporary data center until the new 6 MW data center was fully constructed in October 2024. The cost of developing the 6 MW data center totaled \$2.1 million, including \$0.9 million paid in 2023 to the power supplier for establishing the necessary electricity connection.

In February 2024, the power supplier established the electricity connection allowing the Company, subject to the completion of the civil work, to access 6 MW of hydro power capacity.

In April 2024, a mix of approximately 1,200 Bitmain T21 and S21 Miners were installed at the current operating data center.

During the third quarter of 2024, the Company installed approximately 700 additional T21 Bitmain Miners.

Washington State 2025 update

The Company completed the upgrade of a portion of its current fleet of Miners in Washington during February 2025 with new T21 Miners. The Washington location is also being evaluated by ASG and WWT for potential conversion to HPC/AI due to its strategic location near a data center cluster and a different tariff rate for HPC/AI data centers that the Company believes would reduce its anticipated energy costs at the site to below \$0.03 kWh.

B. Paraguay Expansion

Paso Pe 2024 update

From March 2024 to June 2024, construction of the Paso Pe data center and the underground cable connections were completed, the 80 MW capacity transformer was received and installed, and approximately 9,500 Bitmain T21 Miners and approximately 1,800 MicroBT M53S Hydro Miners were housed within a portion of the eight Hydro Containers. Following the commissioning of the substation, in the second quarter of 2024, the Company energized the 70 MW substation and started operating four of five air cooling warehouses and six of eight hydro containers.

In July 2024, the Company installed approximately 1,800 additional Bitmain T21 Miners, completing the Paso Pe expansion. As of July 2024, all five warehouses and eight hydro containers have been fully energized and are actively hashing. In October 2024, the Company added approximately 3,100 Bitmain T21 Miners to the Paso Pe data center.

The cost of developing the expanded 50 MW air-cooled warehouses, engineering and ancillary services for the 20 MW of hydro-cooling capacity, constructing the substation capable of accommodating the total energy requirement, and the installation of the high voltage lines totaled \$27.5 million, excluding the cost of the power purchase agreement guarantees required by ANDE, the operator of Paraguay national electricity grid, to secure the monthly electricity purchase payment obligations.

BITFARMS LTD.

Management's Discussion & Analysis

(In U.S. dollars, except where otherwise indicated)

7. EXPANSION PROJECTS (Continued)

B. Paraguay Expansion (Continued)

Electricity rate update - Paso Pe

Beginning in July 2024, the Company's sustainable hydropower has been provided at a cost of approximately 4.4 cents per kWh, before VAT, following the increase in the tariff for Mining activities compared to the previous rate of 3.9 cents per kWh, before VAT.

Paso Pe position as of December 31, 2024

As of December 31, 2024, the Company had placed deposits of \$0.2 million with suppliers for construction costs and for electrical components, respectively. As of December 31, 2024, PPE included \$24.5 million related to the Paso Pe data center for warehouse construction and infrastructure equipment costs.

Yguazu 2024 and 2025 update

In January 2024, the Company purchased the land for the initially planned 100 MW hydro-powered Yguazu data center to contribute sufficient infrastructure to achieve the Company's growth targets and for additional future growth.

In February and March 2024, the Company signed purchase agreements for major long-lead equipment and significant contracts including the engineering, procurement and construction contract for the high-voltage interconnection to the ANDE substation and to the transmission line to energize the 100 MW project.

In April 2024, the Company started construction of the Yguazu data center. In May 2024, the Company amended its power purchase agreement for the Yguazu data center to increase the contracted power from 100 MW to 200 MW commencing on January 1, 2025. In June 2024, the Company purchased land for the planned additional 100 MW capacity.

In November 2024, the Company requested to delay the commissioning of the substation by 60 days, which was approved by ANDE in December 2024. The Company has a four-month trial period to ramp up usage of the substation to full capacity after it is first commissioned.

In January 2025, the Company completed the build out of the electrical infrastructure for the first 100 MW. In March 2025, the construction of an additional 50 MW of the Yguazu data center was completed.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

7. EXPANSION PROJECTS (Continued)**B. Paraguay Expansion (Continued)****Sale of Yguazu data center 2025 update**

On January 24, 2025, the Company announced that it entered into a binding letter of intent to sell its 200 MW site in Yguazu, Paraguay to HIVE (the "Yguazu Sale").

On March 14, 2025, the Yguazu Sale closed. HIVE purchasing from Bitfarms its 100% ownership stake of its Yguazu, Paraguay BTC data center and the Company's loan receivable from its Yguazu, Paraguay subsidiary, Zunz SA ("Backbone Yguazu"), for \$63.0 million, with Bitfarms receiving:

- \$20.0 million of advance payment made in January 2025 upon signing the letter of intent;
- \$12.0 million upon closing of this transaction; and
- \$31.0 million over 6 months following closing.

The transaction also relieved the Company of future costs totaling approximately \$22.0 assumed by HIVE for a total favorable net cash impact of approximately \$85 million.

C. Canada Expansion**Canada 2024 update**

As part of the Miner upgrade and expansion initiatives, the Company installed new Miners at its data centers in Canada during 2024 with new Bitmain T21, S21, S21 Hydro Miners and MicroBT WhatsMiner M53S Miners.

In March and April 2024, the Company installed approximately 1,700 Bitmain T21 Miners and 100 MicroBT WhatsMiner M53S Miners at its Farnham data center, adding a net 0.2 EH/s after removing older, less efficient Miners. Separately, between April and June 2024, approximately 25,300 new Miners were installed at the Company's data centers in Canada, adding a net 1.6 EH/s after removing older Miners.

In March 2024, the Company entered into a sale leaseback agreement for the Garlock data center and received net proceeds of \$1.7 million. Refer to Note 18 to the Financial Statements.

In August and September 2024, the Company received from Bitmain 2,700 T21 Bitmain Miners at no additional cost and installed those Miners at the Company's data centers in Canada to replace certain underperforming Miners experiencing overheating issues.

In September 2024, approximately 2,900 T21 Bitmain Miners were installed at the Company's Magog data center after removing older Miners.

Baie-Comeau 2024 and 2025 update

From May 2024 to October 2024, construction of the second 11 MW data center in Baie-Comeau was completed. In January 2025, the energy provider energized the additional 11 MW, increasing the Baie-Comeau data center total to 22 MW.

The cost of developing the second 11 MW data center, including the leasehold improvements, construction of a new building and electrical infrastructure with a capacity up to 18 MW, totaled \$9.2 million.

Baie-Comeau position as of December 31, 2024

The Company has \$10.0 million of PPE at the Baie-Comeau data center, including infrastructure equipment that was repurposed from other data centers.

BITFARMS LTD.
Management's Discussion & Analysis

(In U.S. dollars, except where otherwise indicated)

8. FINANCIAL PERFORMANCE
Consolidated Financial & Operational Results

(U.S.\$ in thousands except where indicated)	Three months ended December 31,				Year ended December 31,			
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
Revenues	56,163	46,241	9,922	21%	192,881	146,366	46,515	32%
Cost of revenues	(54,776)	(44,484)	(10,292)	23%	(225,240)	(167,868)	(57,372)	34%
Gross (loss) profit	1,387	1,757	(370)	(21)%	(32,359)	(21,502)	(10,857)	50%
Gross margin ⁽¹⁾	2%	4%	—	—	(17)%	(15)%	—	—
Operating expenses								
General and administrative expenses	(18,042)	(13,405)	(4,637)	35%	(71,240)	(39,292)	(31,948)	81%
Reversal of revaluation loss on digital assets	—	1,183	(1,183)	(100)%	—	2,695	(2,695)	(100)%
Gain (loss) on disposition of property, plant and equipment and deposits	270	(2)	272	<i>nm</i>	(336)	(1,778)	1,442	(81)%
Impairment on short-term prepaid deposits, property, plant and equipment and assets held for sale	—	(2,270)	2,270	100%	(3,628)	(12,252)	8,624	(70)%
Operating loss	(16,385)	(12,737)	(3,648)	29%	(107,563)	(72,129)	(35,434)	49%
Operating margin ⁽¹⁾	(29)%	(28)%	—	—	(56)%	(49)%	—	—
Net financial income (expenses)	21,843	(49,686)	71,529	144%	39,210	(37,194)	76,404	205%
Net (loss) income before income taxes	5,458	(62,423)	67,881	109%	(68,353)	(109,323)	40,970	(37)%
Income tax recovery	9,707	378	9,329	<i>nm</i>	14,290	401	13,889	<i>nm</i>
Net (loss) income	15,165	(62,045)	77,210	124%	(54,063)	(108,922)	54,859	(50)%
Basic (loss) earnings per share (in U.S. dollars)	0.03	(0.21)	—	—	(0.13)	(0.42)	—	—
Diluted earnings (loss) per share (in U.S. dollars)	0.03	(0.21)	—	—	(0.13)	(0.42)	—	—
Change in revaluation surplus - digital assets, net of tax	26,421	7,675	18,746	244%	39,120	9,242	29,878	323%
Total comprehensive income (loss), net of tax	41,586	(54,370)	95,956	176%	(14,943)	(99,680)	84,737	(85)%
Gross Mining profit ⁽²⁾	25,786	25,454	332	1%	94,469	70,277	24,192	34%
Gross Mining margin ⁽²⁾	47%	57%	—	—	50%	50%	—	—
EBITDA ⁽²⁾	29,752	(40,542)	70,294	173%	68,315	(21,879)	90,194	412%
EBITDA margin ⁽²⁾	53%	(88)%	—	—	35%	(15)%	—	—
Adjusted EBITDA ⁽²⁾	14,315	16,332	(2,017)	(12)%	54,661	43,558	11,103	25%
Adjusted EBITDA margin ⁽²⁾	25%	35%	—	—	28%	30%	—	—

nm: not meaningful

¹ Gross margin and Operating margin are supplemental financial ratios; refer to Section 10 - *Non-IFRS and Other Financial Measures and Ratios*.

² Gross Mining profit, Gross Mining margin, EBITDA, EBITDA margin, Adjusted EBITDA and Adjusted EBITDA margin are non-IFRS measures or ratios; refer to Section 10 - *Non-IFRS and Other Financial Measures and Ratios*.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

8. FINANCIAL PERFORMANCE (Continued)**A. Revenues****Q4 2024 v. Q4 2023**

Revenues were \$56.2 million in Q4 2024 compared to \$46.2 million in Q4 2023, an increase of \$9.9 million, or 21%.

The most significant factors impacting the increase in Bitfarms' revenues in Q4 2024 compared to Q4 2023 are presented in the table below. Revenues increased mostly due to an increase in the Company's average BTC Hashrate and average BTC price, partially offset by the increase in Network Difficulty and lower BTC earned resulting from lower Block Rewards following the BTC halving event that occurred on April 19, 2024.

(U.S. \$ in thousands except where indicated)	Note	BTC	\$	% Change
BTC and revenues, including Volta*, for the three months ended December 31, 2023		1,236	46,241	—
Impact of BTC halving event on April 19, 2024 on Bitfarms' quantity of BTC earned during Q4 2024	1	(631)	(56,355)	(122)%
Impact of increase in Network Difficulty during Q4 2024 as compared to Q4 2023	2	(842)	(61,401)	(133)%
Impact of increase in average Bitfarms' BTC Hashrate during Q4 2024 as compared to Q4 2023	3	891	72,875	158%
Impact of difference in average BTC price in Q4 2024 as compared to Q4 2023	4		53,807	116%
Other Mining variance, Computational power sold in exchange for services variance and change in Volta*			996	2%
BTC and revenues, including Volta*, for the three months ended December 31, 2024		654	56,163	21%

*9159-9290 Quebec Inc. ("Volta") is a wholly-owned subsidiary of the Company, assists the Company in building and maintaining its data centers and provides electrician services to both commercial and residential customers in Quebec, Canada

Notes

- Calculated as the theoretical BTC earned based on Bitfarms' actual Hashrate during Q4 2024 assuming the BTC halving event did not occur, compared to actual BTC earned during the same period multiplied by average BTC price earned.
- Calculated as the difference in BTC earned in Q4 2024 compared to Q4 2023, based on the change in Network Difficulty, multiplied by Q4 2024 average BTC price earned.
- Calculated as the difference in BTC earned in Q4 2024 compared to Q4 2023, based on the change in Bitfarms' average Hashrate, multiplied by Q4 2024 average BTC price earned.
- Calculated as the difference in average BTC price in Q4 2024 compared to Q4 2023 multiplied by BTC earned in Q4 2023.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

8. FINANCIAL PERFORMANCE (Continued)**A. Revenues (Continued)****Q4 2024 v. Q4 2023 (Continued)**

The following tables summarize the Company's revenues and average Hashrate for Q4 2024 and Q4 2023 by country:

Revenues (U.S.\$ in thousands except where indicated)	Three months ended December 31,			
	2024	2023	\$ Change	% Change
North America				
Canada	31,678	30,257	1,421	5%
United States	6,074	4,291	1,783	42%
	37,752	34,548	3,204	9%
South America				
Paraguay	10,352	1,864	8,488	455%
Argentina	8,059	9,829	(1,770)	(18)%
	18,411	11,693	6,718	57%
	56,163	46,241	9,922	21%

Average Hashrate (Average Hashrate in EH/s except where indicated)	Three months ended December 31,			
	2024	2023	Change	% Change
North America				
Canada	6.0	3.9	2.1	54%
United States	1.2	0.6	0.6	100%
	7.2	4.5	2.7	60%
South America				
Paraguay	2.1	0.3	1.8	600%
Argentina	1.6	1.2	0.4	33%
	3.7	1.5	2.2	147%
	10.9	6.0	4.9	82%

Bitfarms earned the majority of its revenues during Q4 2024 from its Canadian operations, which accounted for 56% of total revenues, compared to 65% in Q4 2023. The Company's operations in Paraguay, Argentina, and United States accounted for 18%, 14% and 11% of total revenues in Q4 2024, respectively, compared to 4%, 21% and 9% in Q4 2023, respectively.

In Q4 2024, revenues from the Company's operations in Paraguay, Canada and United States increased by \$8.5 million, \$1.4 million and \$1.8 million, respectively, compared to Q4 2023. The increases are due to the average Hashrate increase of the Paraguay, Canada, and United States operations of 1.8 EH/s, or 600%; 2.1 EH/s, or 54%; and 0.6 EH/s, or 100%, respectively, and the increase in average BTC price, partially offset by the decrease in BTC Block Rewards following the BTC halving event that occurred on April 19, 2024 and the increase in Network Difficulty. The Stronghold Hosting agreements contributed to the Hashrate increase in the United States. Revenues from the Company's operations in Argentina decreased by \$1.8 million in Q4 2024, as compared to Q4 2023 due to the factors mentioned above, partially offset by the average Hashrate increase.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

8. FINANCIAL PERFORMANCE (Continued)**A. Revenues** (Continued)**FY 2024 v. FY 2023**

Revenues were \$192.9 million in FY 2024 compared to \$146.4 million in FY 2023, an increase of \$46.5 million, or 32%.

The most significant factors impacting the increase in Bitfarms' revenues in FY 2024, compared to FY 2023, are presented in the table below. Revenues increased mostly due to the increase in average BTC price and the increase in average Bitfarms' Hashrate, partially offset by the increase in Network Difficulty and the fewer BTC earned resulting from lower BTC Block Rewards following the BTC halving event that occurred on April 19, 2024.

(U.S. \$ in thousands except where indicated)	Note	BTC	\$	% Change
BTC and revenues, including Volta*, for the year ended December 31, 2023		4,928	146,366	—
Impact of BTC halving event on April 19, 2024 on Bitfarms' quantity of BTC earned during FY 2024	1	(1,682)	(118,041)	(81)%
Impact of increase in Network Difficulty during FY 2024 as compared to FY 2023	2	(3,235)	(201,907)	(137)%
Impact of increase in average Bitfarms' BTC Hashrate during FY 2024 as compared to FY 2023	3	2,903	190,978	130%
Impact of difference in average BTC price in FY 2024 as compared to FY 2023	4		174,191	119%
Other Mining variance, Computational power sold in exchange for services variance and change in Volta*			1,294	1%
BTC and revenues, including Volta*, for the year ended December 31, 2024		2,914	192,881	32%

*Volta is a wholly-owned subsidiary of the Company, assists the Company in building and maintaining its data centers and provides electrician services to both commercial and residential customers in Quebec, Canada

Notes

- ¹ Calculated as the theoretical BTC earned based on Bitfarms' actual Hashrate during FY 2024 assuming the BTC halving event did not occur, compared to actual BTC earned during the same period multiplied by average BTC price earned.
- ² Calculated as the difference in BTC earned in FY 2024 compared to FY 2023, based on the change in Network Difficulty, multiplied by FY 2024 average BTC price earned.
- ³ Calculated as the difference in BTC earned in FY 2024 compared to FY 2023, based on the change in Bitfarms' average Hashrate, multiplied by FY 2024 average BTC price earned.
- ⁴ Calculated as the difference in average BTC price in FY 2024 compared to FY 2023 multiplied by BTC earned in FY 2023.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

8. FINANCIAL PERFORMANCE (Continued)**A. Revenues (Continued)****FY 2024 v. FY 2023 (Continued)**

The following tables summarize the Company's revenues and average Hashrate for FY 2024 and FY 2023 by country:

Revenues (U.S.\$ in thousands except where indicated)	Year ended December 31,			
	2024	2023	\$ Change	% Change
North America				
Canada	116,846	104,434	12,412	12%
United States	16,428	15,966	462	3%
	133,274	120,400	12,874	11%
South America				
Paraguay	25,960	6,916	19,044	275%
Argentina	33,647	19,050	14,597	77%
	59,607	25,966	33,641	130%
	192,881	146,366	46,515	32%

Average Hashrate (Average Hashrate in EH/s except where indicated)	Year ended December 31,			
	2024	2023	Change	% Change
North America				
Canada	4.9	3.6	1.3	36%
United States	0.6	0.6	—	—%
	5.5	4.2	1.3	31%
South America				
Paraguay	1.4	0.3	1.1	367%
Argentina	1.4	0.7	0.7	100%
	2.8	1.0	1.8	180%
	8.3	5.2	3.1	60%

Bitfarms earned the majority of its revenues from its Canadian operations in FY 2024, which accounted for 61% of total revenues, compared to 71% in FY 2023, but accounted for a smaller proportion of total revenues in FY 2024 largely due to the expansion of operations in Argentina and Paraguay during FY 2023 and FY 2024, respectively. The Company's operations in Argentina, Paraguay and United States accounted for 17%, 13% and 9% of total revenues in FY 2024, respectively, compared to 13%, 5% and 11% in FY 2023, respectively.

For the Company's Canadian operations, the impact of the increases in average BTC price and the average Hashrate increase of 1.3 EH/s, or 36%, were partially offset by the increase in Network Difficulty and the decrease in Block Rewards following the BTC halving event that occurred on April 19, 2024, resulting in revenues increasing by \$12.4 million during FY 2024 as compared to FY 2023. The average Hashrate increase of the Argentina and Paraguay operations of 0.7 EH/s, or 100%; and 1.1 EH/s, or 367%, respectively, resulted in FY 2024 revenues increasing by \$14.6 million and \$19.0 million, respectively, compared to FY 2023. Revenues from the Company's United States operations increased by \$0.5 million during FY 2024 as compared to FY 2023 due to the increase in average BTC price, partially offset by the increase in Network Difficulty and the decrease in Block Rewards following the BTC halving event that occurred on April 19, 2024.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

8. FINANCIAL PERFORMANCE (Continued)**B. Cost of Revenues**

(U.S.\$ in thousands except where indicated)	Three months ended December 31,				Year ended December 31,			
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
Energy and infrastructure	(28,789)	(21,603)	(7,186)	33%	(97,209)	(78,942)	(18,267)	23%
Sales tax recovery - energy and infrastructure	—	—	—	—%	17,017	—	17,017	100%
Depreciation and amortization	(24,584)	(21,790)	(2,794)	13%	(149,727)	(84,785)	(64,942)	77%
Sales tax recovery - depreciation and amortization	—	—	—	—%	8,760	—	8,760	100%
Electrical components and salaries	(1,403)	(1,091)	(312)	29%	(4,081)	(4,141)	60	(1)%
	(54,776)	(44,484)	(10,292)	23%	(225,240)	(167,868)	(57,372)	34%

Q4 2024 v. Q4 2023

Bitfarms' cost of revenues for Q4 2024 was \$54.8 million, compared to \$44.5 million for Q4 2023. The increase in cost of revenues was mainly attributable to:

- A \$7.2 million, or 33%, increase in energy and infrastructure expenses, mainly due to:
 - The Company adding new and more efficient Miners, which increased energy utilization to an average of 249 MW during Q4 2024 versus 218 MW for the same period in 2023, partially offset by Canadian sales taxes on its energy and infrastructure expenses that were refundable in Q4 2024 compared to expensed in Q4 2023, resulting in a net increase in total electricity costs of \$2.0 million. Refer to Note 29b - *Additional Details to the Statement of Profit or Loss and Comprehensive Profit or Loss (Canadian sales tax refund)* to the Financial Statements; and
 - A \$2.0 million increase in hosting expenses as the Company had its Miners hosted at Stronghold's Panther Creek and Scrubgrass facilities in Q4 2024.
- A \$2.8 million increase in non-cash depreciation and amortization expense as the Company added new Miners and electrical infrastructure. In addition, the increase in depreciation reflects the change in estimated useful lives of Miners effective December 1, 2024, by modifying the useful life from 5 to 3 years and the depreciation method from sum-of-years to the straight-line. Refer to Note 12 - *Property, Plant and Equipment* to the Financial Statements.

FY 2024 v. FY 2023

Bitfarms' cost of revenues was \$225.2 million for FY 2024 compared to \$167.9 million for FY 2023. The increase in cost of revenues was mainly due to:

- A \$64.9 million increase in non-cash depreciation and amortization expense mainly attributable to accelerated depreciation of the older Miners that were replaced through the fleet upgrade as the Company progressively installed new Miners in 2024. Refer to Note 12 - *Property, Plant and Equipment* to the Financial Statements.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

8. FINANCIAL PERFORMANCE (Continued)**B. Cost of Revenues (Continued)****FY 2024 v. FY 2023 (Continued)**

- A \$18.2 million, or 23%, increase in energy and infrastructure expenses, mainly due to:
 - The Company adding new and more efficient Miners, which increased energy utilization to an average of 227 MW during FY Q4 2024 versus 193 MW for the same period in 2023, partially offset by Canadian sales taxes on its energy and infrastructure expenses no longer being expensed as explained below, resulting in a net increase in total electricity costs of \$14.5 million; and
 - A \$2.0 million increase in hosting expenses as the Company had its Miners hosted at Stronghold's Panther Creek and Scrubgrass facilities in Q4 2024.
- A \$1.7 million assessment, which the Company is challenging, on the Washington State Business & Occupancy Tax on gross receipts covering the periods between the fourth quarter of 2021 and the first quarter of 2024, included in energy and infrastructure expenses, during FY 2024 compared to nil in FY 2023.

These increases were partially offset by:

- A \$25.8 million sales tax recovery due to the Company receiving confirmation from the provincial tax authorities that Canadian sales taxes paid by the Company from February 5, 2022 onwards are refundable. Refer to Note 29b - *Additional Details to the Statement of Profit or Loss and Comprehensive Profit or Loss (Canadian sales tax refund)* to the Financial Statements.

C. General & Administrative Expenses

(U.S.\$ in thousands except where indicated)	Three months ended December 31,				Year ended December 31,			
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
Salaries	(5,504)	(5,063)	(441)	9%	(23,024)	(13,190)	(9,834)	75%
Share-based payments	(4,021)	(3,906)	(115)	3%	(13,949)	(10,915)	(3,034)	28%
Professional services	(5,208)	(2,283)	(2,925)	128%	(24,299)	(7,608)	(16,691)	219%
Sales tax recovery - professional services	—	—	—	—%	1,389	—	1,389	100%
Insurance, duties and other	(2,617)	(1,591)	(1,026)	64%	(9,339)	(5,668)	(3,671)	65%
Travel, motor vehicle and meals	(463)	(340)	(123)	36%	(1,711)	(1,018)	(693)	68%
Hosting and telecommunications	(121)	(91)	(30)	33%	(339)	(402)	63	(16)%
Advertising and promotion	(108)	(131)	23	(18)%	(721)	(491)	(230)	47%
Sales tax recovery - other general and administrative expenses	—	—	—	—%	753	—	753	100%
	(18,042)	(13,405)	(4,637)	35%	(71,240)	(39,292)	(31,948)	81%

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

8. FINANCIAL PERFORMANCE (Continued)**C. General & Administrative Expenses (Continued)****Q4 2024 v. Q4 2023**

Bitfarms' general and administrative ("G&A") expenses were \$18.0 million in Q4 2024, compared to \$13.4 million for Q4 2023. The increase of \$4.6 million, or 35%, in G&A expense was largely due to:

- A \$2.9 million increase in professional services related to legal and accounting fees associated with non-recurring activities including the Stronghold Transaction and related filing fees.
- A \$1.0 million increase in insurance, duties and other due to increases in property and liability insurance expense as a result of expanded infrastructure and a larger number of Miners deployed as well as increases in property taxes, other taxes, permits and software licenses to support the global expansion.

FY 2024 v. FY 2023

For FY 2024, Bitfarms' G&A expenses were \$71.2 million, compared to \$39.3 million for the same period in 2023. The increase of \$31.9 million, or 81%, in G&A expenses was mainly due to:

- A \$16.7 million increase in professional services related to legal and accounting fees associated with non-recurring activities including (i) the Stronghold Transaction, (ii) the Strategic Alternatives Review Process conducted by the Bitfarms Special Committee (as defined in Section 19 - *Risk Factors (The Company's business could be negatively impacted by unsolicited investor interest, takeover proposals, shareholder activism or proxy contests relating to the election of directors.)*) during the third quarter of 2024, (iii) the response to the shareholder dispute involving Riot, including with respect to the implementation and defense of the shareholder rights plan adopted by the Company on June 20, 2024 and the Company entering into the Settlement Agreement, and (iv) the settlement of the employment claim against the Company brought by the Company's former CEO. During the third quarter of 2024, the Company entered into the Settlement Agreement with Riot, whereby Riot agreed to, among other things, withdraw its June 24, 2024 requisition (see Section 19 - *Risk Factors (The Company's business could be negatively impacted by unsolicited investor interest, takeover proposals, shareholder activism or proxy contests relating to the election of directors.)*).
- A \$9.8 million increase in salaries and wages due to (i) the increase in the Company's headcount in FY 2024 compared to FY 2023 to support the global expansion as well as merit and market-based adjustments and cost of living salary increases and (ii) the termination payment under the former CEO's employment agreement totaling \$1.6 million which was paid in the second quarter of 2024 after the former CEO's departure and a final settlement payment of \$2.5 million paid in the third quarter of 2024, ending any outstanding litigation or claims.
- A \$3.7 million increase in insurance, duties and other due to increases in property and liability insurance expense as a result of expanded infrastructure and a larger number of Miners deployed as well as increases in property taxes, other taxes, permits and software licenses to support the global expansion.
- A \$3.0 million increase in share-based payment due to higher outstanding stock options and restricted stock units ("RSU") during FY 2024 compared to FY 2023.

The increases were partially offset by:

- A \$2.1 million sales tax recovery due to the Company receiving a confirmation from the provincial tax authorities that Canadian sales taxes paid by the Company from February 5, 2022 onwards are refundable as explained in Section 8b - *Financial Performance (Cost of Revenues)*.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

8. FINANCIAL PERFORMANCE (Continued)**D. Net financial income (expenses)**

(U.S.\$ in thousands except where indicated)	Three months ended December 31,				Year ended December 31,			
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
Gain (loss) revaluation of warrants	6,314	(42,760)	49,074	115%	19,603	(42,974)	62,577	146%
Gain on derivative assets and liabilities	17,542	228	17,314	<i>nm</i>	17,819	48	17,771	<i>nm</i>
Gain on disposition of marketable securities	782	999	(217)	(22)%	2,313	12,245	(9,932)	(81)%
Gain on extinguishment of long-term debt and lease liabilities	—	—	—	—%	—	12,835	(12,835)	(100)%
Interest income	863	500	363	73%	6,037	1,420	4,617	325%
Interest on long-term debt and lease liabilities	(573)	(621)	48	(8)%	(1,738)	(4,079)	2,341	(57)%
Loss on foreign exchange	(259)	(2,783)	2,524	(91)%	(1,481)	(7,842)	6,361	(81)%
Warrant issuance costs	—	(2,000)	2,000	(91)%	—	(2,000)	2,000	100%
Provision expense on VAT receivable	—	(3,155)	3,155	100%	—	(5,903)	5,903	100%
Loss on initial recognition of refundable deposits	(1,829)	—	(1,829)	(100)%	(2,504)	—	(2,504)	(100)%
Other financial expenses	(997)	(94)	(903)	961%	(839)	(944)	105	(11)%
	21,843	(49,686)	71,529	144%	39,210	(37,194)	76,404	205%

nm: not meaningful**Q4 2024 v. Q4 2023**

Bitfarms' net financial income was \$21.8 million for Q4 2024, compared to a \$49.7 million expense for Q4 2023. The \$71.5 million favorable change was primarily related to:

- A \$49.1 million favorable change in gain (loss) on revaluation of warrants due to the decrease in the fair value of the warrant liabilities for the 2023 private placement in Q4 2024 compared to the increase in the fair value of the warrant liabilities for the 2021 and 2023 private placements in Q4 2023. In addition, there were fewer outstanding warrants as of December 31, 2024 compared to December 31, 2023 due to the exercise of 2023 warrants and expiration of 2021 warrants during 2024.
- A \$17.3 million increase in gain on derivative assets and liabilities mainly due to the Company's capitalization on BTC price near all-time highs to close out all Synthetic HODL positions during Q4 2024 resulting in a gain of \$14.6 million, combined with the \$2.1 million gain from the change in the fair value of the BTC redemption option. Refer to Note 9 to the Financial Statements for more details.
- A \$3.2 million decrease in provision expense on VAT receivable due to the Company writing off the Argentina VAT receivable balance to nil as a result of the political and economic uncertainties in Argentina during the fourth quarter of 2023. During Q4 2024, the Argentina VAT receivable provision expenses were classified within the respective expense and asset categories.
- A \$2.5 million favorable decrease in loss on foreign exchange due to the revaluation of the Company's net monetary liabilities denominated in foreign currencies, following the weakening of the Argentine Pesos in Q4 2023, while it remained stable in Q4 2024.
- A \$2.0 million decrease in warrant issuance costs for the 2023 private placement in Q4 2023 compared to no warrants issued in Q4 2024.

The favorable change was partially offset by:

- A \$1.8 million loss on initial recognition of refundable deposits due to the difference between the fair value and principal of the Scrubgrass Refundable Hosting Deposits and security deposits for energy consumption at the Company's Paso Pe and Yguazu facilities in Paraguay.

8. FINANCIAL PERFORMANCE (Continued)**D. Net financial income (expenses)** (Continued)**FY 2024 v. FY 2023**

Bitfarms' net financial income was \$39.2 million for FY 2024, compared to a \$37.2 million expense for FY 2023. The \$76.4 million favorable change was mainly due to:

- A \$62.6 million favorable change in gain (loss) on revaluation of warrants due to the decrease in the fair value of the warrant liabilities for the 2023 private placement in FY 2024 compared to an increase in the fair value of the warrant liabilities for the 2021 and 2023 private placements in FY 2023. In addition, there were fewer outstanding warrants as of December 31, 2024 compared to December 31, 2023 due to the exercise of 2023 warrants and expiration of 2021 warrants during 2024.
- A \$17.8 million increase in gain on derivative assets and liabilities mainly due to a \$15.9 million gain on the Company's capitalization on BTC price near all-time highs to close out Synthetic HODL positions, combined with the \$2.1 million gain from the change in the fair value of the BTC redemption option. Refer to Note 9 to the Financial Statements for more details.
- A \$6.4 million decrease in loss on foreign exchange due to the same factors explained in the Q4 2024 v. Q4 2023 section above.
- A \$5.9 million decrease in provision expense on VAT receivable due to the same factors explained in the Q4 2024 v. Q4 2023 section above.
- A \$4.6 million increase in interest income due to the Company's higher average cash balance during FY 2024 compared to FY 2023. Refer to Section 11a - *Liquidity and Capital Resources (Cash Flows)* for details of the Company's cash flows.
- A \$2.3 million decrease in interest expense due to (i) the extinguishment in February 2023 of the BlockFi Lending LLC ("BlockFi") Loan that commenced on February 18, 2022 as described below and (ii) the NYDIG ABL LLC ("NYDIG") Loan that commenced on June 15, 2022 and was fully repaid in February 2024.
- A \$2.0 million decrease in warrant issuance costs as no warrants were issued in FY 2024 compared to the \$2.0 million warrant issuance costs for the 2023 private placement in FY 2023.

The favorable change was offset by:

- A \$12.8 million gain on extinguishment of long-term debt and lease liabilities during FY 2023. In February 2023:
 - BlockFi and the Company negotiated a settlement of the loan in its entirety for cash consideration of \$7.8 million, resulting in a gain on extinguishment of long-term debt of \$12.6 million; and
 - The Company negotiated a modification to its lease agreement with Reliz Ltd. (where BlockFi was the lender to Reliz Ltd.) in order to settle its outstanding lease liability of \$0.4 million for a payment of \$0.1 million. As a result, a gain on extinguishment of lease liabilities was recognized in the amount of \$0.3 million.
- A \$9.9 million decrease in gain on disposition of marketable securities due to less funds being sent to Argentina during FY 2024 compared to FY 2023, as the capital expenditures related to the first data center were mostly paid in 2022 and 2023. Since the third quarter of 2021, the Company has been utilizing a mechanism to fund its Argentina expansion through the acquisition of marketable securities and in-kind contribution of those securities to its wholly-owned Argentinian subsidiary that it controls. The subsequent disposition of those marketable securities in exchange for Argentine Pesos gave rise to a gain as the equivalent amount received in Argentine Pesos exceeded the amount of Argentine Pesos the Company would have received from a direct foreign currency exchange.
- A \$2.5 million loss on initial recognition of refundable deposits due to the difference between the fair value and principal of the Refundable Hosting Deposits and security deposits for energy consumption at the Company's Paso Pe and Yguazu facilities in Paraguay.

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(In U.S. dollars, except where otherwise indicated)

9. SELECTED QUARTERLY INFORMATION

(U.S. \$ in thousands except earnings per share)	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Revenues	56,163	44,853	41,548	50,317	46,241	34,596	35,479	30,050
Net loss	15,165	(36,649)	(26,599)	(5,980)	(62,045)	(16,507)	(26,083)	(4,287)
Basic earnings (loss) per share	0.03	(0.08)	(0.07)	(0.02)	(0.21)	(0.06)	(0.11)	(0.02)
Diluted earnings (loss) per share	0.03	(0.08)	(0.07)	(0.02)	(0.21)	(0.06)	(0.11)	(0.02)
Net (loss) income before income taxes	5,458	(36,651)	(24,895)	(12,265)	(62,423)	(16,106)	(26,177)	(4,617)
Interest (income) and expense	(290)	(2,014)	(1,693)	(302)	91	368	846	1,354
Depreciation and amortization	24,584	28,829	57,337	38,977	21,790	21,767	20,528	20,700
Sales tax recovery - depreciation and amortization	—	—	(8,760)	—	—	—	—	—
EBITDA ⁽¹⁾	29,752	(9,836)	21,989	26,410	(40,542)	6,029	(4,803)	17,437
EBITDA margin ⁽¹⁾	53%	(22)%	53%	52%	(88)%	17%	(14)%	58%
Share-based payment	4,021	5,159	1,675	3,094	3,906	2,011	2,462	2,536
Realized loss on disposition of digital assets	—	—	—	—	—	—	—	—
(Reversal of) revaluation loss on digital assets	—	—	—	—	(1,183)	1,183	—	(2,695)
Gain on extinguishment of long-term debt and lease liabilities	—	—	—	—	—	—	—	(12,835)
Impairment on short-term prepaid deposits, assets held for sale, equipment and construction prepayments, property, plant and equipment and right-of-use assets	—	3,628	—	—	2,270	—	9,982	—
Loss (gain) on revaluation of warrants	(6,314)	(5,704)	1,455	(9,040)	42,760	(2,196)	1,189	1,221
Gain on disposition of marketable securities	(782)	(780)	(413)	(338)	(999)	(4,120)	(4,955)	(2,171)
Service fees not associated with ongoing operations	1,287	9,383	3,096	—	—	—	—	—
Sales tax recovery - prior years - energy and infrastructure and G&A expenses ⁽²⁾	—	—	(18,468)	2,387	2,485	2,366	2,333	2,097
Net financial expenses and other	(13,649)	3,706	2,132	811	7,635	3,610	3,760	2,785
Adjusted EBITDA ⁽¹⁾	14,315	5,556	11,466	23,324	16,332	8,883	9,968	8,375
Adjusted EBITDA margin ⁽¹⁾	25%	12%	28%	46%	35%	26%	28%	28%

¹ EBITDA, EBITDA margin, Adjusted EBITDA and Adjusted EBITDA margin are non-IFRS measures or ratios; refer to Section 10 - *Non-IFRS and Other Financial Measures and Ratios*.

² Sales tax recovery relating to energy and infrastructure and general and administrative expenses have been allocated to their respective periods; refer to Note 29b - *Additional Details to the Statement of Profit or Loss and Comprehensive Profit or Loss (Canadian sales tax refund)* to the Financial Statements.

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(In U.S. dollars, except where otherwise indicated)

9. SELECTED QUARTERLY INFORMATION (Continued)

Although the BTC Mining industry experiences volatility, it is not generally subject to seasonality or seasonal effects. Seasonal fluctuations in energy supply, however, may impact the Company's operations. The majority of the Company's operations during the above periods were in Quebec, Canada, where power was sourced directly from Hydro-Québec, Hydro-Magog, Hydro-Sherbrooke and the City of Baie-Comeau. The Company also had operations in Washington State, United States, that were powered by the Grant County Power Utility District, operations in Pennsylvania, United States that were powered by Stronghold and PJM Interconnection Merchant Market, as well as operations in Paraguay that were powered by ANDE and Compañía de Luz y Fuerza S.A ("CLYFSA"). Energy rates in Argentina increase during the winter months of May through September. Among other phenomena, changing weather in Quebec (Canada) Washington State (United States), Paraguay or Argentina may impact seasonal electricity needs and costs. Periods of extreme cold or extreme hot weather may contribute to service interruptions in cryptocurrency Mining operations. Changes to supply and/or demand of electricity may result in curtailment of electricity to the Company's cryptocurrency Mining operations. The Company's geographical diversification reduces the risk and extent of extreme weather and other external factors unduly affecting the Company's overall performance.

For Q4 2024 details, refer to Section 8A - *Financial Performance (Revenues)*; Section 11A - *Liquidity and Capital Resources (Cash Flows)*; and Section 7 - *Expansion Projects (United States Expansion, Paraguay Expansion, and Canada Expansion)* of this MD&A.

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(In U.S. dollars, except where otherwise indicated)

10. NON-IFRS AND OTHER FINANCIAL MEASURES AND RATIOS**Non-IFRS financial measures**

The Company utilizes a number of non-IFRS financial measures and ratios in assessing operating performance. Non-IFRS financial measures and ratios may exclude the impact of certain items and are used internally when analyzing operating performance. Refer to Section 23 - *Cautionary Note Regarding Non-IFRS and Other Financial Measures and Ratios* of this MD&A.

Measures	Definition	Purpose
Gross Mining profit	Gross Profit adjusted to exclude: (i) non-Mining revenues; (ii) depreciation and amortization; (iii) purchase of electrical components and other expenses; (iv) electrician salaries and payroll taxes; and (v) sales tax recovery.	<ul style="list-style-type: none"> • To assess profitability after power costs in cryptocurrency production and other infrastructure costs. Power costs are the largest variable expense in Mining. • To provide the users of the MD&A the ability to assess the gross profitability of the Company's core digital asset Mining operations.
EBITDA	Net income (loss) adjusted to exclude: (i) interest expense; (ii) income tax expense; and (iii) depreciation and amortization.	<ul style="list-style-type: none"> • To assess profitability before the impact of different financing methods, income taxes, depreciation of capital assets and amortization of intangible assets. • To provide the users of the MD&A with additional information to assist them in understanding components of the Company's financial results, including a more complete understanding of factors and trends affecting its performance. • Used by Management to facilitate comparisons of operating performance from period to period and to prepare annual operating budgets and forecasts.
Adjusted EBITDA	EBITDA adjusted to exclude: (i) share-based payment; (ii) non-cash finance expenses; (iii) asset impairment charges; (iv) realized gains or losses on disposition of digital assets and (reversal of) revaluation loss on digital assets; (v) gain on disposition of marketable securities, gains or losses on derivative assets and liabilities and discount expense on VAT receivable; (vi) loss (gain) on revaluation of warrants and warrant issuance costs; (vii) loss on currency exchange; (viii) sales tax recovery; and (iv) other non-recurring items that do not reflect the core performance of the Company.	<ul style="list-style-type: none"> • To assess profitability before the impact of all of the items in calculating EBITDA in addition to certain other non-cash expenses. • To provide the users of the MD&A a consistent comparable metric for profitability of the Company's core performance across time periods. • Used by Management to facilitate comparisons of operating performance from period to period and to prepare annual operating budgets and forecasts.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

10. NON-IFRS AND OTHER FINANCIAL MEASURES AND RATIOS (Continued)**Non-IFRS financial measures (Continued)**

Measures	Definition	Purpose
Direct Cost	Cost of revenues adjusted to exclude: (i) depreciation and amortization; (ii) purchases of electrical components; (iii) electrician salaries and payroll taxes; (iv) infrastructure; (v) sales tax recovery; and (vi) other direct expenses.	<ul style="list-style-type: none">• To assess the Company's power and hosting costs, the largest variable expense in Mining.• To provide the users of the MD&A a metric to evaluate the Company's direct variable cost for its core digital asset Mining operations across time periods.• Used by Management to assess the operating performance from period to period and to prepare annual operating budgets and forecasts.
Total Cash Cost	The sum of cost of revenues and general and administrative expenses before: (i) depreciation and amortization; (ii) non-cash service expense (iii) purchases of electrical components; (iv) electrician salaries and payroll taxes; (v) share-based payment; (vi) other direct expenses; (vii) sales tax recovery; and (viii) other non-recurring items that do not reflect the core performance of the Company. ¹	<ul style="list-style-type: none">• To assess the total cash cost of the Company's core digital asset Mining operations.• To provide the users of the MD&A a consistent comparable metric for the liquidity impact of the Company's mining activities across time periods.• Used by Management to assess the operating performance from period to period and to prepare annual operating budgets and forecasts.

¹ The Company revised the definition of Total Cash Cost from a net income (loss)-based approach to the sum of cost of revenues and G&A expenses before specified items, which lead to the same results as the previous approach. This change simplifies the measure's presentation and enhances clarity for users.

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(In U.S. dollars, except where otherwise indicated)

10. NON-IFRS AND OTHER FINANCIAL MEASURES AND RATIOS (Continued)**Non-IFRS financial ratios**

Ratios	Definition	Purpose
Gross Mining margin	The percentage obtained when dividing Gross Mining profit by Mining related revenues.	<ul style="list-style-type: none">• To assess profitability after power costs in cryptocurrency production, the largest variable expense in Mining.• To provide the users of the MD&A the ability to assess the profitability of the Company's core digital asset Mining operations, exclusive of depreciation and amortization and certain general and administrative expenses.
EBITDA margin	The percentage obtained when dividing EBITDA by Revenues.	<ul style="list-style-type: none">• To assess profitability before the impact of different financing methods, income taxes, depreciation of capital assets and amortization of intangible assets.• Used by Management to facilitate comparisons of operating performance from period to period and to prepare annual operating budgets and forecasts.• Useful for providing users of the MD&A with additional information to assist them in understanding components of the Company's financial results, including a more complete understanding of factors and trends affecting its performance.
Adjusted EBITDA margin	The percentage obtained when dividing Adjusted EBITDA by Revenues.	<ul style="list-style-type: none">• To assess profitability before the impact of all of the items in calculating EBITDA in addition to certain other non-cash expenses.• To provide a consistent comparable metric for profitability of the Company's core performance across time periods.• Used by Management to facilitate comparisons of operating performance from period to period and to prepare annual operating budgets and forecasts.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

10. NON-IFRS AND OTHER FINANCIAL MEASURES AND RATIOS (Continued)**Non-IFRS financial ratios (Continued)**

Ratios	Definition	Purpose
Direct Cost per BTC	The amount obtained when dividing Direct Cost by the quantity of BTC earned.	<ul style="list-style-type: none"> To assess the Company's power costs, the largest variable expense in Mining. To provide the users of the MD&A a metric to evaluate the Company's direct variable cost for its core digital asset Mining operations across time periods. Used by Management to assess the operating performance from period to period and to prepare annual operating budgets and forecasts.
Total Cash Cost per BTC	The amount obtained when dividing Total Cash cost by the quantity of BTC earned.	<ul style="list-style-type: none"> To assess the total cash cost of the Company's core digital asset Mining operations. To provide the users of the MD&A a consistent comparable metric for the liquidity impact of the Company's mining activities across time periods. Used by Management to assess the operating performance from period to period and to prepare annual operating budgets and forecasts.

Supplemental financial ratios

The Company utilizes the following supplemental financial ratios in assessing operating performance.

Ratios	Definition	Purpose
Gross margin	The percentage obtained when dividing Gross profit by Revenues.	<ul style="list-style-type: none"> To assess profitability of the Company across time periods.
Operating margin	The percentage obtained when dividing Operating income (loss) by Revenues.	<ul style="list-style-type: none"> To assess operational profitability of the Company across time periods.

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(In U.S. dollars, except where otherwise indicated)

10. NON-IFRS AND OTHER FINANCIAL MEASURES AND RATIOS (Continued)
A. Reconciliation of Consolidated Net Income (loss) to EBITDA and Adjusted EBITDA

(U.S.\$ in thousands except where indicated)	Three months ended December 31,				Year ended December 31,			
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
Revenues	56,163	46,241	9,922	21%	192,881	146,366	46,515	32%
Net (loss) income before income taxes	5,458	(62,423)	67,881	<i>nm</i>	(68,353)	(109,323)	40,970	(37)%
Interest (income) and expense	(290)	91	(381)	(419)%	(4,299)	2,659	(6,958)	(262)%
Depreciation and amortization	24,584	21,790	2,794	13%	149,727	84,785	64,942	77%
Sales tax recovery - depreciation and amortization	—	—	—	—%	(8,760)	—	(8,760)	100%
EBITDA	29,752	(40,542)	70,294	<i>nm</i>	68,315	(21,879)	90,194	<i>nm</i>
EBITDA margin	53%	(88)%	—	—	35%	(15)%	—	<i>nm</i>
Share-based payment	4,021	3,906	115	3%	13,949	10,915	3,034	28%
Impairment on short-term prepaid deposits, property, plant and equipment and assets held for sale	—	2,270	(2,270)	100%	3,628	12,252	(8,624)	(70)%
Reversal of revaluation loss on digital assets	—	(1,183)	1,183	100%	—	(2,695)	2,695	100%
Gain on extinguishment of long-term debt and lease liabilities	—	—	—	—%	—	(12,835)	12,835	100%
(Gain) loss revaluation of warrants	(6,314)	42,760	(49,074)	(115)%	(19,603)	42,974	(62,577)	(146)%
Gain on disposition of marketable securities	(782)	(999)	217	(22)%	(2,313)	(12,245)	9,932	(81)%
Service fees not associated with ongoing operations	1,287	—	1,287	100%	13,766	—	13,766	100%
Sales tax recovery - prior years - energy and infrastructure and G&A expenses ⁽¹⁾	—	2,485	(2,485)	100%	(16,081)	9,281	(25,362)	(273)%
Net financial (income) expense and other	(13,649)	7,635	(21,284)	(279)%	(7,000)	17,790	(24,790)	(139)%
Adjusted EBITDA	14,315	16,332	(2,017)	(12)%	54,661	43,558	11,103	25%
Adjusted EBITDA margin	25%	35%	—	—	28%	30%	—	—

nm: not meaningful

¹ Sales tax recovery relating to energy and infrastructure and general and administrative expenses have been allocated to their respective periods; refer to Note 29b - *Additional Details to the Statement of Profit or Loss and Comprehensive Profit or Loss (Canadian sales tax refund)* to the Financial Statements.

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(In U.S. dollars, except where otherwise indicated)

10. NON-IFRS AND OTHER FINANCIAL MEASURES AND RATIOS (Continued)**B. Calculation of Gross Mining Profit and Gross Mining Margin**

(U.S.\$ in thousands except where indicated)	Three months ended December 31,				Year ended December 31,			
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
Gross (loss) profit	1,387	1,757	(370)	(21)%	(32,359)	(21,502)	(10,857)	50%
Non-Mining revenues ¹	(1,592)	(1,285)	(307)	24%	(5,102)	(5,060)	(42)	1%
Depreciation and amortization	24,584	21,790	2,794	13%	149,727	84,785	64,942	77%
Sales tax recovery - depreciation and amortization	—	—	—	—%	(8,760)	—	(8,760)	(100)%
Electrical components and salaries	1,403	1,095	308	28%	4,081	4,151	(70)	(2)%
Sales tax recovery - prior years - energy and infrastructure ²	—	2,211	(2,211)	100%	(14,338)	8,366	(22,704)	(271)%
Other	4	(114)	118	<i>nm</i>	1,220	(463)	1,683	<i>nm</i>
Gross Mining profit	25,786	25,454	332	1%	94,469	70,277	24,192	34%
Gross Mining margin	47%	57%	—	—	50%	50%	—	—

nm: not meaningful

(1) Non-Mining revenues reconciliation:

(U.S.\$ in thousands except where indicated)	Three months ended December 31,				Year ended December 31,			
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
Revenues	56,163	46,241	9,922	21%	192,881	146,366	46,515	32%
Less Mining related revenues for the purpose of calculating gross Mining margin:								
Mining revenues ³	(54,571)	(44,956)	(9,615)	21%	(187,779)	(141,306)	(46,473)	33%
Non-Mining revenues	1,592	1,285	307	24%	5,102	5,060	42	1%

(2) Sales tax recovery relating to energy and infrastructure expenses has been allocated to their respective periods; refer to Note 29b - *Additional Details to the Statement of Profit or Loss and Comprehensive Profit or Loss (Canadian sales tax refund)* to the Financial Statements.

(3) Mining revenues include revenues from sale of computational power used for hashing calculations and revenues from computational power sold in exchange of services.

BITFARMS LTD.
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(In U.S. dollars, except where otherwise indicated)

10. NON-IFRS AND OTHER FINANCIAL MEASURES AND RATIOS (Continued)
C. Calculation of Direct Cost and Direct Cost per BTC

(U.S.\$ in thousands except where indicated)	Three months ended December 31,				Year ended December 31,			
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
Cost of revenues	54,776	44,484	10,292	23%	225,240	167,868	57,372	34%
Depreciation and amortization	(24,584)	(21,790)	(2,794)	13%	(149,727)	(84,785)	(64,942)	77%
Sales tax recovery - depreciation and amortization	—	—	—	—%	8,760	—	8,760	100%
Electrical components and salaries	(1,403)	(1,091)	(312)	29%	(4,081)	(4,141)	60	(1)%
Infrastructure	(1,456)	(1,607)	151	(9)%	(5,784)	(3,909)	(1,875)	48%
Sales tax recovery - prior years - energy and infrastructure ⁽¹⁾	—	(2,211)	2,211	100%	14,338	(8,366)	22,704	271%
Other	(649)	—	(649)	(100)%	—	82	(82)	(100)%
Direct Cost	26,684	17,785	8,899	50%	88,746	66,749	21,997	33%
Quantity of BTC earned	654	1,236	(582)	(47)%	2,914	4,928	(2,014)	(41)%
Direct Cost per BTC (in U.S. dollars)	40,800	14,400	26,400	183%	30,500	13,500	17,000	126%

D. Calculation of Total Cash Cost and Total Cash Cost per BTC

(U.S.\$ in thousands except where indicated)	Three months ended December 31,				Year ended December 31,			
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
Cost of revenues	54,776	44,484	10,292	23%	225,240	167,868	57,372	34%
General and administrative expenses	18,042	13,405	4,637	35%	71,240	39,292	31,948	81%
	72,818	57,889	14,929	26%	296,480	207,160	89,320	43%
Depreciation and amortization	(24,584)	(21,790)	(2,794)	13%	(149,727)	(84,785)	(64,942)	77%
Non-cash service expense ⁽²⁾	(688)	—	(688)	(100)%	(1,252)	—	(1,252)	(100)%
Sales tax recovery - depreciation and amortization	—	—	—	—%	8,760	—	8,760	100%
Electrical components and salaries	(1,403)	(1,091)	(312)	29%	(4,081)	(4,141)	60	(1)%
Share-based payment	(4,021)	(3,906)	(115)	3%	(13,949)	(10,915)	(3,034)	28%
Service fees not associated with ongoing operations	(1,287)	—	(1,287)	(100)%	(13,766)	—	(13,766)	(100)%
Sales tax recovery - prior years - energy and infrastructure and G&A expenses ⁽¹⁾	—	(2,485)	2,485	100%	16,081	(9,281)	25,362	273%
Other	(1,078)	201	(1,279)	(636)%	(5,659)	890	(6,549)	(736)%
Total Cash Cost	39,757	28,818	10,939	38%	132,887	98,928	33,959	34%
Quantity of BTC earned	654	1,236	(582)	(47)%	2,914	4,928	(2,014)	(41)%
Total Cash Cost per BTC (in U.S. dollars)	60,800	23,300	37,500	161%	45,600	20,100	25,500	127%

1 Sales tax recovery relating to energy and infrastructure and general and administrative expenses have been allocated to their respective periods; refer to Note 29b - *Additional Details to the Statement of Profit or Loss and Comprehensive Profit or Loss (Canadian sales tax refund)* to the Financial Statements.

2 Non-cash service expense, included in infrastructure, which was exchanged for computational power sold.

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11. LIQUIDITY AND CAPITAL RESOURCES

As discussed below, the Company's current financing strategy involves (a) strategically selling the BTC it earns and the BTC it holds in treasury and (b) utilizing short-term debt, long-term debt and equity instruments (including the 2024 ATM Program) to fund its expansion activities, operating expenses and debt service requirements. The Company anticipates requiring additional funds to complete its 2025 and 2026 growth plans discussed in Section 7 - *Expansion Projects* of this MD&A.

Although the Company operates through its subsidiaries, there are no material legal restrictions and generally no practical restrictions on the ability of the subsidiaries to transfer funds to the Company, except that the Company may be subject to practical limitations on transferring funds from its Argentinian subsidiary. Beginning in the second half of 2019, the Argentine government instituted certain foreign currency exchange controls that could restrict the Company's Argentinian subsidiary's access to foreign currency, including the U.S. dollar, for making payments abroad or transferring funds to its parent without prior authorization from the Argentine Central Bank. These regulations have continued to evolve and may become more stringent depending on the Argentine government's perception of the availability of sufficient national foreign currency reserves. Further, recent changes, as well as any future changes, in national and provincial leadership may result in changing governmental perceptions and actions surrounding importation policies and the availability of foreign currency reserves for commerce. In late 2023, Argentina held a presidential election resulting in the election of a new president, Javier Milei. Many of the foreign exchange restrictions implemented in 2019 are still in place, particularly for imports and dividend payments related to transactions before December 13, 2023. The Milei administration plans to lift currency controls by January 1, 2026 or earlier if the Argentine government reaches a new deal with the International Monetary Fund and receives disbursements in 2025. The ongoing implications for economic and monetary policy, and its impact on Bitfarms, cannot be ascertained as of the date of this MD&A.

The Company sends funds periodically to its Argentinian subsidiary to fund its expansion based on supplier invoices that are paid by the Argentinian subsidiary. The Argentinian subsidiary provides Hashrate services for a market-based fee to its Canadian parent which, in turn, purchases that Hashrate to consolidate and sell to a third-party Mining Pool for which the Canadian parent is compensated in BTC. Accordingly, the Argentinian subsidiary is not structured or contemplated to generate substantial cash flows above its internal requirements.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

11. LIQUIDITY AND CAPITAL RESOURCES (Continued)**A. Cash Flows**

(U.S. \$ in thousands except where indicated)	Year ended December 31,			
	2024	2023	\$ Change	% Change
Cash, beginning of the period	84,038	30,887	53,151	172%
Cash flows from (used in):				
Operating activities	(140,562)	(105,711)	(34,851)	33%
Investing activities	(178,387)	70,966	(249,353)	(351)%
Financing activities	294,462	87,878	206,584	235%
Exchange rate differences on currency translation	(9)	18	(27)	(150)%
Cash, end of the period	59,542	84,038	(24,496)	(29)%

Cash Flows used in Operating Activities

Cash flows used in operating activities increased by \$34.9 million during FY 2024 compared to FY 2023.

The increase in cash flow used in operating activities is driven primarily by:

- Higher cash G&A expenses, net of sales tax refund, of \$28.9 million as explained in Section 8C - *Financial Performance - General & Administrative expenses* of this MD&A;
- A decrease in working capital of \$10.5 million as explained in Section 12 - *Financial Position* of this MD&A; and
- An increase in income taxes paid, with \$1.5 million paid during FY 2024, compared to \$11.6 million refunded during FY 2023.

The increase was partially offset by:

- Receiving interest and financial income of \$5.6 million in FY 2024 compared to \$1.8 million in FY 2023 mainly due to interest collected from the sales tax refund and from higher average cash balance during 2024;
- Lower cash energy cost of \$7.5 million, net of sales tax refund, as explained in Section 8B - *Financial Performance - Cost of Revenues* of this MD&A; and
- Interest expenses paid of \$1.7 million during FY 2024, compared to \$13.9 million during FY 2023 mainly due to eliminating the remaining NYDIG debt balance in February 2024.

Cash Flows used in Investing Activities

Cash flows used in investing activities increased by \$249.4 million during FY 2024 compared to FY 2023.

The increase in cash flow used in investing activities is driven primarily by:

- \$281.5 million of net additions of PPE during FY 2024, compared to \$45.3 million for the same period in 2023, primarily due to the acquisition of Miners and infrastructure build-out;
- \$52.9 million in advance payments mainly for the transformative fleet upgrade during FY 2024, compared to \$22.9 million in advanced payments during FY 2023;
- \$15.6 million in Refundable Hosting Deposits in FY 2024, compared to nil during FY 2023; and
- \$2.3 million of net proceeds received in FY 2024 from the purchase and disposition of marketable securities to fund the Argentina expansion activities, compared to \$12.2 million of net proceeds for the same period in 2023, as described in Note 29c - *Additional Details to the Statement of Profit or Loss and Comprehensive Profit or Loss* to the Financial Statements.

BITFARMS LTD.

Management's Discussion & Analysis

(In U.S. dollars, except where otherwise indicated)

11. LIQUIDITY AND CAPITAL RESOURCES (Continued)

A. Cash Flows (Continued)

Cash Flows used in Investing Activities (Continued)

The increase was partially offset by:

- An increase in proceeds from sale of digital assets earned of \$22.8 million as a result of selling BTC in FY 2024 with significantly higher prices compared to FY 2023;
- \$17.2 million of net proceeds from disposition of derivative assets and liabilities in FY 2024 as the Company capitalized on BTC price near all-time highs to close out all Synthetic HODL positions compared to nil in FY 2023; and
- The acquisition of assets in Baie-Comeau, Quebec, Canada, and in Paraguay for \$2.4 million in FY 2023, as described in Note 5 - *Acquisitions of Assets* to the Financial Statements, compared to nil in FY 2024.

Cash Flows from Financing Activities

Cash flows from financing activities increased by \$206.6 million from \$87.9 million for FY 2023 to \$294.5 million for FY 2024.

FY 2024

- The Company raised:
 - \$290.5 million of net proceeds from its 2024 ATM Program as discussed below, partially offset by \$0.9 million of capitalized professional fees and registration expenses to initiate the 2024 ATM Program;
 - \$8.9 million of net proceeds from the exercise of stock options and warrants; and
 - \$1.7 million from the sale and leaseback of its Garlock (Quebec, Canada) data center.
- The amounts raised were partially offset by scheduled payments primarily relating to:
 - Principal repayments of \$4.0 million to fully repay the NYDIG loan, which matured and expired in February 2024; and
 - Lease liabilities of approximately \$2.2 million.

FY 2023

- The Company raised \$68.5 million of net proceeds from an at-the-market equity offering program, initiated on August 16, 2021 and expired on September 12, 2023 ("2021 ATM program"), \$40.6 million of net proceeds from the private placement completed in November 2023, and \$13.0 million of net proceeds from the exercise of stock options and warrants. The amounts raised were partially offset by repayments towards the long-term debt and lease liabilities of \$30.5 million and \$3.6 million, respectively.
- The long-term debt repayments included:
 - The settlement of the remaining \$20.4 million principal balance of the BlockFi Loan on February 8, 2023 for cash consideration of \$7.8 million, as discussed below;
 - Principal repayments of \$22.2 million towards the NYDIG loan; and
 - The full repayment of the principal amount of the remaining equipment financing (the "Foundry Loans") before maturity and without prepayment penalty for \$0.8 million.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

11. LIQUIDITY AND CAPITAL RESOURCES (Continued)**A. Cash Flows (Continued)*****Cash Flows from Financing Activities (Continued)******BlockFi Loan***

On February 18, 2022, Bitfarms' subsidiary, Backbone Mining Solutions Inc. ("Backbone Mining"), entered into a \$32.0 million equipment financing facility with BlockFi. On February 8, 2023, BlockFi and the Company negotiated a settlement of the loan in its entirety for cash consideration of \$7.8 million, discharging Backbone Mining of all further obligations and resulting in a gain on extinguishment of long-term debt of \$12.6 million. Upon settlement, all of Backbone Mining's assets, including 6,100 Miners collateralizing the loan, became unencumbered.

At-The-Market Equity Offering Program

Bitfarms commenced the 2024 ATM Program on March 11, 2024, by means of a prospectus supplement dated March 8, 2024 ("March Supplement"), to the Company's short form base shelf prospectus dated November 10, 2023 ("Base Shelf"), and U.S. registration statement on Form F-10, which included a prospectus supplement related to the 2024 ATM Program. The Company may, at its discretion and from time-to-time, sell common shares of the Company in the 2024 ATM Program as for aggregate gross proceeds of up to \$375.0 million.

The Company filed amended and restated prospectus supplements dated October 4, 2024, and December 17, 2024, providing disclosure regarding the Stronghold Transaction and the restatement of the Company's 2023 annual consolidated financial statements and MD&A for the year ended December 31, 2023 and interim consolidated financial statements and MD&A for the nine months ended September 30, 2024, respectively, and amending and restating the March Supplement, to the Company's existing \$375.0 million Base Shelf, with both the Base Shelf and amended and restated prospectus supplement forming a part of the Company's registration statement on Form F-10.

Q4 2024 v. Q4 2023

During the three months ended December 31, 2024, the Company issued 26,150,839 common shares through the 2024 ATM Program in exchange for gross proceeds of \$51.8 million at an average share price of approximately \$1.98. The Company received net proceeds of \$50.1 million after paying commissions of \$1.6 million to the sales agent, in addition to \$0.1 million of other transaction fees.

During the three months ended December 31, 2023, the 2024 and 2021 ATM Programs were not active, and no common shares related to either ATM program were issued.

FY 2024 v. FY 2023

During FY 2024, the Company issued 135,474,160 common shares in the 2024 ATM Program in exchange for gross proceeds of \$299.9 million at an average share price of approximately \$2.21. The Company received net proceeds of \$290.5 million after paying commissions of \$9.0 million to the sales agent in addition to \$0.4 million of other transaction fees. The Company capitalized \$0.9 million of professional fees and registration expenses to initiate the 2024 ATM Program.

During FY 2023, the Company issued 52,120,899 common shares in the 2021 ATM program in exchange for gross proceeds of \$70.8 million at an average share price of approximately \$1.36. The Company received net proceeds of \$68.5 million after paying commissions of \$2.2 million to the sales agent, in addition to \$0.1 million of other transaction fees.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

11. LIQUIDITY AND CAPITAL RESOURCES (Continued)**A. Cash Flows (Continued)****Cash Flows from Financing Activities (Continued)***Use of Proceeds*

The Company has used and intends to continue to use the proceeds from the 2024 ATM Program prudently to support the growth and development of the Company's Mining operations, as described in Section 7 -*Expansion Projects* of this MD&A, as well as for working capital and general corporate purposes. Described below are the actual use of proceeds from the commencement of the 2024 ATM Program through December 31, 2024:

(U.S. \$ in thousands except where indicated)	Use of proceeds from March 11, 2024 to December 31, 2024
Categories	
Miner fleet upgrade	222,261
Paso Pe expansion	27,506
Baie-Comeau expansion	9,200
Yguazu expansion	31,506
	290,473

*Private placements***Q4 2024 v. Q4 2023**

During the three months ended December 31, 2023, the Company received from the private placement completed in November 2023 net proceeds of \$40.6 million after paying commissions and other fees of \$3.2 million to the broker. In addition, 6,962,693 warrants and 2,306,667 broker warrants related to the private placement that closed on November 28, 2023, were exercised, resulting in the issuance of 9,269,360 common shares for proceeds of approximately \$11.0 million. During the three months ended December 31, 2024, there were no private placements or exercises of warrants from previous private placements completed by the Company.

FY 2024 v. FY 2023

During FY 2024, 5,000,000 warrants and 111,111 broker warrants related to the 2023 private placement were exercised, resulting in the issuance of 5,111,111 common shares for proceeds of approximately \$6.0 million.

During FY 2023, the Company received total net proceeds of \$51.6 million compared to nil in FY 2024 for the same reasons explained in the Q4 2024 v. Q4 2023 section above.

B. Capital Resources

Bitfarms' capital management objective is to provide financial resources that will enable the Company to maximize the return to its shareholders while optimizing its cost of capital and ensuring the Company has sufficient liquidity to fund its operating activities. In order to achieve this objective, the Company monitors its capital structure and makes adjustments as required in light of the Company's funding requirements, changes in economic conditions, the cost of providing financing, and the risks to which the Company is exposed. The Company's financing strategy is to maintain a flexible capital structure that optimizes the cost of capital at an acceptable level of risk, to preserve its ability to meet financial obligations as they come due, and to ensure the Company has sufficient financial resources to fund its organic and acquisitive growth.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

11. LIQUIDITY AND CAPITAL RESOURCES (Continued)**B. Capital Resources (Continued)**

Based on the current capital budget and BTC prices, the Company currently anticipates that additional financing will be required to fund its 2025 and 2026 expansion plans and to complete construction of additional data centers, if the Company elects to do so. In order to achieve its business objectives, the Company may sell or borrow against the BTC that are held in treasury as of the date hereof as well as BTC received from its ongoing operations, which may or may not be possible on commercially attractive terms. Bitfarms intends to continue to manage its capital structure by striving to reduce operating expenses and unnecessary capital spending, disposing of inefficient or underutilized assets, obtaining short-term and long-term debt financing and issuing equity.

A BTC Halving event is scheduled to occur once every 210,000 blocks, or roughly every four years, until the total amount of BTC rewards issued reaches 21 million, which is expected to occur around 2140. The most recent BTC Halving event occurred on April 19, 2024, at which time BTC block rewards decreased from 6.25 BTC per block to 3.125 BTC per block. Once 21 million BTC are generated, the network will stop producing more BTC, and the industry will then need to rely on transaction fees and/or other sources of revenue. While BTC prices have had a history of significant fluctuations around BTC Halving events, there is no guarantee that the price change will be favorable or would compensate for the reduction in Mining rewards and the compensation from Mining pool operators. Similar to past BTC Halvings events, the BTC price did not have an immediate favorable impact after the BTC Halving that occurred on April 19, 2024. It took approximately six months for revenue per terahash to return to the level experienced prior to the May 2020 BTC Halving event. Since the BTC halving on April 19, 2024, revenue per terahash has not yet returned to pre-halving levels.

Digital Asset Management Program

In early January 2021, the Company implemented a digital asset management program under which it holds BTC for its intrinsic value and as a source of liquidity. The Company has internal controls over the management of its digital assets, which it evaluates and, as appropriate, enhances on a quarterly basis. On August 1, 2022, Management received approval from the Board to sell daily production, in addition to any sale of up to 1,000 BTC from treasury, should market conditions and the Company's projected financing requirements justify such sales in Management's discretion.

Presented below are the total BTC sold and proceeds in FY 2024, a portion of which was used to fully repay equipment-related indebtedness, with the remaining portion used to fund operations and expansion plans:

(U.S. \$ in thousands except where indicated)	Three months ended			
	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024
Quantity of BTC sold	502	461	515	941
Total proceeds	40,871	27,938	33,756	49,570

The sale of BTC as described above, while the Company continued to earn BTC, resulted in total holdings of 1,285 BTC as of December 31, 2024, valued at approximately \$120.1 million based on a BTC price of approximately \$93,400, as of December 31, 2024.

BITFARMS LTD.

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(In U.S. dollars, except where otherwise indicated)

11. LIQUIDITY AND CAPITAL RESOURCES (Continued)

B. Capital Resources (Continued)

Custody of digital assets

The Company's BTC received from the Mining pool operators for its computational power used for hashing calculations is delivered to multi-signature wallets that the Company controls or directs to external third-party custodians. On a regular basis, the Company transfers BTC from its multi-signature wallets to external third-party custodians, Coinbase Custody Trust Company, LLC ("Coinbase Custody"), a subsidiary of Coinbase Global, Inc. ("Coinbase") and Anchorage Digital Bank National Association ("Anchorage Digital"). Coinbase Custody provides custody and related services for clients' digital assets as a fiduciary pursuant to the New York State Department of Financial Services under Section 100 of the New York Banking Law. Anchorage Digital is the only federally chartered crypto bank in the U.S., serves as a custodian for digital assets, and is licensed and regulated by the Office of the Comptroller of the Currency. Currently, Coinbase Custody and Anchorage Digital provide only custodial services to the Company and do not use a sub-custodian. Coinbase Custody and Anchorage Digital are not related parties to the Company.

The Company has internal controls in place to evaluate its custodians on a quarterly basis. If the Company was to face challenges with one of its custodians, the Company could transfer digital assets between custodians and has its own multi-signature wallets as a contingency plan that would have a minimal impact on the Company's operations.

As of March 26, 2025, the Company has 1,446 BTC, valued at \$125.1 million on its balance sheet, based on a price of \$86,500 per BTC. As of the date of this MD&A, 76% of the Company's BTC are held in custody with Coinbase Custody and Anchorage Digital with the remaining 24% held by third parties and classified as restricted digital assets in the statement of financial position.

Coinbase Custody maintains an insurance policy of \$100.0 million for its cold storage and Anchorage Digital maintains an insurance policy of \$100.0 million for its cold and hot storage; however, the Company cannot ensure that the full limits of those policies would be available to the Company or, if available, would be sufficient to make the Company whole for any BTC that are lost or stolen. The Company is unaware of: (i) any security breaches involving Coinbase Custody or Anchorage Digital which have resulted in the Company's crypto assets being lost or stolen, or (ii) anything with regards to Coinbase Custody's or Anchorage Digital's operations that would adversely affect the Company's ability to obtain an unqualified audit opinion on its audited financial statements. The Company's crypto assets held in custody with Coinbase or Anchorage Digital may not be recoverable in the event of bankruptcy by Coinbase, Anchorage Digital or their affiliates. In Coinbase's annual report, on Form 10-K, filed with the U.S. Securities Exchange Commission on February 13, 2025, Coinbase disclosed that, in the event of a bankruptcy, custodially held crypto assets could be considered to be the property of the bankruptcy estate and that the crypto assets held in custody could be subject to bankruptcy proceedings with Coinbase Custody's customers being treated as general unsecured creditors. Further, regardless of efforts made by the Company to securely store and safeguard assets, there can be no assurance that the Company's cryptocurrency assets will not be defalcated through hacking or other forms of theft.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

11. LIQUIDITY AND CAPITAL RESOURCES (Continued)**B. Capital Resources (Continued)***Hedging program of digital assets*

The Company's hedging strategy aims to reduce the risk associated with the variability of cash flows resulting from future disposals of digital assets and in consideration of the volatility and adverse price movements of the digital assets in the prior months. In March 2023, the Board approved a hedging program and authorized Management, through a Risk Committee specifically created for this purpose, to implement hedges using various financial derivatives including over-the-counter BTC options and BTC futures contracts, among others, hedging up to 20% of the Company's BTC compensation per month and up to three months of expected future BTC compensation. In April 2023, the Board authorized the Risk Committee to increase the maximum hedge ratio to up to 50% of the Company's BTC compensation per month and up to six months of expected future BTC compensation.

During the year ended December 31, 2024, the Company had BTC option contracts to sell digital assets which resulted in a loss of \$1.3 million, mainly related to premiums for the option contracts hedging the risk of the BTC price decreasing and protecting the Company's margins. Refer to Note 23 to the Financial Statements for more details.

Synthetic HODL program for digital assets management

Alongside the hedging program, and with the intent to source risk-managed and capital-efficient leverage on BTC, in June 2023, the Board approved a HODL strategy, referred to as the Synthetic HODL strategy, which allows up to 20% of the Company's BTC exposure to be replicated using BTC derivatives and volatility-targeting instruments. In October 2023, the Company initiated its Synthetic HODL strategy with the purchase of long-dated BTC call options. The primary objective of the Synthetic HODL is to replicate BTC HODL appreciation potential upside while utilizing excess cash flow from operations to fund capital growth programs. It remains within the Risk Committee's discretion to dynamically adjust Bitfarms' hedge and Synthetic HODL ratios within the risk limits approved by the Board to more adequately respond to market conditions that are beyond the Company's operational control. During the year ended December 31, 2024, the Company purchased long-dated BTC call options which resulted in a gain of \$17.0 million, including realized gains of \$17.6 million, attributable to the change in the BTC price over the period.

Bitcoin One program for digital assets management

In February 2025, the Board approved the launch of the Bitcoin One initiative as the successor to the Company's Hedging program and Synthetic HODL program for digital assets management, which was deployed during this month. Bitcoin One is a quantitative investment multi-strategy program that employs a disciplined approach to BTC accumulation through diversification, strategic leverage, and market timing. The Board authorized the risk management committee to deploy up to (i) 100% of the Company's BTC in treasury, plus (ii) three months of expected forward production calculated on a rolling basis, plus (iii) \$10.0 million under Bitcoin One to be actively managed and participate in volatility-targeting strategies.

Bitcoin One focuses on active BTC treasury management through discretionary and rules-based trading algorithms and an active managed volatility targeting program that trades crypto volatility as an asset class and harvests the risk premium that arises from that volatility.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

11. LIQUIDITY AND CAPITAL RESOURCES (Continued)**C. Contractual obligations**

The following are the contractual maturities of financial liabilities and gross lease liabilities (non-financial liabilities) with estimated future interest payments, as applicable, as of December 31, 2024:

(U.S. \$ in thousands)	2025	2026	2027	2028	2029 and thereafter	Total
Trade accounts payable and accrued liabilities	22,158	—	—	—	—	22,158
Long-term debt	156	161	165	170	2,982	3,634
Lease liabilities	3,451	4,182	4,309	3,936	16,114	31,992
	25,765	4,343	4,474	4,106	19,096	57,784

D. Contingent liability

In 2021, the Company imported Miners into Washington State, United States, that the vendor located in China claimed originated in Malaysia. In early 2022, U.S. Customs and Border Protection challenged the origination of the Miners, asserting that the Miners were manufactured in China, and notified the Company of a potential assessment of a U.S. importation duty of 25%. Since the request for information by U.S. Customs and Border Protection, the Company has been working with the vendor to validate their origination outside of China by visiting contract manufacturer sites and by examining and documenting the manufacture and assembly of the Miners by the vendor and its third-party contractors.

During the third quarter of 2023 and the first quarter of 2025, the Company submitted supporting documentation to U.S. Customs and Border Protection in defense of its position that the Miners were manufactured outside China and the associated custom duties in the amount of \$9.4 million do not apply. While the final outcome of this matter is uncertain at this time, Management has determined it is not probable that it will result in a future cash outflow for the Company and, as such, no provision was recorded as of December 31, 2024.

E. Commitments

As of December 31, 2024, the Company's total remaining payment obligations in connection with the amended Purchase Option and the March 2024 Purchase Order was \$33.2 million. As described in Note 8 and 9 to the Financial Statements, in November 2024, the Company transferred 351 BTC which can be redeemed in four installments. The Company is not obligated to redeem all of the BTC installments. If the Company elects not to redeem one of the BTC Installments, the Company forfeits the right to redeem the remaining BTC Installments. In January 2025, the Company exercised the first BTC Installment. Refer to Note 32 to the Financial Statements for more details.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

12. FINANCIAL POSITION**A. Working Capital**

(U.S. \$ in thousands)	As of December 31, 2024	As of December 31, 2023	\$ Change	% Change
Total Current Assets	213,709	129,984	83,725	64%
Total Current Liabilities	36,270	69,154	(32,884)	(48)%
Working Capital	177,439	60,830	116,609	192%

With the BTC Halving event that occurred on April 19, 2024, the Company continues to place importance on maintaining sufficient liquidity to manage uncertainty and capitalize upon suitable opportunities the BTC Halving may present. The Company also anticipates requiring additional funds to complete its 2025 growth plans discussed in Section 7 - *Expansion Projects* of this MD&A. As of December 31, 2024, Bitfarms had working capital of \$177.4 million, compared to \$60.8 million as of December 31, 2023. The increase in working capital was mostly due to:

- A \$86.2 million increase in digital assets resulting from the increase of the Company's balance by 481 BTC and the appreciation of the BTC price during FY 2024. This increase included a \$32.8 million increase in restricted digital asset during FY 2024 relating to digital assets transferred to a third-party as consideration for goods or services, but for which the Company has the option to repurchase the digital assets. Refer to Note 8 to the Financial Statements.
- A \$32.4 million decrease in warrant liabilities due to the subsequent decrease in fair value revaluation of the warrants from the 2023 private placements, the exercise of 2023 private placements warrants and the expiration of all 2021 private placement warrants.
- A \$8.2 million increase in short-term prepaid deposits mainly related to the prepayment of electricity to an energy supplier in Argentina during FY 2024.
- A \$5.8 million increase in other assets resulting from the increase in sales taxes receivable as the Canadian sales taxes became refundable again during FY 2024.
- A \$4.5 million increase in assets held for sale due to older Miners being replaced as a result of the the transformative fleet upgrade during FY 2024.
- Scheduled capital repayments of \$4.0 million to fully pay off the NYDIG loan in the first quarter of 2024. The effect on working capital is nil as the repayments decreased the cash balance and the loan balance by corresponding amounts.
- A \$2.1 million increase in derivative assets due to the recognition and revaluation of embedded derivatives during FY 2024 as the Company holds a BTC redemption option for Mining hardware deposits in BTC. Refer to Note 9 to the Financial Statements for more details.

The increase is partially offset by:

- A \$24.5 million decrease in cash as explained by the cash flows. Refer to Section 11A - *Liquidity and Capital Resources - Cash flows* of this MD&A.
- A \$5.2 million increase in trade payables and accrued liabilities, reflecting the ongoing expansion projects of the Company and professional services.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

12. FINANCIAL POSITION (Continued)**B. Property, plant and equipment**

The net book value of PPE by country is as follows:

(U.S. \$ in thousands)	As of December 31, 2024	As of December 31, 2023	\$ Change	% Change
North America				
Canada	117,615	101,454	16,161	16%
United States	62,854	18,154	44,700	246%
	180,469	119,608	60,861	51%
South America				
Paraguay	112,452	11,747	100,705	857%
Argentina	55,604	54,657	947	2%
	168,056	66,404	101,652	153%
	348,525	186,012	162,513	87%

As of December 31, 2024, Bitfarms had PPE of \$348.5 million, compared to \$186.0 million as of December 31, 2023. The increase of \$162.5 million, or 87%, was primarily due to:

- The \$100.7 million increase in Paraguay PPE primarily due to the construction of the Paso Pe data centers and substation, receipt of approximately 8 hydro containers, the installation of approximately 9,500 Bitmain T21 air-cooled Miners and 1,800 MicroBT M53S WhatsMiner Miners as well as the ongoing construction of the Yguazu data center and substation during FY 2024.
- The \$44.7 million increase in United States PPE mainly due to the delivery of Miners for the two Hosting agreements with Stronghold, originally scheduled to be deployed at the Yguazu, Paraguay data center.
- The \$16.2 million and \$0.9 million increases in Canada and Argentina PPE, respectively, are mainly due to the Miner fleet upgrade, which exceeded the regular depreciation and accelerated depreciation of older Miners. Refer to Note 12 - *Property, Plant and Equipment* to the Financial Statements.

C. Right-of-use ("ROU") assets

As of December 31, 2024, Bitfarms had ROU assets of \$23.0 million, compared to \$14.3 million as of December 31, 2023. The increase of \$8.7 million, or 61%, was mainly due to the Sharon Lease Agreement finalized during the third quarter of 2024 to lease an industrialized site in Sharon, Pennsylvania, United States, providing the Company immediate capacity of 12 MW of electricity and a potential additional 98 MW for a total 110 MW of development capacity by 2025.

Upon signing the agreement, the Company issued 1,532,745 common shares with a total value of \$3.0 million as a non-refundable deposit which was capitalized as part of the ROU asset. On initial recognition, the Company recognized \$11.4 million of ROU asset and \$8.2 million of lease liability with the difference of \$3.0 million recorded in share capital. Refer to Note 19 - *Leases* and Note 22 - *Share Capital* to the Financial Statements for more details.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

12. FINANCIAL POSITION (Continued)**D. Intangible assets**

As of December 31, 2024, Bitfarms had intangible assets of \$4.0 million, compared to \$3.7 million as of December 31, 2023. The \$0.3 million increase is mainly due to the Washington State, United States, access right to electricity being available for use and reclassified from long-term deposits, equipment, prepayments and other to intangible assets. The increase was partially offset by the amortization of the Company's access rights to electricity in Washington State, United States, and access rights to electricity already held in Quebec, Canada and Paraguay since 2023. The following table summarizes those access rights to electricity, at cost:

Year	Location	Additions to intangibles (\$)	Original capacity	Term of contractual access rights	Amortization method and period
2024	Washington State, United States	912	6 MW	No termination date	Declining balance 4%
		912	6 MW		
2023	Baie-Comeau, Quebec, Canada	2,315	22 MW	No termination date	Straight-line over the lease term of the data center
2023	Paso Pe, Paraguay	1,065	50 MW	1 Ending in December 31, 2027	Straight-line over the access rights period
2023	Yguazu, Paraguay	421	100 MW	2 Ending in December 31, 2027	Straight-line over the access rights period
		3,801	172 MW		
		4,713	178 MW		

¹ In November 2023, the Company finalized an amendment to the existing contract for an additional 20 MW of energy capacity for a total capacity of 70 MW.

² In May 2024, the Company finalized an amendment to the existing contract for an additional 100 MW of energy capacity for a total capacity of 200 MW.

Refer to Note 5 and 13 to the Financial Statements for more details.

13. FINANCIAL INSTRUMENTS

The Company discloses information on the classification and fair value of its financial instruments, as well as on the nature and extent of risks arising from financial instruments, and related risk management in Note 23 to the Financial Statements. Risks are related to foreign currency, credit, counterparty, liquidity, and concentration.

14. RELATED PARTY TRANSACTIONS

The Company discloses information on its related party transactions, as defined in IAS 24, *Related Party Disclosures*, in Note 24 to the Financial Statements.

BITFARMS LTD.

Management's Discussion & Analysis

(In U.S. dollars, except where otherwise indicated)

15. INTERNAL CONTROLS OVER FINANCIAL REPORTING

A. Disclosure Controls and Procedures

Management, under the supervision of the CEO and Chief Financial Officer ("CFO") of the Company, has designed or caused to be designed under their supervision disclosure controls and procedures ("DC&P") to provide reasonable assurance that:

- i) material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and
- ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Management, under the supervision of the Company's CEO and CFO, has evaluated, or caused to be evaluated, the effectiveness of the Company's DC&P as defined in National Instrument 52-109 - *Certification of Disclosure in Issuer's Annual and Interim Filings* as of December 31, 2024. As a result of this evaluation, the Company's CEO and CFO have concluded that the Company's DC&P were not effective as of December 31, 2024, and that the design and operating of the Company's DC&P were not effective to provide reasonable assurance that all material information relating to the Company was reported as required because material weaknesses in the current operation of the Company's internal control over financial reporting ("ICFR") were identified, as described below.

B. Management's annual report on internal control over financial reporting

Management, under the supervision of the CEO and CFO, is also responsible for establishing and maintaining adequate ICFR. Management, under the supervision of the CEO and CFO, has designed ICFR, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards.

Management, under the supervision of the CEO and CFO of the Company, has evaluated the effectiveness of its ICFR as of December 31, 2024, as defined in National Instruments 52-109 - *Certification of Disclosure in Issuer's Annual and Interim Filings*. The evaluation was based on the *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, Management concluded that, as of December 31, 2024, the Company's ICFR was not effective because a material weakness existed.

Identified material weakness

A material weakness is a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

BITFARMS LTD.

Management's Discussion & Analysis

(In U.S. dollars, except where otherwise indicated)

15. INTERNAL CONTROLS OVER FINANCIAL REPORTING (Continued)

B. Management's annual report on internal control over financial reporting (Continued)

Identified material weakness (Continued)

In 2023, Management identified that the warrants issued in 2021 should have been classified as a financial liability and accounted for at fair value through profit and loss, and not as equity instruments. The restatement to correct the classification and subsequent accounting for those warrants impacted the consolidated financial statements of the Company for the year ended December 31, 2022, which was reflected in the comparative period for the consolidated financial statements of the Company for the year ended December 31, 2023 filed on December 9, 2024.

In the fourth quarter of 2024, Management also identified a material error in the statements of cash flows, resulting in a reclassification of sales of digital assets from cash flows from operations to cash flows from investing activities. These errors, which impacted the consolidated financial statements for the year ended December 31, 2023 and 2022, were corrected with the filing of Amendment No.1 to the Annual Report on Form 40-F for fiscal year ended December 31, 2023.

Management concluded that the control over accounting for complex transactions did not operate effectively in these instances, which constitutes a material weakness in ICFR as of December 31, 2024. Management concluded that the Company's ICFR as of December 31, 2024 was not effective because of the material weakness.

Status of remediation plan

Remediation efforts to date comprise expanding the finance team to include more Chartered Professional Accountants (CPAs) with technical expertise and experience in evaluating more complex areas of IFRS Accounting Standards, involving the Company's legal counsel on evaluating complex agreements involving financial instruments and engaging third-party consultants to assist with assessing the accounting for complex transactions and review of financial statements. Management's efforts of hiring more CPAs and involving the Company's legal counsel and third-party consultants to assist with complex transactions were in place at the end of 2024, and its remediation plan is expected to be completed after review and testing of controls during 2025.

If these remedial measures are insufficient to address the material weakness described above, or are not implemented timely, or additional deficiencies arise in the future, material misstatements in our interim or annual financial statements may occur in the future and could have the effects described in Section 19 - *Risk Factors* of this MD&A.

C. Changes in internal control over financial reporting

There have been no changes in the Company's ICFR that have materially affected, or are reasonably likely to materially affect, the Company's ICFR during the period beginning on October 1, 2024 and ended December 31, 2024.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

15. INTERNAL CONTROLS OVER FINANCIAL REPORTING (Continued)**D. Limitation of DC&P and ICFR**

All control systems contain inherent limitations, regardless of how well they are designed. As a result, Management acknowledges that its internal control over financial reporting will not prevent or detect all misstatements due to error or fraud. In addition, Management's evaluation of controls can provide only reasonable, not absolute, assurance that all control issues that may result in material misstatements, if any, have been detected.

16. RECENT AND SUBSEQUENT EVENTS**A. Acquisition of Stronghold**

On August 21, 2024, the Company and Stronghold entered into a definitive merger agreement (the "Merger Agreement") under which Bitfarms will acquire Stronghold in a stock-for-stock merger transaction (the "Transaction"). The Transaction was valued at approximately \$125.0 million equity value plus the repayment of debt valued at approximately \$50.0 million at the time of the agreement.

Transaction Details

The Transaction was unanimously approved by the Boards of both companies, approved by the majority of Stronghold shareholders, and received the applicable regulatory approvals, certain third party consents and other customary closing conditions. On March 14, 2025, the transaction closed.

Under the terms of the Merger Agreement, Stronghold shareholders received 2.52 shares of Bitfarms for each share of Stronghold they own. The Company issued 59,866,852 common shares and 12,893,650 warrants in connection with the consummation of the Merger. In addition, approximately \$44.5 million was paid at closing to retire outstanding Stronghold loans.

The Company is currently in the process of determining the fair value of identifiable assets acquired and liabilities assumed.

B. Sale of Yguazu Mining Site

On January 24, 2025, the Company announced that it had entered into a binding Letter of Intent to sell its 200 MW site in Yguazu, Paraguay to HIVE Digital Technologies, Ltd ("HIVE").

On March 14, 2025, the transaction closed with HIVE purchasing from Bitfarms its 100% ownership stake of its Yguazu, Paraguay Bitcoin data center and the Company's loan receivable from Backbone Yguazu for \$63.0 million, with Bitfarms receiving:

- \$20.0 million of advance payment made in January 2025 upon signing the letter of intent;
- \$12.0 million upon closing of this transaction; and
- \$31.0 million over 6 months following closing.

BITFARMS LTD.

Management's Discussion & Analysis

(In U.S. dollars, except where otherwise indicated)

16. RECENT AND SUBSEQUENT EVENTS (Continued)

C. 2024 ATM Program

During the period from January 1, 2025 to March 26, 2025, the Company issued 14,444,643 common shares through the 2024 ATM Program in exchange for gross proceeds of \$24.4 million at an average share price of approximately \$1.69. The Company received net proceeds of \$23.6 million after paying commissions of \$0.8 million to the sales agent.

D. Redemption options of BTC

On January 30, 2025, the Company exercised its option to redeem the first installment of the BTC Pledged in relation to the purchase of Miners under the Supplementary Agreements. The Company redeemed 87 BTC for \$8.3 million. See Note 8 to the Financial Statements for more details.

E. Bitmain T21 and S21+ Miners Swap

On March 12, 2025, in connection with the Purchase Order, an exchange agreement was made signed to return 4,160 Bitmain T21 Miners. In consideration for the returned products Bitmain will refund the Company with a \$9.5 million credit. Simultaneously, the Company placed another purchase order for 3,660 Bitmain S21+ Miners at a purchase price of \$11.9 million. The Company has the option to pay the net amount of \$2,374 in cash or in BTC. The payment terms, the BTC installments and the BTC Redemption Option are similar to the ones included in the Supplementary Agreements as described in Note 9 to the Financial Statements. On March 13, 2025, the Company paid the net \$2.4 million in BTC which can be redeemed on a quarterly basis.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

17. SHARE CAPITAL

As of the date of this MD&A, the Company has 553,644,380 common shares outstanding, 20,096,066 vested and 7,263,750 unvested stock options, 23,735,132 warrants outstanding and 2,787,666 restricted stock units. There are no preferred shares or any other classes of shares outstanding.

On June 10, 2024, the Board approved a shareholder rights plan (the "June 2024 Rights Plan"). On July 24, 2024, the Capital Markets Tribunal of the Ontario Securities Commission issued an order to cease trading any securities issued, or that may be issued, in connection with or pursuant to the June 2024 Rights plan. Also on July 24, 2024, the Board approved the adoption of a new shareholder rights plan (the "July 2024 Rights Plan"), pursuant to which one right (a "Right") will be issued and attached to each common share outstanding as at August 6, 2024 (the "Record Time"). A Right will also be attached to each common share issued after the Record Time. Subject to the terms of the July 2024 Rights Plan, the Rights become exercisable if a person (the "Acquiring Person"), along with certain related persons (including persons "acting jointly or in concert" as defined in the July 2024 Rights Plan), acquires or announces its intention to acquire 20% or more of the common shares without complying with the "Permitted Bid" provisions of the July 2024 Rights Plan. Following a transaction that results in a person becoming an Acquiring Person, the Rights entitle the holder thereof to purchase common shares at a significant discount to the market price. The July 2024 Rights Plan was subject to the acceptance of the Toronto Stock Exchange (the "TSX") and shareholder ratification within six months of its adoption. The TSX notified the Company that the TSX would defer its consideration of the acceptance of the July 2024 Rights Plan until (a) such time as it was satisfied that the appropriate securities commission will not intervene pursuant to National Policy 62-202 and (b) the July 2024 Rights Plan was ratified by the shareholders of the Company by no later than January 24, 2025. A deferral of acceptance of the July 2024 Rights Plan by the TSX did not affect the adoption or operation of the July 2024 Rights Plan. The Board recommended that shareholders of the Company ratify the July 2024 Rights Plan, which was approved at the Company's special meeting of shareholders on November 20, 2024.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

18. REGULATORY COMPLIANCE

The Company has engaged legal counsel in each jurisdiction in which it maintains operations to monitor changes to the laws and regulations of such jurisdiction and to advise how it can maintain compliance with such laws and regulations. Legal counsel reports directly to the CEO. The following is a discussion of regulatory compliance considerations specific to each such jurisdiction:

Canada

The Company operates a total of eight data centers with an aggregate power capacity of 170 located in the Province of Quebec, Canada. Refer to Section 7 - *Expansion Projects - C. Canada Expansion* of this MD&A.

There are no material restrictions in Quebec or Canada on the business of operating a data center or conducting the business of the Company as described herein, and as of the date of this MD&A, the Company has not received any material notices or statements from regulatory authorities in Quebec or Canada that would negatively impact its current operations in Quebec or Canada. The Company is not relying on any registrations, exemptions, or "no action" letters to conduct its business in Quebec or Canada.

United States

The Company operates three data centers with an aggregate power capacity of 150 located in the States of Washington and Pennsylvania, United States. Energy for two of the three data centers is derived from the Company's power facilities and/or the grid. Refer to Section 7 - *Expansion Projects - A. United States Expansion* of this MD&A.

There are no material restrictions in the States of Washington and Pennsylvania on the business of operating a data center or conducting the business of the Company as described herein, and as of the date of this MD&A, the Company has not received any material notices or statements from regulatory authorities in Washington or Pennsylvania that would negatively impact its operations in these jurisdictions. The Company is not relying on any registrations, exemptions, or "no action" letters to conduct its business in Washington and Pennsylvania.

Paraguay

The Company operates a total of two data centers with an aggregate power capacity of 80 MW located in the city of Villarrica, Paraguay. Refer to Section 7 - *Expansion Projects - B. Paraguay Expansion* of this MD&A.

There are no material restrictions in Paraguay on the business of operating a data center or conducting the business of the Company as described herein, and as of the date of this MD&A, the Company has not received any material notices or statements from regulatory authorities in Paraguay that would negatively impact its operations in Paraguay. The Company is not relying on any registrations, exemptions, or "no action" letters to conduct its business in Paraguay.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

18. REGULATORY COMPLIANCE (Continued)**Paraguay (Continued)**

In April 2024, a group of Paraguay's Senators initially proposed a 180-day blanket ban on cryptocurrency Mining due to concerns over power theft of and disruptions to the electricity supply. However, the Senate issued a statement in support of the legal cryptocurrency Mining industry arguing that selling excess energy to Bitcoin miners unlocks substantial revenue streams and bolsters Paraguay's economy, acknowledging that the proposed ban would not effectively address illegal Mining activities. The Senate held a public hearing on April 23, 2024 (the "Public Hearing") to debate the merits and drawbacks of Bitcoin Mining in the country. Lawmakers acknowledged the potential issues caused by illegal Mining operations disrupting the power supply, but also recognized the potential economic benefits of embracing licensed Mining.

Following these discussions, several significant developments occurred. On June 26, 2024, Congress in Paraguay sanctioned a bill, which was later promulgated as Law No. 7300. This law increases penalties for illegal use of electricity, particularly targeting unauthorized cryptocurrency Mining. Penalties range from fines to imprisonment up to 10 years, with provisions for equipment confiscation.

Secondly, also on June 26, 2024, ANDE issued a decree implementing an abrupt increase in tariffs for the cryptocurrency Mining industry. The decree increased the electricity tariffs from 6% to 16%, a 10%-point increase, across various voltage categories, effective July 1, 2024. The effective rate increase on the voltage level the Company uses was approximately 13.6%.

Argentina

The Company operates one 58 MW data center located in Cordoba, Argentina.

There are no material restrictions in Argentina on the business of operating a server farm or conducting the business of the Company as described herein and, as of the date of this MD&A, the Company has not received any material notices or statements from regulatory authorities in Argentina that would negatively impact its operations in Argentina. The Company is not relying on any registrations, exemptions, or "no action" letters to conduct its business in Argentina.

BITFARMS LTD.**Management's Discussion & Analysis**

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19. RISK FACTORS

The following discussion summarizes the principal risk factors that apply to the Company's business and that may have a material adverse effect on the Company's business, financial condition and results of operations, and/or the trading price of the Company's shares. Due to the nature of the Company's business, the legal and economic climate in which it operates and its present stage of development and proposed operations, the Company is subject to significant risks. These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with its operations. Additional risks and uncertainties not presently known to the Company, or that are currently deemed immaterial, may also impair its operations. If any such risks actually occur, the financial condition, liquidity and results of operations of the Company could be materially adversely affected. Investors should carefully consider the risks, factors, and uncertainties described below, together with the other information contained in this MD&A, as well as the risk factors, uncertainties, and other information disclosed in the Company's other public filings before making an investment decision regarding the Company's securities.

The company may not realize all of the anticipated benefits of the Stronghold Transaction.

Bitfarms, following Stronghold Transaction (hereafter, the "Combined Company"), may not realize all of the anticipated benefits of the Stronghold Transaction even if Bitfarms believes that the Stronghold Transaction will provide benefits to the Combined Company. There is a risk that some or all of the expected benefits of the Stronghold Transaction may fail to materialize or may not occur within the time periods anticipated by Bitfarms. The realization of such benefits may be affected by a number of factors, including regulatory considerations and decisions, many of which are beyond the control of Bitfarms and Stronghold. The challenge of coordinating previously independent businesses makes evaluating the business and future financial prospects of the Combined Company following Stronghold Transaction difficult. Prior to the completion of the Stronghold Transaction, Stronghold and Bitfarms operated independently. The success of Stronghold Transaction, including anticipated benefits and cost savings, will depend, in part, on the ability to successfully integrate the operations of both companies. The past financial performance of each of Stronghold and Bitfarms may not be indicative of their future financial performance. Realization of the anticipated benefits in the Stronghold Transaction will depend, in part, on the Combined Company's ability to successfully integrate Stronghold and Bitfarms' businesses. The Combined Company will be required to devote significant management attention and resources to integrating its business practices and support functions. The diversion of management's attention and any delays or difficulties encountered in connection with the coordination of the two companies' operations could have an adverse effect on the business, financial results, financial condition or the share price of Bitfarms. The coordination process may also result in additional and unforeseen expenses. Failure to realize all of the anticipated benefits of Stronghold Transaction may impact on the financial performance of the Combined Company and the price of the Combined Company's common shares

The Company has incurred, and will continue to incur, significant costs in connection with Stronghold Transaction.

As a result of Stronghold Transaction, the Company has incurred, and will continue to incur, significant integration-related fees and costs related to formulating and implementing integration plans, including facilities and systems consolidation costs and employment-related costs. There may be additional unanticipated significant costs in connection with Stronghold Transaction that the Company may not recoup. These costs and expenses could reduce the realization of efficiencies, strategic benefits, and additional income the Company expects to achieve from the Stronghold Transaction. Although we expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of Bitfarms and Stronghold, should allow the Company to offset integration-related costs over time, this net benefit may not be achieved in the near term, or at all.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

19. RISK FACTORS (Continued)**The market value of the Company's common shares may decline because of Stronghold Transaction.**

The market value of the Company's common shares may decline because of the Stronghold Transaction if, among other things, the Combined Company is unable to achieve the expected growth in earnings or if the costs of integrating the two businesses are greater than expected. The market value also may decline if the Combined Company does not achieve the perceived benefits of the Stronghold Transaction as rapidly or to the extent anticipated by the market or if the effect of the Stronghold Transaction on Bitfarms' business, financial position, results of operations or cash flows is not consistent with the expectations of financial or industry analysts.

The Company may be the target of securities class action and derivative lawsuits, which could result in substantial costs.

Securities class action lawsuits and derivative lawsuits are often brought against companies that have entered into merger agreements. Even if the lawsuits are without merit, defending against these claims can result in substantial costs and divert management time and resources.

Limited Operating History.

The Company has only a limited operating history upon which an evaluation of the Company and its prospects, as well as an investment in the Company's common shares, can be based. The Company is subject to many risks common to venture enterprises, including under-capitalization, potential cash shortages and limitations with respect to personnel, financial and other resources. Although the Company has achieved profitable quarters in the past, to date, it has not maintained consistent profitability from period to period, and no assurances can be made that the Company will achieve consistent profitability in the near future, if ever. For the year ended December 31, 2024, the Company had a net loss from continuing operations of \$48.6 million, which net losses were generated as the Company executed its business plan and expands its BTC Mining activities as BTC prices have at times been in a bear market. There is no assurance that the Company will be successful in achieving a return on shareholders' investment or meeting other metrics of success, which is dependent on BTC prices, among other factors.

The Company has an evolving business model and strategy.

The Company expects its business model to continue to evolve in the future. As digital assets become more widely available, the Company expects its services and products to evolve to stay current with its industry. The Company's growth strategy includes exploring the expansion and diversification of its revenue sources into new markets. Pursuant to that strategy, the Company is increasing its focus on diversification into high performance computing ("HPC") and artificial intelligence ("AI") solutions. The Company's management team has limited or no experience in the HPC/AI industry and is expanding its team to include additional professionals, including external consultants, with such experience, but there is no guarantee that such efforts will be successful. Accordingly, the Company cannot offer any assurance that these or any other modifications to its business model and strategy will be successful or will not result in harm to its business. Such modifications may increase the complexity of its business and place significant strain on its management, personnel, operations, systems, technical performance, financial resources and internal financial control and reporting functions.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

19. RISK FACTORS (Continued)**The Company has an evolving business model and strategy. (Continued)**

Moreover, the Company may not be able to manage growth effectively, which could damage its reputation, limit its growth and adversely affect its operating results. Further, the Company cannot provide any assurance that it will successfully identify all emerging trends and growth opportunities within the digital assets industry, the HPC/AI market or other markets it may seek to expand into, and the Company may lose out on such opportunities. Any of the foregoing could have a material adverse effect on the Company's business, prospects, results of operations and financial condition.

Economic Dependence on Regulated Terms of Service and Electricity Rates Risks.

The Company's operations are dependent on its ability to maintain reliable and economical sources of power to run its cryptocurrency Mining assets. The Company conducts Mining operations in the Province of Quebec (Canada), Washington State (United States), the state of Pennsylvania (United States), Paraguay and Argentina. The Company's current and future operations and anticipated growth, and the sustainability of hydro electricity and natural gas at economical prices for the purposes of cryptocurrency Mining in multiple locations, poses certain risks.

Currently, the Company sources its energy from Hydro-Québec, Hydro-Sherbrooke, Hydro-Magog, the City of Baie-Comeau, Grant PUD, CLYFSA, PJM Interconnection and Generación Mediterranea S.A. Regulated power suppliers may be subject to public policy initiatives and economic development programs which may or may not support the Mining industry. Additionally, there may be significant competition in the cryptocurrency Mining industry for suitable locations with access to affordable power. There can be no assurance that electricity will continue to be provided in the future or not curtailed to accommodate other users or otherwise made available on terms which are economic for the Company's current and future operations, anticipated growth, and sustainability. Long- and short-term power prices may also fluctuate substantially due to other factors outside of our control, including:

- changes in generation capacity in our markets, including changes in the supply of power as a result of the development of new plants, expansion or reduction of existing plants, the continued operation of uneconomic power plants due to state subsidies, or additional or reduced transmission capacity;
- environmental regulations and legislation;
- electric supply disruptions, including plant outages and transmission disruptions;
- changes in power transmission infrastructure;
- fuel price volatility;
- fuel transportation capacity constraints or inefficiencies;
- development of new fuels, new technologies, and new forms of competition for the production of power;
- changes in law, including judicial decisions;
- weather conditions, including extreme weather conditions and seasonal fluctuations;
- changes in the demand for power or in patterns of power usage;
- economic and political conditions;
- supply and demand for energy commodities;
- supply chain disruption of electrical components needed to transmit energy;
- availability of competitively priced alternative energy sources;
- ability to procure satisfactory levels of inventory;
- changes in capacity prices and capacity markets.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

19. RISK FACTORS (Continued)**Economic Dependence on Regulated Terms of Service and Electricity Rates Risks. (Continued)**

Additionally, any suspension or cessation of power supply, failure of electrical networks, or changes in cost structure which are not economic, in the jurisdictions where the Company utilizes power for its operations, could result in a material adverse effect on the Company.

Quebec, Canada

The Company's operations are dependent on its ability to maintain reliable and economical sources of power to run its cryptocurrency Mining assets. Until the adoption of Bill-2, on February 15, 2023, the Province of Quebec mandated electric power distributors to supply their customers under the obligation to serve power delivery regime; however, Bill-2 amended the Act respecting the *Régie de l'énergie du Québec* (the "Régie") by giving the Government of Quebec the power to determine by regulation the cases in which Hydro-Québec, or any other electric power distributor, may be exempt from their obligation to provide electricity to industrial clients in the Province of Quebec.

The price of electricity supplied directly by Hydro-Québec is set by a provincial administrative tribunal, the Quebec Energy Board. Hydro-Québec supplies power to certain of the Company's data centers, and to the Municipal Electrical Networks for the Magog, Baie-Comeau and Sherbrooke data centers. The rates imposed on Hydro-Québec by the Régie are subject to change. Although power is supplied by Municipal Networks to the Company, the rates in those contracts are adjusted in response to tariff changes imposed by the Régie. Modifications to the rates are set pursuant to the Hydro-Québec Act by operation of law on April 1st each year, by a rate corresponding to the annual change in the overall average Quebec consumer price index, on a tariff class basis such that any adjustment would apply equally to all industrial clients, which includes CB tariff users (for Cryptocurrency Mining), M tariff users or LG tariff users regardless of end use. There is no assurance that future electricity rates will remain stable or economical. In particular, on June 14, 2018, Hydro-Québec requested the Régie to set rates and service conditions specifically for enterprises involved in cryptocurrency Mining as a result of increased electricity demand from cryptocurrency miners. The Régie has undertaken regulatory proceedings, to which the Company has participated as an intervenor, to establish a framework for the provision of electricity for cryptocurrency Mining in Quebec in three Steps:

- Step 1: On July 13, 2018, the Régie provisionally ordered that a new tariff be established for cryptocurrency miners, and, on July 19, 2018, the Régie approved a provisional tariff of CAD\$0.15/kWh on data centers built after that date. Under Step 1, the new tariff cannot be applied to any cryptocurrency contracts entered into prior to June 7, 2018, or data centers constructed prior to July 19, 2018. Therefore, Step 1 didn't have an impact on the Company's pre-existing operations and secured existing rates until the completion of Phase 3.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

19. RISK FACTORS (Continued)**Economic Dependence on Regulated Terms of Service and Electricity Rates Risks. (Continued)***Quebec, Canada (Continued)*

- Step 2: On April 29, 2019, the Régie rendered its decision on Step 2 of the request filed by Hydro-Québec. The Régie decided to create a new class of energy consumers called Electricity consumer class for cryptographic use applied to blockchain. It decided to allocate to this new class an aggregate supply of 300 megawatts of electricity, with the requirement to curtail electricity use during peak hours at Hydro-Québec's request (up to a maximum of 300 hours a year). Cryptocurrency Mining projects would be required to submit tenders to consume electricity from the 300 megawatt block based exclusively on economic development and environmental criteria. The Régie rejected Hydro-Québec's proposal to launch a tariff auction as part of the call for tenders. It decided to create a new tariff applicable to the crypto Mining industry, the CB tariff, and determined that the applicable tariff of the energy component, in ¢/kWh, will correspond to the M or LG tariff in force, as the case may be. In order for the Company to be able to procure electricity for future Quebec expansion projects, it would be required to participate in the call for tenders process. However, the Régie's decision also meant that the Company's pre-existing operations in the Province of Quebec would remain subject to the M or LG tariff in force, as the case may be, and they were exempt from the tender process as well as the provisional tariff of CAD\$0.15/kWh which had been requested by Hydro-Québec. The provisional tariff would apply to energy consumption not previously authorized under cryptocurrency contracts, to those cryptocurrency contracts entered into after June 7, 2018 and to any substitution of use or any increase of capacity for crypto miners not already under authorized cryptocurrency contracts. The decision of the Régie did impose the potential requirement to curtail electricity use (of up to 95%) during peak hours at Hydro-Québec's request (up to a maximum of 300 hours a year) under all cryptocurrency contracts including those at the Company's pre-existing operations at the already operating data center in Quebec. A shut down of 95% of operations for the maximum of 300 hours could result in a revenue decrease of approximately 3.4%.

- Step 3: On January 28, 2021, the Régie rendered its decision on Step 3 of the request filed by Hydro-Québec. The Régie decided that the existing subscriptions on the Hydro-Québec network were to be subject to non-firm service, starting in Winter 2021-2022. The non-firm service applies for a maximum of 300 hours/year, without any monetary compensation. In considering the financial consequences of this conclusion, the Régie requested that Hydro-Québec implement the non-firm service for existing clients during a three-year period through progressive implementation. The Régie did not provide any guidance to Hydro-Québec on how to proceed. The Régie provided the following reasons to justify this conclusion:
 - (a) existing clients, such as the Company, had already executed agreements with municipal electricity networks with non-firm service (without financial compensation) for at least 300 hours per year;
 - (b) new clients entering the market through the call for tenders process would be subject to non-firm service without financial compensation. The treatment of those new clients must be fair and equitable with existing clients; and
 - (c) load shedding for 300 hours was estimated to represent only 3.4% of the 8,760 hours in a year. The Régie did not consider this request unreasonable considering the risks that cryptocurrency clients represent for Hydro-Québec.

In accordance with the Step 3 decision, the Company's operations are on a non-firm service basis for a maximum of 300 hours per year. Consequently, the main difference between the CB tariff and the M or LG tariff is the curtailment obligation applicable to the CB tariff.

BITFARMS LTD.

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(In U.S. dollars, except where otherwise indicated)

19. RISK FACTORS (Continued)

Economic Dependence on Regulated Terms of Service and Electricity Rates Risks. (Continued)

Quebec, Canada (Continued)

On November 17, 2021, in Step 3 of the Régie's regulatory proceedings, the Régie ratified the process for allocating the balance of the 300 MW block reserved for crypto miners that was not already allocated pursuant to the call for tenders approved in Step 2. The allocation process of the balance of the 300 MW block would be based on a "first come, first serve" process, without any reference to economic development condition and environmental criteria.

On April 6, 2022, the Régie rendered a decision confirming the decision rendered in Step 3, resulting in the application of the non-firm service to the Company's Data Centers in Quebec.

On May 30, 2022, the Company filed with the Régie an administrative complaint against Hydro-Québec requesting information regarding the process for the allocation of the balance of the 300 MW block. The filing of this complaint was justified by the fact that Hydro-Québec, at the time of filing and more than 6 months after the decision rendered by the Régie in Step 3, had still not put in place the allocation process approved by the Régie.

On June 30, 2022, Hydro-Québec responded to the Company's administrative complaint confirming that the allocation process of the 300 MW block would be opened in September 2022.

On November 1, 2022, Hydro-Québec submitted to the Régie its Supply Plan for the period 2023 to 2032 and requested the Régie authorize the suspension of the allocation process for the granting of the balance of the 300 MW reserved block and to reassess the amount of MWs to be allocated to crypto miners for future operations. The Company has actively participated in the regulatory process on the approval, by the Régie, of the Supply Plan and has challenged Hydro-Québec's request to suspend the allocation of the 300 MW block.

On January 10, 2023, the Régie rendered its decision on Hydro-Québec's request to suspend the allocation process for the granting of the 300 MW reserved block. The Régie decided to suspend the allocation process while it assessed the Supply Plan submitted by Hydro-Québec. The Company did not challenge this decision but has strongly challenged Hydro-Québec's request to reduce the amount of power allocated to zero.

On September 9, 2023, the Régie approved the reduction to zero MW for the remaining quantity of the reserved block, which totaled approximately 270MW at the time. In addition, the Régie decided to maintain the 32.6 MW of the reserved block that had already been allocated to CB tariff clients. The Régie considered that the potential reallocation of the quantities currently held by these customers in case of their subscriptions being abandoned or cancelled could enable certain companies to continue their development or a few new CB tariff customers to be served. The Régie requested Hydro-Québec to amend the *Conditions of Service for Cryptographic Use Applied to Blockchains* and propose a new process for the eventual reallocation of the MW that could become available from the 32.6 MW reserved block already allocated. Hydro-Québec requested, and the Régie accepted, that such new process be presented on or before January 31, 2024.

In November 2023, the Company's complaint was suspended at the request of the parties while the Company and Hydro-Québec entered into direct discussions. On January 17, 2024, after settlement discussions proved to be unsuccessful, the Company requested the reactivation of the complaint and that a date of hearing be fixed. On June 5, 2024, the Company decided to withdraw the complaint, following discussions with Hydro-Quebec.

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(In U.S. dollars, except where otherwise indicated)

19. RISK FACTORS (Continued)**Economic Dependence on Regulated Terms of Service and Electricity Rates Risks. (Continued)***Quebec, Canada (Continued)*

Before September 20, 2023, Hydro-Québec and the Municipal Electrical Networks were authorized to offer preferential rates in an effort to encourage investment and development in particular regions. Hydro-Québec and Municipal Electrical Networks offered a discretionary preferential rate to certain customers, such rate being lower than the rate set by the Régie, notwithstanding that Hydro-Québec and the Municipal Electric Networks may suffer a financial loss on the supply of electricity to those customers. If a preferential rate is changed or no longer available to the Company, the Company's operations and profitability may experience a material adverse effect. In addition, although power is supplied by the Municipal Networks to the Company under the power contracts, the rates in those contracts are adjusted in response to tariff changes imposed by the Régie. Currently, the Cowansville Data Center is subject to a preferential rate of 5% on its first 5 MW of power; and the Farnham Facility is subject to a preferential rate of 20% on its first 10 MW of power.

Washington State, United States

On November 9, 2021, the Company completed the acquisition of a data center in Washington State, United States. The data center is powered by the Grant County Power Utility District ("Grant PUD"). Grant PUD was established in 1938 and is a public utility district that owns and operates hydro-electric plants capable of generating more than 2,000 MW of electricity. Grant PUD establishes rate schedules for different categories of customers at the discretion of its publicly elected Board of Commissioners. The Company operates its cryptocurrency Mining activities in several different buildings with their own power meters not exceeding 5 MW each; thus, for the year 2022, the Company was classified in Schedule 7. The applicable rates for Schedule 7 are a demand charge of \$4.96 per KW of billing demand plus a variable component of USD 2.100¢ per kWh for the first 50,000 kWh of consumption and USD 1.857¢ per additional kWh of consumption. Historically, rates for Schedule 7 have increased by an annual average of 1.27% per year. Effective February 1, 2023, Grant PUD's commissioners authorized the addition of cryptocurrency Mining into the Evolving Industry Rate Schedule 17 ("Schedule 17"). The applicable rates for Schedule 17 are a demand charge for \$28.18 per kW plus a variable component of 0.389¢ per kWh of consumption. Grant PUD may adjust the rate pricing with approval from its Board of Commissioners. An increase in the rates applicable to the Company's electricity consumption in its operations in Washington State, United States, may adversely impact its profitability.

Paraguay

In December 2021, the Company completed the construction of a 10 MW data center in Villarrica. The data center is powered by CLYFSA. CLYFSA is the only private energy distribution company in Paraguay which purchases energy from ANDE, the operator of Paraguay's national electricity grid, and provides power to almost 15,000 residential and commercial customers in Villarrica.

The Company entered into a power purchase agreement with CLYFSA securing 10 MW of hydro-electric energy with a demand charge of \$15.90 per KW of billing demand plus a variable component of 1.422¢ per kWh of consumption for the current one-year renewal period. The power purchase agreement stipulates that CLYFSA can pass on any modifications to pricing by ANDE to Backbone Paraguay. A rate increase could adversely impact the profitability of the Company's operations in Paraguay.

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(In U.S. dollars, except where otherwise indicated)

19. RISK FACTORS (Continued)**Economic Dependence on Regulated Terms of Service and Electricity Rates Risks. (Continued)***Paraguay (Continued)*

On September 16, 2022, the executive branch of the Paraguayan government issued decree No. 7824/22 by which ANDE was requested to adopt complementary and temporary regulatory measures to adjust the variables corresponding to the electricity rates aimed at special intensive consumption sectors, including crypto asset Mining activities. In response, ANDE created the Special Intensive Consumption Group, which controls the supply of high and medium voltage and imposes rate tariffs in effect until at least December 2027. While these tariffs have no impact on our current activities in Paraguay as our contract is with the local supplier CLYFSA as detailed above, they may be relevant to future new operations in that territory.

In July 2023, the Company entered into two power purchase agreements in Paraguay for up to 150 MW of hydro power until December 31, 2027: up to 50 MW in Villarrica, in close proximity to the Company's existing operations in Paraguay, and up to 100 MW in Yguazu, a new location close to the Itaipú dam, the third largest hydro-electric dam in the world. Hydro power at both locations will be provided by ANDE at a contracted cost of approximately \$0.039 per kWh, before VAT, until December 31, 2027, and is not subject to annual inflationary adjustments.]

Argentina

In 2021, the Company commenced the construction of a 56 MW data center in Argentina (Rio Cuarto - Cordoba). Construction concluded during Q3 2022, and the site started operations gradually by adding 10MW modules at a time until September 2023, when it became fully operational. The data center receives electricity from Generacion Mediterranea S.A. ("GMSA"), one of the subsidiaries of Grupo Albanesi. Grupo Albanesi is an Argentine private corporate group focused on the energy market which provides natural gas and electrical energy to its clients from its multiple data centers.

The terms of the electricity supplied by GMSA in Argentina are included in the Company's power contract, which establishes a rate of \$0.02 per kWh, up to a maximum amount of 1,103,760 megawatt hours per year. The annual maximum megawatt hours the Company can draw at \$0.02 per kilowatt hour is further subject to pro-rata adjustments based on the Company's actual power draw relative to the total 210 MW. The agreement stipulates that GMSA may provide the Company with power in excess of the 1,103,760 megawatt hours, or such adjusted quantity of megawatt hours based on the pro-rata calculation described above, at a price that will be negotiated by the Company and GMSA. The price to be negotiated between the Company and GMSA will likely be impacted by the cost of natural gas and currency exchange rates in Argentina, among other factors.

Valuation and Price Volatility of Cryptocurrencies.

The profitability of the Company's operations has been and will continue to be significantly affected by changes in the spot price of cryptocurrencies, specifically BTC. Cryptocurrency prices (and BTC prices in particular) are highly volatile, fluctuating due to numerous factors beyond the Company's control, including speculation and incomplete information, rapidly changing investor sentiment, changes in technology, regulatory changes, fraudulent or malicious actors, media coverage of cryptocurrency, inflation and political or economic events, as well as market acceptance and demand for cryptocurrency. The market price of one BTC, in the Company's principal market, ranged from approximately \$39,507 to \$106,141 during the year ended December 31, 2024 and ranged from approximately \$16,600 to \$44,700 during the year ended December 31, 2023. Although the Company partially hedges its investment in BTC, such hedging practices may not adequately protect the Company from BTC's price volatility and surrounding risks.

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19. RISK FACTORS (Continued)**Valuation and Price Volatility of Cryptocurrencies (Continued)**

Currently, the Company does not use a formula or specific methodology to determine whether or when it will sell BTC that it holds, or the number of BTC it will sell. Rather, decisions to hold or sell BTC are currently determined by Management by analyzing forecasts and monitoring the market in real time. Such decisions, however well-informed, may result in untimely sales and even losses, adversely affecting an investment in the Company.

If cryptocurrency spot prices decline and remain at low market levels for a sustained period while Network Difficulty does not decrease proportionally, the Company's results of operations and financial condition, as well as the trading price of the Company's common shares, could be materially adversely affected.

In addition, there have been a number of reforms to the regulation of the derivatives markets, both in the United States and internationally. These regulations, and any further changes thereto, or adoption of additional regulations, including any regulations relating to position limits on futures and other derivatives or margin for derivatives, could negatively impact the Company's ability to hedge its portfolio in an efficient, cost-effective manner by, among other things, potentially decreasing liquidity in the forward commodity and derivatives markets or limiting the Company's ability to utilize non-cash collateral for derivatives transactions.

Volatility may have an impact on the value of the Company's inventory of cryptocurrencies and could result in margin calls on the Company's long-term debt collateral BTC with NYDIG as described in Note 18 - *Long-term Debt* to the Financial Statements.

Third-party Supplier Risks.

The Company enters into contracts with a limited number of third-party suppliers to procure Mining hardware. If any of those suppliers is unable to or otherwise does not fulfill, or does not fulfill in a timely manner, its obligations to the Company for any reason (including, but not limited to, bankruptcy, computer or other technological interruptions or failures, personnel loss, negative regulatory actions, or acts of God) or engages in fraud or other misconduct during the course of such relationship, the Company may need to seek alternative third-party suppliers, or discontinue using certain Miners or otherwise alter its operations and may encounter delays. In addition, the Company may in the future be held directly or indirectly responsible, or be otherwise subject to liability, for actions or omissions of third parties undertaken in connection with the Company's arrangements with such third parties. Any such responsibility or liability in the future may have a material adverse effect on the Company's business, financial condition and results of operations.

Competing Blockchain Platforms or Technologies and Alternatives to Bitcoin.

The development and acceptance of competing blockchain platforms or technologies may cause industry participants and consumers to abandon BTC. As BTC is the only digital asset the Company mines, it could face difficulty adapting to emergent digital ledgers, blockchains or alternatives thereto. This could prevent the Company from realizing the anticipated profits from its investments. Such circumstances could have a material adverse effect on the Company's business, financial condition, results of operations and the value of any BTC mined or otherwise acquired or held for the Company's own account.

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(In U.S. dollars, except where otherwise indicated)

19. RISK FACTORS (Continued)**Bitcoin Halving Event.**

The BTC reward for solving a block is subject to periodic incremental halving. Halving is a process designed to control the overall supply and reduce the risk of inflation in BTC using a proof of work consensus algorithm. At a predetermined block, the Mining reward is cut in half, hence the term "halving". The BTC blockchain has undergone halvings three times since its inception. Most recently, in April 2024, the BTC Block Reward decreased from 6.25 to 3.125 BTC per block (a "BTC Halving"), and, consequently, the number of new BTC issued to Miners as a subsidy decreased to approximately 450 per day, excluding transaction fees.

A BTC Halving is scheduled to occur once every 210,000 blocks, or roughly every four years, until the total amount of BTC rewards issued reaches 21 million. Once 21 million BTC are generated, the network will stop producing more. The next BTC Halving is expected to occur around March 2028, at which time BTC Block Rewards will decrease from 3.125 BTC per block to 1.5625 BTC per block. While BTC prices have had a history of price fluctuations around BTC Halving events, there is no guarantee that the price change will be favorable or would compensate for the reduction in Mining reward and the corresponding decrease in the compensation the Company receives from the Mining Pool(s) in which it participates.

If BTC price and difficulty do not adjust to pre-BTC Halving profitability levels over time, or take longer than expected to adjust, there is a risk that a future BTC Halving will render the Company unprofitable for a sustained time period such that it could be unable to continue as a going concern.

Insolvency, Bankruptcy, or Cessation of Operations of Mining Pool Operator.

Over the past five years, Bitfarms has both mined independently and been a member of multiple third-party Mining Pool operators; however, as of the date hereof, the only Mining Pool operator that Bitfarms participates in is Foundry Pool. Consequently, the Company's operations are substantially reliant on Foundry USA Pool and the terms of services and other terms and conditions that govern its relationship with Foundry USA Pool. Foundry USA Pool has the right to unilaterally modify the service agreement between it and the Company at any time without notice. This includes the right to modify the payout methodology or Mining Pool fees.

Foundry USA Pool is owned indirectly by Digital Currency Group, which also owns Genesis Global Capital ("Genesis"). On January 19, 2023, Genesis filed for U.S. bankruptcy protection. In the event that Foundry USA Pool (or any other Mining Pool in which the Company participates) ceases making payments to Bitfarms for any reason, including bankruptcy, insolvency or cessation of its operations, or for no reason, or modifies its payout methodology or Mining Pool fees in a manner that is unattractive or unacceptable to Bitfarms, Bitfarms would expect to immediately cease contributing its Hash power to such Mining Pool operator and either: (i) join a different Mining Pool operator; or (ii) commence Mining without a Mining Pool operator. In the event that the Company is unable to make such a switch of its operations in a timely manner and its Mining operations experience significant down time, it may experience an adverse impact on its business, results of operations and financial condition.

As a control measure, monthly, the Company calculates the revenues it should earn based on its theoretical Hashrate and compares it to the payments the Company received from Foundry USA Pool. As of the date hereof, the Company has not identified any material discrepancies between its calculations and payments actually received from Foundry USA Pool. In the event that the Company identifies a material difference, the Company may have to engage in litigation and/or cease its relationship with Foundry USA Pool, either of which may have a material adverse effect on the Company.

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(In U.S. dollars, except where otherwise indicated)

19. RISK FACTORS (Continued)**Mining Pool Agreements Governed by Foreign Laws.**

The agreement between the Company and Foundry USA Pool is governed by the laws of the State of New York. Furthermore, the Mining Pool agreement contains an arbitration provision that requires any dispute arising out of or relating to the Company's agreement with Foundry Pool, or the breach thereof, to be finally resolved by arbitration before a single arbitrator in the City of New York, New York. The Company may be required to expend significant costs in order to undertake and complete any such arbitration, and there can be no guarantee of any successful outcome of such arbitration. Any such arbitration resulting in a decision unfavorable to Bitfarms may have an adverse impact on its business, results of operations and financial condition.

Indemnification of Mining.

Pursuant to the terms and conditions of the Foundry Pool to which the Company is subject, the Company has agreed to release, indemnify and hold Foundry Pool harmless from any and all losses, damages, and expenses, including reasonable attorneys' fees, rights, claims, actions of any kind and injury (including death), arising out of or relating to the Company's participation in Foundry Pool. In the event of any such losses, damages, or expenses, the Company may experience an adverse impact on its business, results of operations and financial condition.

Reliance on Manufacturing in Foreign Countries and the Importation of Equipment to the Jurisdictions in Which the Company Operates.

The Company relies on third party manufacturers in foreign jurisdictions for its Miners. As a result, the Company's business is subject to risks associated with doing business in such foreign jurisdictions, including, but not limited to: trade protection measures such as the imposition of or increase in tariffs, import and export licensing and control requirements; potentially negative consequences from changes in tax laws (both foreign and domestic); difficulties associated with transacting business with parties in a foreign jurisdiction, including increased costs and uncertainties associated with enforcing contractual obligations; and unexpected or unfavorable changes in other regulations and applicable regulatory requirements.

The U.S. has previously enacted and has proposed to enact new tariffs (or increases of existing tariffs) on certain items imported from other countries. Following their enactment other countries have previously enacted or have proposed to enact new tariffs on imports of U.S. goods. Subsequently, the U.S. and various countries subject to those tariffs have engaged in trade negotiations and, in some instances, agreed to suspend or terminate certain tariffs. It is uncertain whether additional treaties or other trade policies will be enacted or modified by the U.S. or any other government or trade organization in the future. Future changes by the U.S. and foreign governments to trade or investment policies, treaties and tariffs, as well as fluctuations in exchange rates, or the perception that any these changes could occur could adversely affect third party manufacturers on which the Company relies, as well as the future of the Company's relationships with those third-party manufacturers, which could have an adverse impact on the Company's business, financial condition and results of operations. In addition, actions by foreign markets to implement further trade policy changes, including limiting foreign investment or trade, increasing regulatory scrutiny or taking other actions that apply to the jurisdictions in which the Company operates or in which third parties with which the Company does business operate, could negatively impact the Company's business, financial condition and results of operations.

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(In U.S. dollars, except where otherwise indicated)

19. RISK FACTORS (Continued)**Cybersecurity Threats and Breaches.**

Threats to network and data security are increasingly diverse and sophisticated, and security breaches, computer malware and computer hacking attacks have been an increasing concern. Despite the Company's efforts and processes in place to prevent them, its computer servers and systems may be vulnerable to cybersecurity risks, including denial-of-service attacks, physical or electronic break-ins, employee theft or misuse and similar disruptions from unauthorized tampering. As techniques used to breach security change frequently and are generally not recognized until launched against a target, the Company may not be able to promptly detect that a cyber breach has occurred, implement security measures in a timely manner or, when implemented, it may not be able to determine the extent to which these measures could be circumvented.

Recent developments in the cyber threat landscape include the use of AI and machine learning, as well as an increased number of cyber extortion and ransomware attacks, with the potential for higher ransom demand amounts and increasing sophistication and variety of ransomware techniques and methodology.

Further, any adoption of AI by the Company or by third parties may pose new security challenges. A party who is able to compromise the security measures on the Company's networks or the security of its infrastructure could misappropriate the proprietary or sensitive information of the Company or employees, or cause interruptions or malfunctions in the Company's operations. Such a compromise could be particularly harmful to the Company's brand and reputation. The Company also may be required to expend significant capital and resources to protect against such threats or to alleviate problems caused by cyber breaches in its physical or virtual security systems. Any breaches that may occur in the future could expose the Company to increased risk of lawsuits, regulatory penalties, loss of potential customers, damage relating to loss of proprietary information, harm to the Company's reputation, and increases in security costs, which could have a material adverse effect on business, financial condition, and results of operations. The cybersecurity regulatory landscape continues to evolve and compliance with the proposed reporting requirements could further complicate the Company's ability to resolve cyber-attacks. While the Company currently does not maintain dedicated cyber risk insurance coverage, Company regularly evaluate the efficacy and commercial viability of such policies through our enterprise risk management framework, with formal reviews conducted annually. Comprehensive cyber risk coverage may be limited in availability, and even when implemented, may not fully cover all potential losses associated with cyber incidents.

BITFARMS LTD.

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19. RISK FACTORS (Continued)

Fraud and Failure of Cryptocurrency Exchanges, Custodians and Other Trading Venues.

Cryptocurrency market prices depend, directly or indirectly, on the prices set on exchanges and other trading venues. As compared to traditional securities, derivatives and currency exchanges, cryptocurrency exchanges, custodians and other trading venues are relatively new and, in most cases, largely unregulated, which may make them more susceptible to fraud and failure. The fraud and failure of several cryptocurrency platforms and other actors in the industry, including recent and ongoing bankruptcies of several large cryptocurrency exchanges in the second half of 2022 and into early 2023 (namely, FTX Trading Ltd., Celsius Network LLC, BlockFi, Voyager Digital Ltd., Three Arrows Capital, and Genesis Global Holdco LLC), has impacted and may continue to impact the broader cryptocurrency ecosystem, including the Company. In response to these events, the digital asset markets, including the market for BTC specifically, have experienced extreme price volatility and several other entities in the digital asset industry have been, and may continue to be, negatively affected, further undermining confidence in the digital asset markets and in BTC. These events have also negatively impacted the liquidity of the digital asset markets and, in turn, the market price of shares of companies in the cryptocurrency industry, including the Company, as certain entities affiliated with bankrupt cryptocurrency exchanges engaged in significant trading activity. If the liquidity of the digital asset markets continues to be negatively impacted by these events, digital asset prices (including the price of BTC) may continue to experience significant volatility and confidence in the digital asset markets may be further undermined. These and similar events are ongoing and may occur with respect to other participants in the digital asset ecosystem in the future to develop, and it is not possible to predict at this time all of the risks that such events may pose to the Company, its service providers, the other third parties with which it does business or the digital asset industry as a whole.

Although the Company had no direct exposure to any of the above-mentioned cryptocurrency companies (other than BlockFi prior to the repayment by the Company of indebtedness under its equipment financing arrangement with BlockFi, as discussed in this MD&A) nor any material assets that may not be recovered or may otherwise be lost or misappropriated due to the bankruptcies, the failure or insolvency of large exchanges may cause the price of BTC to fall and decrease confidence in the larger ecosystem, which could adversely affect an investment in the Company. Such market volatility has had a material and adverse effect on the Company's results of operations and financial condition, and the Company expects its results of operations to continue to be affected by the price of BTC as the results of its operations are significantly tied to the price of BTC.

These and similar events have had, and, in the future, may have, an adverse impact on the profitability of the Company's BTC Mining operations and the Company's financial condition and results of operations.

To the extent that cryptocurrency exchanges or other trading venues are involved in fraud or experience security failures or other operational issues in the future, cryptocurrency prices could be suddenly and adversely impacted. Furthermore, fraud or failure of the current and future custodians of the Company's BTC or exchanges can result in a direct loss of the Company's cryptocurrency and fiat currency assets, which loss may not be recoverable by the Company, whether under any insurance policies it has in place or otherwise.

19. RISK FACTORS (Continued)**Limited History of De-centralized Financial System.**

Compared to traditional and existing centralized financial systems, the cryptocurrency financial system is relatively new and has a limited history. Online cryptocurrency exchanges and trades therein operate with comparatively little regulation and are particularly susceptible to platform failures and fraudulent activities, which may have an adverse effect on the underlying prices of cryptocurrencies. In fact, many of the largest online cryptocurrency exchanges have been compromised by hackers.

Considering these and other factors, traditional banks and other banking institutions may limit or refuse the provision of banking services to businesses that supply cryptocurrencies as payment and may refuse to accept money derived from cryptocurrency-related businesses. This may make the establishment and management of bank accounts held by companies operating in the industry difficult or impossible. The Company has experienced and may in the future experience such banking challenges, which could have a material adverse effect on the Company's business, prospects or operations and potentially the value of any BTC or other cryptocurrencies the Company earns or otherwise acquires or holds for its own account.

Risk Related to Technological Obsolescence and Difficulty in Obtaining Hardware.

To remain competitive, the Company will continue to monitor the state of available technology and invest in hardware and equipment required for maintaining and, as applicable, enhancing its operations and services. The Company has in the past replaced, and, in the future, may be required to replace, obsolete hardware and software, which required, and, in the future, may require, substantial capital investments by the Company. There can be no assurance that Mining hardware will be readily available, whether at a price that is commercially acceptable to the Company or at all, when the need is identified. Moreover, there can be no assurance that new and unforeseeable technology, either hardware-based or software-based, will not disrupt the existing cryptocurrency industry. For example, the arrival of quantum computers, which are capable of solving certain types of mathematical problems fundamental to cryptocurrency more quickly and efficiently than traditional computers may have a significant effect on the cryptocurrency industry.

Cryptocurrency Network Difficulty and Impact of Increased Global Computing Power.

Network Difficulty is a measure of how difficult it is to solve the cryptographic hash that is required to validate a block of transactions and earn a cryptocurrency reward from Mining. As Mining companies produce more Hashrate and the BTC Network Hashrate is increased, the BTC Network Difficulty is adjusted upwards by requiring more Hashrate to be deployed to solve a block. Thus, Mining companies are further incentivized to grow their Hashrate to maintain or improve their chance of earning new BTC rewards. In theory, these dual processes should continually replicate themselves until the supply of available BTC is exhausted. In response, Mining companies have attempted to achieve greater Hashrate by deploying increasingly sophisticated, powerful and expensive Miners in ever greater quantities. If the price of BTC is not sufficiently high to allow the Company to fund its desired Hashrate growth, including through new Miner acquisitions, and if it is otherwise unable to access additional capital to acquire Miners, the Company's Hashrate may stagnate and fall behind its competitors, potentially resulting in a decline in its revenues, which would have a material adverse effect on the Company's results of operations and financial condition.

Additionally, the open-source structure of the BTC network protocol means the developers to the protocol are typically not directly compensated for their contributions in maintaining and developing the protocol. Failure to properly monitor and upgrade the BTC network protocol could damage the BTC network and could have a material adverse effect on the Company's business, financial position and results of operations, and could cause the market value of the Company's common shares to decline.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

19. RISK FACTORS (Continued)**Competition.**

The Company's businesses are in an intensely competitive industry, and the Company competes with other Mining companies, some of which have, or may in the future have, greater resources and experience. A fundamental property of Mining associated with many cryptocurrencies is that the computational complexity of the Mining algorithm increases over time. This factor, along with new industry entrants, price volatility and, with respect to BTC, any future BTC Halvings, may make certain cryptocurrencies relatively unprofitable to mine compared to others.

Regulation of cryptocurrency in certain jurisdictions has led some Mining companies to consider Paraguay as an attractive jurisdiction in which to operate, which may increase competition with the Company and its expansion efforts in Paraguay. Despite the Company's strategic planning and expected advantages over certain of its competitors, the Company may face unexpected competition in the form of new entrants in the marketplace. Such competition could erode the Company's expected market share and could adversely impact the Company's profitability. Increased competition could result in increased network computing resources and consequently increased hash difficulty.

If the award of coins for solving blocks and any related transaction fees are not sufficiently high, Mining companies may not have an adequate incentive to continue Mining and may cease their Mining operations. As the number of coins awarded for solving a block in the blockchain decreases, the incentive for Mining companies to continue to contribute processing power to the network may transition from a set reward to transaction fees.

In order to incentivize Mining companies to continue to contribute processing power to the network, the network may either formally or informally transition from a set reward to transaction fees earned upon solving for a block. This transition could be accomplished either by Mining companies independently electing to record on the blockchains they solve only those transactions that include payment of a transaction fee or by the network adopting software upgrades that require the payment of a minimum transaction fee for all transactions. If transaction fees paid for the recording of transactions in the blockchain become too high, the marketplace may be reluctant to accept the network as a means of payment, and existing users may be motivated to switch between cryptocurrencies or back to fiat currency. Decreased use and demand for BTC may adversely affect their value and result in a reduction in the market price of BTC, which could adversely impact the value of the Company's cryptocurrency holdings and investments. If miners choose to cease operations, there would be a reduction in collective processing power, which would adversely affect the confirmation process for transactions (i.e., decreasing the speed at which blocks are added to the blockchain until the next scheduled adjustment in difficulty for blockchain solutions) and make the network more vulnerable to a malicious actor or botnet obtaining control in excess of 50 percent of the processing power. Any reduction in confidence in the confirmation process or processing power of the network may adversely impact the Company's Mining activities, the value of its inventory of coins and future investment strategies.

Additionally, the Company may compete with companies in the power generation industry. New parties may offer wholesale electricity bundled with other products or at prices that are below the Company's rates. Other companies with which Bitfarms competes in power generation may have greater liquidity, greater access to credit and other financial resources, lower cost structures, more effective risk management policies and procedures, greater ability to incur losses or greater flexibility in the timing of their sale of generation capacity and ancillary services than Bitfarms does. Competitors may also have better access to subsidies or other out-of-market payments that put the Company at a competitive disadvantage.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

19. RISK FACTORS (Continued)**Competition.** (Continued)

The Company's competitors in the power generation industry may be able to respond more quickly to new laws or regulations or emerging technologies, or to devote greater resources to marketing of wholesale power than Bitfarms can. In addition, current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties. Accordingly, it is possible that new competitors or alliances among current and new competitors may emerge and rapidly gain significant market share. There can be no assurance that the Company will be able to compete successfully against current and future competitors in the power generation industry, and any failure to do so would have a material adverse effect on the Company's business, financial condition, results of operations and cash flow.

Uncertainty of acceptance and/or Widespread Use of Cryptocurrencies.

Currently, cryptocurrencies are not widely used in the retail and commercial marketplaces in comparison to purchases of overall cryptocurrencies worldwide. Cryptocurrency payment methods have not been widely adopted as a means of a payment for goods and services by major retail and commercial outlets. A significant portion of cryptocurrency demand may be attributable to speculation.

The failure of individuals to widely utilize currently available, and/or the failure of retail and commercial marketplaces to adopt, cryptocurrency payment methods may result in increased volatility and/or a reduction in market prices, either of which may adversely impact the market price of the Company's cryptocurrency holdings and the profitability of its Mining operations.

Emerging markets.

Investing in a company with operations in emerging markets entails certain inherent risks.

The Company conducts Mining operations in various jurisdictions, including in Argentina and Paraguay, which are emerging markets. Investing in a company with operations in emerging markets involves inherent risks, which may include: (i) expropriation or nationalization of property; (ii) changes in laws or policies or increasing legal and regulatory requirements of particular countries, including those relating to taxation, imports, exports, duties, currency, or other claims by government entities, including retroactive claims and/or changes in the administration of laws, policies and practices; (iii) uncertain political and economic environments, war, terrorism, sabotage and civil disturbances; (iv) lack of certainty with respect to legal systems, corruption and other factors that are inconsistent with the rule of law; (v) delays in obtaining or the inability to obtain or maintain necessary governmental permits or to operate in accordance with such permits or regulatory requirements; (vi) import and export regulations, including restrictions on the import of Miners and other equipment relevant to the Company's Mining operations; (vii) limitations on the repatriation of earnings and other forms of currency controls, monetary restrictions and limitations under economic policies; (viii) underdeveloped industrial or economic infrastructure; (ix) internal security issues; (x) increased financing costs; (xi) renegotiation, cancellation or forced modification of existing contracts; and (xii) risk of loss due to disease, and other potential medical endemic or pandemic issues, as a result of the potential related impact to employees, disruption to operations, supply chain delays, trade restrictions and impact on economic activity in affected countries or regions.

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(In U.S. dollars, except where otherwise indicated)

19. RISK FACTORS (Continued)**Emerging markets. (Continued)**

There can be no guarantee that one or more of the events described above will not occur in the future, and the impact of such event or events on the Company's operations cannot be accurately predicted at this time. The occurrence of one or more such events may have a material adverse effect on the Company's operations in the affected jurisdiction or jurisdictions, including, but not limited to, disruptions to its operations, the loss of property, unprofitability of its operations, protracted legal and regulatory proceedings, and other penalties or sanctions, which, in turn, may have a material adverse effect on the Company's overall business, financial condition and results of operations, and/or the trading price of the Company's shares.

The Company's operations in Argentina are subject to frequent and unpredictable changes in tax rates, capital controls, and foreign exchange restrictions, which may restrict or affect the profitability of the Company's operations.

The imposition and application of federal, provincial and other local taxation to which businesses located in Argentina are subject may change frequently and without notice. If any taxation authority takes a position or adopts an interpretation that differs from those adopted by the Company, the Company could become subject to unanticipated tax liabilities and cost increases, which could negatively affect its financial condition and results of operations.

For instance, in 2018, the government of Argentina introduced a decree imposing a temporary tax on all exports from Argentina. The tax was introduced as an emergency measure due to the significant devaluation of the Argentinean peso during 2018. In December 2019, the government of Argentina approved a law delaying a scheduled corporate tax rate decrease from 30% to 25% to the end of 2020, following which the government submitted a bill in order to maintain the 30% rate until the end of 2021 and to extend the temporary export tax introduced in September 2018 to the end of 2021. Furthermore, the decree suspended the increase in the dividend withholding tax from 7% to 13% until January 2021. In June 2021, the National Government passed an amendment to the corporate income tax rate, increasing it from a flat rate of 25% to a progressive scale, with a maximum rate of 35% for certain types of companies.

Changes in taxes, capital controls, and foreign exchange regulations in Argentina and the other jurisdictions in which the Company operates are beyond the Company's control. Increased tax rates, or the imposition of stricter capital controls or foreign exchange regulations, could increase the operating costs at the Company's data centers, prevent or restrict development and production at new or contemplated data centers and constrain the Company's ability to receive distributions from its subsidiaries in those jurisdictions.

Hazards Associated with the Operation of Power Generation Facilities, High-voltage Electricity Transmission and Industrial Operations.

The operations of the Company are subject to typical hazards associated with power generation, high-voltage electricity transmission and the supply of utilities to the data centers of the Company at an industrial scale. In particular, power generation involves hazardous activities, including acquiring, transporting and unloading fuel and operating large pieces of equipment. In addition to natural risks such as earthquakes, flood, lightning, hurricane and wind, other human-made hazards, such as nuclear accidents, dam failure, gas or other explosions, mine area collapses, fire, structural collapse, machinery failure and other dangerous incidents are inherent risks in the Company's operations. These and other hazards can cause significant personal injury or loss of life, severe damage to and destruction of property, plant, equipment, and transmission lines, contamination of, or damage to, the environment and suspension of operations.

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19. RISK FACTORS (Continued)**Hazards Associated with the Operation of Power Generation Facilities, High-voltage Electricity Transmission and Industrial Operations.**
(Continued)

Further, the Company's employees and contractors work in, and the general public may be exposed to, potentially dangerous environments at or near certain of the Company's operations. As a result, employees, contractors, and the general public are at risk for serious injury, including loss of life.

The occurrence of any one of these events may result in the Company being named as a defendant in lawsuits asserting claims for substantial damages, including for environmental cleanup costs, personal injury and property damage and fines and/or penalties. The Company maintains an amount of insurance protection that the Company considers adequate, but the Company cannot provide any assurance that its insurance will be sufficient or effective under all circumstances and against all hazards or liabilities to which the Company may be subject and, even if the Company does have insurance coverage for a particular circumstance, the Company may be subject to a large deductible and maximum cap. A successful claim for which the Company is not fully insured could hurt its financial results and materially harm its financial condition. Further, due to rising insurance costs and changes in the insurance markets, the Company cannot provide any assurance that its insurance coverage will continue to be available at all or at rates or on terms similar to those presently available. Any losses not covered by insurance could have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Increases in Commodity Prices or Reductions in the Availability of Such Commodities.

The Company uses and intends to continue using certain commodities in its current and future cryptocurrency Mining operations, including hydro-electricity, coal refuse, and natural gas. Unexpected, sudden or prolonged price increases in those commodities, whether as a result of geopolitical events, natural disasters or otherwise, have caused and, in the future, may cause a reduction in the Company's profits where beneficial fixed-priced contracts do not exist or unfavorable fixed-price contracts cannot be modified. There also may be curtailment in electricity or natural gas supply. In particular, recent geopolitical events have had an inflationary effect on the cost of natural gas, the duration and future magnitude of which are difficult to predict given the fluidity of the military conflict, the novelty of sanctions against Russia and the possibility of yet harsher sanctions as well as other related developments. The realization or continuation of any of the foregoing risks with respect to commodity prices could increase the Company's operating costs, reduce its profitability and, depending upon the duration and extent of the impact, have a material adverse effect on its financial condition.

Future Profits/Losses and Production Revenues/Expenses.

Further development and acquisitions of data centers, and the ongoing operation of the Company's existing data centers, will require additional capital to fund expenses. The Company's operating expenses and capital expenditures may also increase in future years as it adds consultants, personnel and equipment associated with the maintenance of its data centers and any other data centers the Company may acquire or develop, potentially leading to a decrease in the Company's profits if its revenues do not increase correspondingly. The Company may not be successful in obtaining the required financing for these or other purposes, including for general working capital.

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19. RISK FACTORS (Continued)

Natural or man-made events may cause power production to fall below expectations.

The Company's electricity generation depends upon its ability to maintain the working order of its coal refuse power generation facility. A natural or man-made disaster, severe weather such as snow and ice storms, or accident could impede the Company's ability to access the coal refuse that is necessary for its plant to operate, damage its transmission line preventing the Company from distributing power to the PJM grid and its Miners or require the Company to shut down its plant or related equipment, services and facilities. To the extent the Company experiences a prolonged interruption at its plant or a transmission outage due to natural or man-made events, the Company's electricity generation levels could materially decrease. The Company may also incur significant repair and clean-up costs associated with these events. The effect of the failure of the plant to operate as planned as described above could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may not be able to operate the power generation facility as planned, which may increase its expenses and decrease its revenues and have an adverse effect on its financial performance.

The Company's operation of the power generation facility, information technology systems and other assets and conduct of other activities subjects the Company to a variety of risks, including the breakdown or failure of equipment, plant downtimes and related maintenance costs, accidents, security breaches, viruses or outages affecting information technology systems, labor disputes, obsolescence, delivery/transportation problems and disruptions of fuel supply and performance below expected levels. These events may impact the Company's ability to conduct its businesses efficiently and lead to increased or unexpected costs, expenses or losses. Planned and unplanned outages at the Company's power generation facilities may require the Company to purchase power at then-current market prices to satisfy its commitments or, alternatively, pay penalties and damages for failure to satisfy them. Having to purchase power at then-market rates could also have a negative impact on the cost structure of certain of the Company's compute power operations dedicated to mining.

Although the Company maintains customary insurance coverage for certain of these risks, no assurance can be given that such insurance coverage will be sufficient to compensate the Company fully in the event losses occur and no assurance can be given that such insurance coverage will be maintained.

The Company is exploring using its beneficial ash to capture carbon, but there is no assurance that it will be able to monetize such opportunities.

The Company produces beneficial ash, as a byproduct of the combustion process in its two plants. Bitfarms is exploring opportunities in carbon capture to see if its beneficial ash can capture CO₂ from ambient air. Bitfarms is in the early stages of installing direct air capture pilot units at its Scrubgrass Plant, following prior lab-controlled testing by a third-party. The Company does not have sufficient data from its pilot unit to determine the amount of CO₂ that can be captured. The Company expects to incur additional costs and expenses with establishing and running its pilot program, and if the Company ultimately decides to expand the program, such costs and expenses may be material. The Company is also exploring opportunities to monetize its carbon capture process, including sales of carbon credits in the private market or applying for certain tax credits. However, the pilot program is in its early stages, and the Company cannot make any assurances as to how successful the program may be.

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19. RISK FACTORS (Continued)

The Company's contemplated carbon capture program is anticipated to be cash flow negative for the foreseeable future as the Company builds out the necessary infrastructure.

Such project could comprise a meaningful share of the Company's cash flow. The Company is not expecting to generate meaningful revenues from its contemplated carbon capture program until, at the earliest, late 2025 or 2026. In the interim, the Company will be incurring costs for the testing and development of the carbon capture infrastructure, including to see, if successful, whether the process is replicable on a larger scale. Although Bitfarms believes that the program could be profitable over time, there are numerous risks and uncertainties that make its timing and quantification difficult to accurately predict. The financial impact of the Company expending capital on these activities before realizing cash flows could negatively impact the Company's financial condition and operational results in future periods.

The Company's inability to qualify for, obtain, monetize or otherwise benefit from Section 45Q tax credits could materially reduce its ability to develop carbon capture and sequestration projects and, as a result, may adversely impact its business, results of operations and financial condition.

The Company's ability to successfully monetize its carbon capture program may depend on its ability to benefit from certain financial and tax incentives. In particular, on August 16, 2022, the Inflation Reduction Act ("IRA") was enacted in the United States, which, among other things, expanded opportunities to earn tax credits provided under Section 45Q of the Internal Revenue Code of 1986, as amended (the "Code" and such credits, "Section 45Q tax credits"), which generally provides a tax credit for qualified CO₂ that is captured using carbon capture equipment and disposed of in secure geological storage or utilized in a manner that satisfies a series of regulatory requirements. The availability or nature of any additional future guidance with respect to the Section 45Q tax credit, and the potential for any other legislative or regulatory changes, is not fully known and the tax law is subject to change and to regulatory guidance which may be unfavorable for the Company. The Company is exploring whether its carbon capture initiatives are eligible to qualify for Section 45Q tax credits. The earliest the Company would be in position to qualify for Section 45Q tax credits is 2025, or more likely, in 2026, if the Company is able to qualify for Section 45Q tax credits at all. Qualification for Section 45Q tax credits requires satisfaction of the applicable statutory and regulatory requirements, including, for example, that the Company use carbon capture equipment to capture qualified CO₂ and that the Company physically or contractually ensures the disposal of the qualified CO₂ in secure geological storage or, if the Company pursues the CO₂ utilization credit under Section 45Q of the Code, that it utilizes the qualified CO₂, and that such utilization is characterized and verified by a lifecycle analysis. The amount of Section 45Q tax credits from which the Company may benefit is dependent upon, among other things, its ability to satisfy certain wage and apprenticeship requirements, which the Company cannot assure you that it will satisfy. The Company cannot make any assurances that it will be successful in satisfying such requirements or otherwise qualifying for or obtaining the Section 45Q tax credits currently available or that it will be able to effectively benefit from such tax credits.

The Bitfarms management team has limited experience with carbon capture programs and initiatives.

Members of the Bitfarms management team have limited experience with carbon capture programs, initiatives, and the related and required infrastructure to develop such programs or initiatives. The Bitfarms management team may not successfully or efficiently manage the Company's carbon capture programs or initiatives. These new obligations to potentially develop and manage the Company's carbon capture programs and initiatives will require significant attention from the Bitfarms management team and other employees and could divert their attention away from the day-to-day management of other aspects of the business, which could adversely affect the Company's business and financial performance.

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19. RISK FACTORS (Continued)

The Company is dependent on third-parties, including consultants, contractors and suppliers to develop and advance its carbon capture program and initiatives, and failure to properly manage these relationships, or the failure of these consultants, contractors and suppliers to perform as expected, could have a material adverse effect on the Company's business, prospects or operations.

The Company currently relies on third-party consultants, contractors and suppliers to assist with the development of its carbon capture program and initiatives. The Company has no assurance that business interruptions will not occur as a result of the failure by these or consultants, contractors or suppliers to perform as expected. The Company cannot ensure that its consultants, contractors or suppliers will continue to perform services to its satisfaction or on commercially reasonable terms. The recent increased demand for carbon capture components and services may limit the supply of components that brokers may source for the Company. The Company's consultants, contractors or suppliers may also decline the Company's orders to fulfill those of the Company's competitors, putting the Company at competitive harm.

Further, resource constraints or regulatory actions could also impact the Company's ability to obtain and receive components needed to advance its carbon capture program and initiatives. If the Company's consultants, contractors or suppliers are not able to provide the agreed services at the level of quality and quantity Bitfarms requires, the Company may not be able to replace such consultants, contractors and suppliers in a timely manner. Any delays, interruption or increased costs could have a material adverse effect on the Company's business, prospects or operations.

Data Center Developments.

The continued development of existing and planned data centers is subject to risks that may cause such development plans to be delayed or otherwise adversely affected, including factors beyond the Company's control such as delays in the delivery or installation of equipment by suppliers, difficulties in integrating new equipment into existing infrastructure, shortages in materials or labour, defects in design or construction, diversion of Management resources, insufficient funding, or other resource constraints. Actual costs for development may also exceed the Company's planned budget. Delays, cost overruns, changes in market circumstances and other factors may result in different outcomes than those intended. If any development projects are delayed or more expensive than contemplated, the Company's operations may be adversely impacted, and the Company may not realize, or may be delayed in realizing, the benefits of such projects. See Note 7 - *Expansion Projects*, for a discussion of the status of the Company's various development efforts, including, in particular, in Argentina and Paraguay.

BITFARMS LTD.

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(In U.S. dollars, except where otherwise indicated)

19. RISK FACTORS (Continued)

The success of the Company's hosting business depends in large part on the Company's ability to attract customers in a profitable manner.

The success of the Company's hosting business depends in large part on the Company's ability to earn BTC and to attract customers in a profitable manner, which the Company may not be able to do if:

- there is a reduction in the demand for BTC causing the price of BTC to fall and the demand for the Company's hosted Mining solutions to be negatively impacted, reducing the Company's revenue;
- high energy costs, supply chain disruptions or government regulation compliance costs increase Mining costs and reduce revenue and profitability;
- the Company fails to provide competitive hosting terms or effectively market them to potential customers;
- the Company provides hosting services that are deemed by existing and potential customers or suppliers to be inferior to those of the Company's competitors, or that fail to meet customers' or suppliers' ongoing and evolving program qualification standards, based on a range of factors, including available power, preferred design features, security considerations and connectivity;
- the Company fails to successfully communicate the benefits of its services to potential customers;
- the Company is unable to provide services that its existing and potential customers desire; or
- either the Company or its customers are unable to secure an adequate supply of new generation digital asset Mining equipment to host with the Company.

The Company generates a meaningful share of its hosting revenue from a small number of customers, and the loss of, or a significant decrease in business from, a number of these customers and/or a failure to attract new customers could have a material adverse effect on the Company's business, financial condition, and results of operations.

To date, the Company has generated a significant share of its hosting revenue from a small number of customers. Any failure to meet customer expectations could result in the cancellation or non-renewal of hosting contracts and loss of associated revenue. Any event leading to the early termination of a hosting contract, including, but not limited to, customer bankruptcy or force majeure events that disrupt facility operations or damage customer Miners, could result in the loss of revenue associated with those contracts. If the Company were unable to offset lost revenue by refilling vacant capacity with other Miners in the case of hosting customer churn or by repossessing Miners in the case of hosting customer default, it could have a material adverse effect on the Company's business, financial condition, and results of operations.

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19. RISK FACTORS (Continued)**Share Price Fluctuations.**

The market price of the Company's common shares fluctuates significantly in response to several factors, most of which the Company cannot control and many of which have not necessarily been related to the operating performance, underlying asset values or prospects of the Company. The market price of the Company's common shares ranged from \$1.49 to \$3.61 on Nasdaq and CAD\$2.13 to CAD\$4.86 on the Toronto Stock Exchange from January 1, 2024, to December 31, 2024. Refer to "*Valuation and Price Volatility of Cryptocurrencies and Mining Equipment*" above for more details. Other factors that may impact the trading price of the Company's common shares include, but are not limited to:

- volatility in the price of Bitcoin;
- actual or anticipated fluctuations in the Company's results of operations and/or future prospects;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Company operates;
- addition to or departure of the Company's executive officers, directors, and/or other key personnel;
- additional sales or perceived sales of the Company's common shares;
- operating and financial performance that vary from the expectations of management, securities analysts, and investors;
- regulatory changes affecting the Company's industry generally and its business and operations;
- announcements of developments and other material events by the Company or its competitors;
- fluctuations to the costs of vital products and services used by the Company in its business;
- changes in global financial markets, global economies, and/or general market conditions, such as interest rates;
- significant acquisitions or business combinations, strategic partnerships, joint ventures, or capital commitments by or involving the Company or its competitors;
- litigation or regulatory action against the Company;
- news reports, investor speculation, social media, chat rooms, and other methods of information dissemination concerning trends, concerns, technological, or competitive developments, regulatory matters, and other related issues in the Company's industry or target markets;
- the level of short interest in the Company's stock; and
- current and future global economic, political, and social conditions.

In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation has often been brought against that company. The Company may become the subject of such litigation in the future, which litigation may be expensive to defend and may divert Management's attention and resources from the operation of the Company's business.

In addition, the Company must comply with the continued listing requirements of the Toronto Stock Exchange, Nasdaq or any other securities exchange on which its securities are listed in the future to avoid its securities being delisted. A delisting from the Toronto Stock Exchange and/or Nasdaq would result in the Company's common shares being eligible for quotation on the over-the-counter (OTC) market. The OTC's lower trading volumes, transaction delays and reduced security analyst and news media coverage could contribute to lower prices and larger spreads in the bid and ask prices for the Company's common shares.

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(In U.S. dollars, except where otherwise indicated)

19. RISK FACTORS (Continued)**Future Capital Needs, Uncertainty of Additional Financing and Dilution.**

As of December 31, 2024, the Company had cash of \$59.6 million, compared to \$84.0 million as of December 31, 2023. The Company expects to continue to depend upon selling BTC earned and in treasury and utilizing short-term debt, long-term debt and equity instruments to fund its ongoing expansion activities, operating expenses and debt service requirements. In connection with the Stronghold Transaction, the Company issued 59,866,852 common shares, and may, in its sole discretion, as part of future offerings, issue additional common shares and/or securities convertible into or exercisable for common shares from time to time subject to the rules of any applicable stock exchange on which the common shares are then listed and applicable securities law. The Company expects that it will need to raise additional capital in the future to fund more rapid expansion, respond to competitive pressures, acquire complementary businesses or technologies or take advantage of unanticipated opportunities, and it may seek to do so through public or private financing, strategic relationships or other arrangements. The ability of the Company to secure any required financing will depend in part upon prevailing capital market conditions and business success. There can be no assurance that the Company will be successful in its efforts to secure any additional financing on terms satisfactory to Management or at all. Even if such funding is available, the Company cannot predict the size of future issues of common shares or securities convertible into common shares or the effect, if any, that future issues and sales of common shares will have on the price of the Company's common shares.

If the Company raises additional capital through the issuance of equity securities, the percentage ownership of the Company's existing shareholders may be reduced, and such existing shareholders may experience additional dilution in net book value per share. Any such newly issued equity securities may also have rights, preferences or privileges senior to those of the holders of the common shares. If additional funds are raised through the incurrence of indebtedness, such indebtedness may involve restrictive covenants that impair the ability of the Company to pursue its growth strategy and other aspects of its business plan, expose the Company to greater interest rate risk and volatility, require the Company to dedicate a substantial portion of its cash flow from operations to payments on its indebtedness, thereby reducing the availability of its cash flow to fund working capital and capital expenditures, increase the Company's vulnerability to general adverse economic and industry conditions, place the Company at a competitive disadvantage compared to its competitors that have less debt, limit the Company's ability to borrow additional funds, and otherwise subject the Company to the risks discussed under "*Indebtedness*" below and heighten the possible effects of the other risks discussed in these risk factors. In connection with any such future capital raising transaction, whether involving the issuance of equity securities or the incurrence of indebtedness, the Company may be required to accept terms that restrict its ability to raise additional capital for a period of time, which may limit or prevent the Company from raising capital at times when it would otherwise be opportunistic to do so.

If adequate funds are not available on acceptable terms or at all, the Company may be unable to develop or enhance its business, take advantage of future opportunities or respond to competitive pressures, any of which could have a material adverse effect on the Company's business, financial condition and operating results.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

19. RISK FACTORS (Continued)**Indebtedness.**

The Company is party to various arrangements with short-term lenders as described in more detail in this MD&A, and the Company may become party to additional debt financing arrangements in the future. The Company's ability to generate and maintain a level of cash flows from operating activities to make scheduled payments on any debt obligations, or to refinance its debt obligations, will depend on, among other things, its future financial and operating performance, which is subject to prevailing economic and competitive conditions, and to various financial, business, regulatory and other factors, some of which are beyond the Company's control. If the Company is unable to fulfill its debt service obligations, it may be forced to reduce or delay capital expenditure or sell assets, seek additional capital or seek to restructure or refinance its indebtedness. Further, any such indebtedness may impair the Company's ability to obtain additional financing for working capital, capital expenditures, debt service requirements, restructuring, acquisitions or general corporate purposes.

In addition, any agreements governing the Company's debt obligations may contain financial covenants and covenants that restrict the Company's and its subsidiaries' ability to:

- incur additional indebtedness or issue equity securities;
- create liens on the Company's assets;
- pay dividends or make other equity distributions;
- repurchase the Company's equity securities;
- make certain investments;
- sell assets; and
- consolidate, merge, sell or otherwise dispose of all or substantially all the Company's assets.

As a result of any such restrictive covenants, the Company could be limited in the manner in which it conducts its business, and it may be unable to engage in favorable business activities or finance future operations or capital needs. In addition, debt instruments may contain affirmative covenant obligations (e.g., debt to equity ratios, EBITDA requirements, etc.) that may constrain the Company's financing opportunities and business activities. Any violation by the Company of any of such restrictive or affirmative covenants or failure by the Company to meet payment obligations (as was the case in early 2023 in respect of the Company's strategic decision to delay the making of principal and interest payments on its previously outstanding loan from BlockFi) could provide the lender with the ability to accelerate the maturity of the indebtedness and exercise a variety of remedies, including foreclosing on any collateral securing the debt. The occurrence of any such violation by the Company and the exercise by its lenders of remedies with respect to any such violation could have a material adverse effect on the Company's business, financial condition and results of operations.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

19. RISK FACTORS (Continued)**Hedges.**

The Company actively engages in hedging practices with respect to its cryptocurrency holdings to lessen the impact of BTC volatility on the Company's results of operations and financial condition and to optimize cryptocurrency monetization. Although the Company undertakes hedging activities on a risk adjusted basis, there can be no certainty that such activities will be profitable, and these activities could result in significant losses.

In addition, hedging practices involve transactions with third parties. Any settlement delay or failure, security breach, incurred cost or loss of digital assets associated with the use of a counterparty could materially and adversely affect the execution of hedging strategies and result in significant losses. Although the Company maintains rigorous controls on the implementation and monitoring of hedging strategies, including its involvement with counterparties, there can be no assurance that such controls will be effective or timely or sufficient in operation to avoid or even reduce losses.

Global Financial Conditions.

Global financial conditions over the last few years have been characterized by volatility, which has contributed to the bankruptcy of several financial institutions in the United States or the rescue thereof by governmental authorities. The continuation of such adverse economic conditions and other related factors may affect the ability of the Company to obtain equity or debt financing in the future on terms favorable to it, or at all, and may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such levels of volatility and market turmoil continue, the financial condition of the Company may suffer and the price of the Company's common shares may be adversely affected.

The Company currently engages in hedging practices with respect to its cryptocurrency holdings to lessen the impact of BTC volatility, and, in the future, the Company may enter into additional hedging transactions to mitigate its exposure to aspects of the economy or specific economic conditions that are particularly volatile, such as interest rates. Although hedging is expected to reduce the impact of these aforementioned risks, entering into hedging transactions may expose the Company to risks associated with such transactions. Hedging against a decline in the values of the Company's assets caused by interest rate risk or volatile BTC market prices does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline for other reasons.

Such hedging transactions may also limit the opportunity for gain if the values of the portfolio investments should increase. Moreover, it may not be possible to hedge against a particular fluctuation that is so generally anticipated by the markets that a hedging transaction at an acceptable price is unavailable. In light of these and other factors, the Company may not be successful in mitigating its exposure to volatile economic conditions through any hedging transactions it undertakes.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

19. RISK FACTORS (Continued)**Employee Retention and Growth.**

The Company depends on a number of key employees including, in particular, the members of the Company's Management, the departure, death, disability or other extended loss of services of any of whom, particularly with little or no notice, could cause delays on projects, frustrate the Company's growth prospects and have an adverse impact on the Company's industry relationships, project exploration and development programs, other aspects of its business and its financial condition, results of operations, cash flow and prospects. The Company has not historically purchased, and, in the future, does not expect to purchase, key person insurance on such individuals, which insurance would provide the Company with insurance proceeds in the event of their death.

The growth and development of the business of the Company also depends on its ability to attract and retain highly qualified management and Mining personnel while maintaining its corporate culture and technical standards. The Company faces competition for personnel from other employers. If the Company is unable to attract or retain qualified personnel as required, it may not be able to adequately manage and implement its business plan. There can be no assurance that the Company will be able to manage such growth effectively or that its Management, personnel or systems will be adequate to support the Company's operations.

Noise Pollution and Community Opposition.

The Company's Mining operations involve the use of a large number of high-powered Miners and cooling systems that generate significant noise. This noise can pose several risks to the Company's business including community complaints, reputational damage, litigation risk, regulatory risk, operational constraints, increased costs and opposition to expansion. These risks could lead to fines or penalties imposed by local governments, requirements to implement costly noise mitigation measures, restrictions on the Company's operating hours, reduction of scale of the Company's operations, stricter noise controls regulations on the Company's operations, potential shutdown of data centers that cannot meet local noise regulations, damages resulting from lawsuits and difficulty obtaining necessary permits and approvals for expanding existing data centers or establishing new site operations. While the Company strives to be a good corporate citizen and mitigate noise impacts where possible, the inherently noisy nature of large-scale cryptocurrency Mining operations presents ongoing risks to the Company's business that may negatively affect its financial condition and results of operations.

Land reclamation requirements may be burdensome and expensive.

The Company operates in partnership with the PADEP and local environmental authorities to reclaim coal refuse piles. Reclamation may include requirements to control dispersion of potentially deleterious effluents, treat ground and surface water to drinking water standards and reasonably re-establish pre-disturbance landforms and vegetation. To carry out reclamation obligations, the Company must allocate financial resources that might otherwise be spent on implementing the Company's business plan. If the costs associated with the Company's reclamation work are higher than anticipated, the Company's financial position could be adversely affected.

BITFARMS LTD.

Management's Discussion & Analysis

(In U.S. dollars, except where otherwise indicated)

19. RISK FACTORS (Continued)

Changes in tax credits related to coal refuse power generation could have a material adverse effect on the Company's business, financial condition, results of operations and future development efforts.

The profitability of the Company's operations at Scrubgrass and Panther Creek depends, in part, on the continued availability of state renewable energy tax credits offered by the Commonwealth of Pennsylvania, US through programs such as the one established under The Alternative Energy Portfolio Standards Act of 2004 or the Coal Refuse Energy and Reclamation Tax Credit Program established by Act 84 of July 13, 2016. These tax credit programs could be changed or eliminated as a result of state budget considerations or otherwise. Reduction or elimination of such credits could materially and adversely harm the Company's business, financial condition, results of operations and future development efforts.

The combustion of coal refuse at the Company's Scrubgrass and Panther Creek power generating facilities is subject to environmental, safety and energy transition risks that could result in significant liabilities and adversely impact the Company's business, financial condition and results of operations.

The Company's operations and use of coal refuse as feedstock at its power generating facilities, including the combustion, storage, and transportation of coal refuse, present a series of environmental and human health and safety risks. Such risks, including the accidental release of coal refuse and other materials into the environment, among others, may not be fully avoidable and could cause the Company to incur significant clean-up costs and liabilities. The Company may not be able to recover some or any of these costs from insurance. The Company's combustion of coal refuse is also subject to stringent federal, state and local laws and regulations governing air and water quality, hazardous and solid waste disposal and other environmental matters. Compliance with these requirements requires significant expenditures for the installation, maintenance and operation of pollution control equipment, monitoring systems and other equipment or facilities. Any policy initiatives or directives, either at the federal or state level, limiting the Company's ability to use coal refuse as feedstock at its Scrubgrass and Panther Creek power generating facilities could adversely impact the Company's operations and potentially reduce the extent of the Company's business, any of which could have a material adverse effect on the Company's business, results of operations and financial condition.

The availability and cost of emission allowances due to the cost of coal refuse could adversely impact the Company's costs of operations.

The Company is required to maintain, through either allocations or purchases, sufficient emission allowances for sulfur dioxide, CO₂ and NO_x to support the Company's operations in the ordinary course of operating its power generation facilities. These allowances are used to meet the obligations imposed on the Company by various applicable environmental laws. If the Company's operational needs require more than its allocated allowances, the Company may be forced to purchase such allowances on the open market, which could be costly. If the Company is unable to maintain sufficient emission allowances to match its operational needs, the Company may have to curtail its operations so as not to exceed its available emission allowances or install costly new emission controls. As the Company uses the emission allowances that it has purchased on the open market, costs associated with such purchases will be recognized as operating expense. If such allowances are available for purchase, but only at significantly higher prices, the purchase of such allowances could materially increase the Company's costs of operations in the affected markets.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

19. RISK FACTORS (Continued)**Environmental Regulations and Environmental Liability.**

The Company is subject to extensive environmental regulation by governmental authorities, including the US and Canadian federal, state, and provincial environmental agencies and attorneys general. The Company's operations may be subject to foreign, federal, state, provincial, and local laws and regulations, related to air and water quality, hazardous and solid waste disposal, and other environmental matters. The Company may incur significant additional costs beyond those currently contemplated to comply with these regulatory requirements. If the Company fails to comply with these regulatory requirements, the Company could be forced to reduce or discontinue operations or become subject to administrative, civil, or criminal liabilities and fines. Existing environmental regulations could be revised or reinterpreted, new laws and regulations could be adopted or become applicable to the Company or its facilities, and future changes in environmental laws and regulations could occur, including potential regulatory and enforcement developments related to air emissions, all of which could result in significant additional costs beyond those currently contemplated to comply with existing requirements. Any of the foregoing could have a material adverse effect on the Company's business.

The threat of climate change continues to attract considerable attention in the United States and foreign countries and, as a result, the Company's operations are subject to regulatory, political, litigation and financial risks associated with the use of fossil fuels, including coal refuse, and emission of GHGs. New or amended legislation, executive actions, regulations or other regulatory initiatives pertaining to GHG emissions and climate change could result in the imposition of more stringent standards and could result in increased compliance costs or costs of operations.

Failure to comply with such requirements could result in the shutdown of a non-complying facility, the imposition of liens, fines, and/or civil or criminal liability and/or costly litigation before the agencies and/or in state or federal court. Additionally, political, financial and litigation risks may result in the Company restricting, delaying or canceling the extent of its business activities, incurring liability for infrastructure damages as a result of climatic changes, or impairing the ability to continue to operate in an economic manner. The regulatory environment has undergone significant changes in the last several years due to state and federal policies affecting wholesale competition and the creation of incentives for the addition of large amounts of new renewable generation and, in some cases, transmission. Fuel conservation measures, alternative fuel requirements and increasing consumer demand for alternative energy sources (such as Pennsylvania's Tier I Alternative Energy Sources, including solar photovoltaic energy, wind power, and low-impact hydropower) that do not generally have the adverse environmental impact or regulatory scrutiny associated with the combustion of coal or other fossil fuels could also reduce demand for coal refuse power generation facility activities. The occurrence of one or more of these developments could have a material adverse effect on the Company's business, financial condition and results of operations.

Furthermore, crypto asset Mining has become subject to increased scrutiny regarding its energy consumption and impact on global emissions. In the future, the EPA or other regulatory authorities may propose and finalize additional regulatory actions that may adversely affect the Company's facilities, including its Scrubgrass and Panther Creek power generation facilities, or the Company's ability to cost-effectively develop any new generation facilities.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

19. RISK FACTORS (Continued)**Environmental Regulations and Environmental Liability.** (Continued)

Various environmental activist groups and non-governmental organizations have also lobbied for emissions and energy use monitoring and reporting requirements for crypto asset Mining companies or even more extensive regulation of the crypto asset Mining sector. These efforts have the potential to lead to increased regulatory burdens on the Company's Mining operations and cause the Company reputational harm by highlighting crypto asset Mining's impact, however proportionate or disproportionate compared to other economic sectors, on global emissions. The Company is unable to predict whether currently proposed legislation or regulatory initiatives will be implemented, but any action by the jurisdictions in which the Company operates to restrict, limit, condition, or otherwise regulate its power production or crypto asset Mining operations, as part of a climate change or energy transition policy initiative or otherwise, could adversely affect the Company's business, financial condition, and results of operations.

The Company ceased to qualify as an "emerging growth company" as of December 31, 2024, and is required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act.

Bitfarms was previously an "emerging growth company" as defined in the Jumpstart our Business Startups Act of 2012 and was able to take advantage of certain exemptions and relief from various reporting requirements that are applicable to other public companies that are not emerging growth companies. As an emerging growth company, Bitfarms was not required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"). However, Bitfarms ceased to qualify as an emerging growth company as of December 31, 2024.

As Bitfarms no longer qualifies as an emerging growth company, the exemption from the auditor attestation report requirements under Section 404(b) of the Sarbanes-Oxley Act no longer applies. Recent testing by Bitfarms conducted in connection with Section 404(b) of the Sarbanes-Oxley Act revealed a material weakness in its internal controls with respect to accounting for digital asset sales and warrants, which led to a restatement of the fiscal years ended December 31, 2023 and 2022 and the related management's discussion and analysis for the year ended December 31, 2023, as well as the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2024 and 2023. Subsequent testing by Bitfarms' independent registered public accounting firm conducted in connection with Section 404(b) of the Sarbanes-Oxley Act, may reveal further deficiencies in Bitfarms' internal control over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to Bitfarms' financial statements or identify other areas for further attention or improvement. Any material weaknesses in internal controls could cause investors to lose confidence in Bitfarms' reported financial information, which could have a negative effect on the trading price of Bitfarms common shares. In addition, preparation of the auditor's attestation report and the cost of compliance with reporting requirements that Bitfarms has not previously implemented have increased, and will continue to increase, Bitfarms' expenses and require significant management time, and investors may find Bitfarms common shares less attractive because of the additional compliance costs, which could have a negative impact on the trading price of Bitfarms common shares.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

19. RISK FACTORS (Continued)**The Company's business could be negatively impacted by unsolicited investor interest, takeover proposals, shareholder activism or proxy contests relating to the election of directors.**

On April 22, 2024, Bitfarms received an unsolicited proposal from Riot to acquire 100% of the issued and outstanding common shares of Bitfarms (the "Unsolicited Proposal"). A special committee of the Board, consisting solely of independent directors (the "Bitfarms Special Committee"), considered the Unsolicited Proposal and determined it significantly undervalued Bitfarms and its growth prospects. On June 24, 2024, the Unsolicited Proposal was withdrawn; however, Riot requisitioned a special meeting of Bitfarms shareholders (the "Bitfarms Special Meeting") for the purpose of replacing a majority of the Board with three of its nominees and initiated a hearing before the Capital Markets Tribunal of the Ontario Securities Commission. On September 3, 2024, Riot amended its requisition, instead seeking to replace two members of the Board with two of its nominees at the Bitfarms Special Meeting and also threatened litigation.

On September 23, 2024, Bitfarms entered into a settlement agreement (the "Settlement Agreement") with Riot, pursuant to which, among other things, Riot agreed to withdraw its June 24, 2024 requisition and to accept customary standstill provisions through Bitfarms' 2026 annual meeting, subject to certain exceptions, and Bitfarms agreed to make certain changes to its Board, including the resignation of an existing director, the appointment of a nominee of the investor to the Board and the governance and nominating and compensation committees of the Board, and to seek approval from the Bitfarms shareholders at the Bitfarms Special Meeting to, among other things, expand the Board from five to six members and elect an independent director nominated by the Board to serve as the sixth member of the Board. Bitfarms also provided Riot with certain rights (subject to certain exceptions) to purchase shares of Bitfarms, provided the investor holds 15% or more of the outstanding Bitfarms common shares.

The events surrounding the Unsolicited Proposal, Bitfarms Special Meeting, Settlement Agreement and related circumstances and Bitfarms' responses thereto required significant time and attention by Bitfarms' management team and Board and required Bitfarms to incur significant legal and advisory fees and expenses. In the future, similar actions taken by third parties, including unsolicited takeover proposals, the initiation of proxy contests and litigation by adverse parties could disrupt Bitfarms' business, distract Bitfarms from efforts to improve its business, cause Bitfarms to incur substantial additional expenses, create perceived uncertainties as to Bitfarms' future direction and result in significant fluctuations in the price of Bitfarms common shares, all of which could harm Bitfarms' business and materially and adversely affect its results of operations.

Significant costs and demands upon Management and accounting and finance resources as a result of complying with the laws and regulations affecting public companies.

As a public company, the Company incurs significant administrative, legal, accounting and other burdens and expenses beyond those of a private company, including public company reporting obligations and Toronto Stock Exchange and Nasdaq listing requirements. In particular, the Company has needed, and continues to need, to enhance and supplement its internal accounting resources with additional accounting and finance personnel with the requisite technical and public company experience and expertise to enable the Company to satisfy such reporting obligations.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

19. RISK FACTORS (Continued)**Expense and impact of restatement of the Company's historical financial statements.**

Bitfarms determined that the consolidated financial statements as at and for the fiscal years ended December 31, 2023 and 2022 and the related management's discussion and analysis for the year ended December 31, 2023, as well as the unaudited interim condensed consolidated financial statements as at September 30, 2024 and for the three and nine months ended September 30, 2024 and 2023 and the related management's discussion and analysis for the three and nine months ended September 30, 2024, should be restated (the "Restatement") in response to the SEC staff's comments and to: (a) correct a material error in the statement of cash flows by reclassifying proceeds from the sales of digital assets from cash flows from operations to cash flows from investing activities; and (b) correct errors identified in the Company's accounting for the 2023 exercises of warrants issued in connection with a private placement financing in 2023, resulting in an increase in the share capital and net financial expenses. For more information, see Section *Management's Report on Internal Controls over Financial Reporting* to the Financial Statements. It is difficult to predict all of the ramifications to the Company from the Restatement. The restatement process was time and resource-intensive and involved substantial attention from management and significant costs and expenses, including for professional advisors assisting with the Restatement.

Although the Restatement is now completed, it is possible that the Company will receive inquiries from the SEC, Canadian securities regulators, TSX and/or Nasdaq regarding the restated financial statements or related matters, which could consume a significant amount of resources and could cause shareholders, investors and business partners to lose confidence in the accuracy and completeness of the Company's financial statements, which may cause the market price of the Company's common shares to decline. Moreover, many companies that have been required to restate their historical financial statements have experienced volatility in stock prices and declines in stock prices and shareholder lawsuits, which can be expensive to defend and divert Management attention and resources. The Company may suffer similar consequences as a result of the Restatement.

Lack of Comprehensive Accounting Guidance for Cryptocurrencies under IFRS Accounting Standards.

Because there has been limited precedent set and a lack of specific accounting guidance for cryptocurrencies under certain applicable accounting standards, including, among other things, revenue recognition, it is unclear how BTC miners (in particular, non-U.S. companies like the Company that utilize IFRS Accounting Standards) may be required to account for cryptocurrency operations, transactions and assets and related revenue recognition. A change in regulatory or financial accounting standards, or interpretations thereof by the SEC, particularly as they relate to the Company and the financial accounting of its BTC-related operations, could result in changes in the Company's accounting policies. Further, unlike in the case of U.S. generally accepted accounting principles where the Financial Accounting Standards Board has recently issued ASU 2023-08, which addresses the accounting and disclosure requirements for certain crypto assets, no similar guidance has yet been issued in respect of IFRS Accounting Standards.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

19. RISK FACTORS (Continued)**Lack of Comprehensive Accounting Guidance for Cryptocurrencies under IFRS Accounting Standards. (Continued)**

In addition, the accounting policies of many BTC Mining companies are being subjected to heightened scrutiny by regulators and the public. More specifically, the Company had previously received comments from the staff of the SEC's Division of Corporation Finance Office of Crypto Assets on the financial statements included in the Company's annual reports on Form 40-F for the years ended December 31, 2022 and 2023 filed with the SEC, which comments focused on the accounting of the Company's BTC-related operations.

It is possible that, as a result of the SEC's determinations as to the application of the relevant IFRS Accounting Standards, the Company could be obligated in the future to further restate historical financial statements. In connection with any such restatement, as well as the Restatement, the market price of the Company's common shares could be adversely affected, and the Company could become subject to private litigation or to investigations or enforcement actions by the SEC or other regulatory authorities, all of which could require the Company's expenditure of additional financial and management resources. Furthermore, any continued uncertainty with regard to financial accounting matters, particularly as they relate to the Company, the financial accounting of its BTC-related operations and the SEC comments the Company has previously received in respect of such matters, could negatively impact the Company's business, prospects, financial condition and results of operations and its ability to raise capital on terms acceptable to the Company or at all.

Internal Control Material Weakness.

Under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings and Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), the Company is required to document and test its internal control procedures and prepare annual management assessments of the effectiveness of the Company's internal control over financial reporting. The Company's assessments must include disclosure of identified material weaknesses in its internal control over financial reporting. The Company's independent registered public accounting firm must also attest to the effectiveness of the Company's internal control over financial reporting. The existence of one or more material weaknesses could affect the accuracy and timing of the Company's financial reporting. Testing and maintaining internal control over financial reporting involves significant costs and could divert management's attention from other matters that are important to the Company's business. Additionally, the Company may not be successful in remediating any deficiencies that may be identified.

Management identified a material weakness in the effectiveness of the Company's ICFR for each of the years ended December 31, 2021, 2022, 2023 and 2024 related to controls over accounting for complex transactions. For more information, including a description of the remediation efforts that the Company believes are required to address the identified material weakness, refer to the "Disclosure Controls and Procedures" and "Internal Control over Financial Reporting" sections in this MD&A. The Company cannot assure investors that the measures the Company has taken or, in the future, will take will in fact be sufficient to remediate the control deficiencies that led to the material weakness in its ICFR or that such measures will prevent or avoid potential future material weaknesses, and the Company's current controls and any new controls that it develops may become inadequate because of changes in conditions in the Company's business. Further, additional weaknesses in the Company's ICFR may be discovered in the future.

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(In U.S. dollars, except where otherwise indicated)

19. RISK FACTORS (Continued)**Internal Control Material Weakness. (Continued)**

If the Company is unable to remediate its material weakness or any future material weaknesses and otherwise implement and maintain effective ICFR, there may be material misstatements in the Company's consolidated financial statements, the Company may be unable to comply with its reporting obligations on a timely basis, or the Company may fail to prevent or detect fraud. In any such case, the price of the Common Shares could be negatively impacted, and the Company could be unable to raise additional capital on terms acceptable to Management or at all. The lack of effective internal controls could thus materially adversely affect the Company's financial condition and ability to implement the Company's business plan.

Even if the Company were to conclude in the future that its ICFR provides reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS Accounting Standards, because of its inherent limitations, ICFR may not prevent or detect all instances of fraud or misstatements. Regardless of how well designed and operated a control system may be, it can only provide reasonable, not absolute, safeguards with respect to the reliability of financial reporting and financial statement preparation.

Political and Regulatory Risk.

The Company's primary properties and assets are subject to changes in political conditions and regulations within the Province of Quebec, Canada, the United States (including, in particular, the States of Washington and Pennsylvania), Paraguay and Argentina. Changes, if any, in Mining or investment policies or shifts in political attitude could adversely affect the Company's operations or profitability. Operations have been and, in the future, may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on price controls, currency remittance, income taxes, consumption taxes, foreign investment, maintenance of claims, environmental matters, land use, electricity use and safety, as well as buying and selling cryptocurrency and other transactions involving cryptocurrency. See section 7b - *Argentina Expansion*, for a discussion of recent changes in the Argentine regulatory environment that have adversely affected, and are currently adversely affecting, the Company's ability to pursue its expansion plans in Argentina. For example, cryptocurrency Mining involves considerable computing power, which is likely to increase. This computing power necessitates a high consumption of energy. Although a portion of the Company's energy costs are determined and controlled by various regulators, there is no certainty that any relevant regulator will not raise energy tariffs, which may reduce the profitability of Mining cryptographic currencies.

In the future, Canada, the United States, Paraguay and/or Argentina may also curtail or outlaw the acquisition, use or redemption of cryptocurrencies. Governments may also take regulatory action that may increase the cost, and/or subject cryptocurrency companies to additional regulation or prohibit or severely restrict the right, to acquire, own, hold, sell, use or trade cryptocurrencies or to exchange cryptocurrencies for fiat currency. By extension, future government actions may result in unfavorable conditions relating to the liquidity of and value of an investment in the Company's common shares, such as restrictions on the acquisition, ownership, holding, selling, use or trading in the Company's common shares or in the securities of companies in the Mining industry. Any such unfavorable conditions could result in the Company liquidating its cryptocurrency inventory at unfavorable prices and may adversely affect the Company's shareholders.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

19. RISK FACTORS (Continued)**Political and Regulatory Risk. (Continued)**

Ongoing and future regulatory changes or actions may alter the nature of an investment in the Company or restrict the use of cryptocurrencies in a manner that adversely affects the Company's operations. For example, novel or unique assets such as BTC and other digital assets may be classified as securities if they meet the definition of investment contracts under applicable securities laws. In recent years, the offer and sale of digital assets other than BTC, most notably Kik Interactive Inc.'s Kin tokens and Telegram Group Inc.'s TON tokens, have been deemed to be investment contracts by the U.S. Securities and Exchange Commission (the "SEC"). While the Company believes that BTC is unlikely to be considered an investment contract and, thus, the BTC it holds is unlikely to be considered a security under the investment contract definition, the Company cannot provide any assurances that digital assets that it earns or otherwise acquires or holds for its own account, including BTC, will never be classified as securities under applicable securities laws. If BTC is considered a security, the Company may be required to register as an investment company under the U.S. Investment Company Act of 1940, as amended (the "1940 Act"), and comply with other requirements applicable to investment companies, which would, in turn, cause the Company to incur significant expenses, thereby materially and adversely impacting an investment in the Company. In addition, registration as an investment company may not be possible under the 1940 Act or may require meaningful corporate changes to effectuate, which, in turn, may have a material adverse effect on the Company's business, financial condition and results of operations. The effect of any future such regulatory change on the Company or any cryptocurrency that the Company may earn is impossible to predict, but any such change could be substantial and adverse to the Company.

The attitude toward and regulations applicable to foreign investment and the cryptocurrency Mining industry in each of the jurisdictions in which the Company operates may also change, including changes that are adverse, rapid and unexpected. The Company's operations may be affected in varying degrees by government regulation with respect to restrictions on production, price controls, export and import controls, foreign exchange controls, income taxes, consumption taxes and environmental legislation, depending upon the nature of any such government regulation.

In Canada, the Budget Implementation Act, Bill c.47, implements certain tax measures which include restricting the ability of cryptocurrency Mining companies to claim back the consumption taxes they incur on purchases of goods and services made in Canada and imports into Canada. As currently enacted, the legislation imposes restrictions on the Company's ability to claim back its consumption taxes, namely the Goods and Services Tax, Harmonized Sales Tax and Quebec Sales Tax, which apply at combined rates from 5% to 14.975% on the cost of goods and services, could significantly add to the Company's ongoing operating costs and the costs of its capital expenditures and imports into Canada. The Company does not currently accrue for the recovery of these taxes. The Company is currently in discussions with Canadian tax authorities to determine whether the exemption provisions included in the legislation are applicable to relieve the Company of this potential financial burden. The timing for resolution of those discussions as well as the likelihood of a favorable outcome to the Company is currently unknown.

BITFARMS LTD.**Management's Discussion & Analysis**

(In U.S. dollars, except where otherwise indicated)

19. RISK FACTORS (Continued)**Political and Regulatory Risk. (Continued)**

Similarly, various branches, departments and agencies of the federal government in the U.S. as well as certain U.S. state governments have enacted legislation and/or regulations, solicited comments and initiated procedures to consider further regulating cryptocurrency and Mining operations, including through proposed taxes on Mining operations and policy statements and guidance to companies in the cryptocurrency industry, as well as third parties that do business with those companies. The Company will continue to monitor for developments in U.S. federal and state-level legislation, guidance or regulations applicable to the Company and its operations.

Further, the global supply of Miners is unpredictable and presently heavily dependent on manufacturers from Asia. The Company currently utilizes several types of Miners as part of its Mining operations, all of which are produced in Asia. Geopolitical matters may impact the Company's ability to import Miners in the future, and the Company may not be able to obtain adequate replacement parts for its existing Miners or obtain additional Miners from manufacturers in other jurisdictions on a timely basis.

Given the difficulty of predicting the outcomes of ongoing and future regulatory actions and legislative and geopolitical developments, it is possible that any legislative, regulatory or geopolitical change could have a material adverse effect on the Company's business, prospects or operations, the magnitude and duration of which cannot be predicted.

Permits and Licenses.

The current and future operations of the Company, including development activities and Mining operations on its properties, may require permits from various federal, provincial or territorial and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, exports, taxes, labour standards, occupational health, and other matters. There can be no assurance that all permits which the Company may require for its operations will be obtained on reasonable terms, on a timely basis, or at all, or otherwise maintained or that applicable laws and regulations will not have an adverse effect on any Mining projects or related activities that the Company might undertake.

Server or Internet Failures.

At any time, the servers or central processing units utilized by the Company could experience a severe malfunction and/or collapse. Although the Company works to reduce this risk by employing a team of experts with many years of experience in building and managing data centers as well as a hardware team that focuses, among other things, on Miner repair and the daily evaluation of the technical condition of the data centers that the Company operates, including through software (developed by its management) that facilitates, among other things, control, management and reporting of malfunctions in real time or any server crashes or failures, even if quickly addressed, may interrupt the Company's operations and cause significant economic harm to the Company.

In addition, Internet disruptions or failures may adversely affect the Mining and use of cryptocurrencies, including BTC. Generally, cryptocurrencies and the Company's business of Mining BTC are dependent upon the Internet. A significant disruption or failure of Internet connectivity, including of the Company's backup Internet connection, could disrupt the network operations of cryptocurrencies until the disruption is resolved and have an adverse effect on the price of BTC and the Company's ability to mine BTC.

19. RISK FACTORS (Continued)

Emerging Legislation and Scrutiny Regarding Human Rights Issues.

Emerging legislation in multiple jurisdictions is intensifying investor, stakeholder and public scrutiny on human rights issues that include, among other matters, forced labour, child labour and other slavery-like practices; displacement of local communities; discrimination by race, age, gender, sexuality and other protected attributes; and underpayment for labour or services provided. Although the Company does not tolerate slavery, forced labor, or human trafficking in any form and will not knowingly work with third-parties who engage in these practices or permit their subcontractors to engage in these practices, the Company conducts business on a global scale and interacts with a number of different parties. Accordingly, the failure to identify and respond to human rights issues can lead to costly and disruptive legal action, investor divestment, negative publicity, reputational damage and significant financial loss.

In force since January 1, 2024, Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act introduces a statutory requirement to report on the steps taken by in-scope entities, including the Company, to prevent and reduce the risk that forced labour or child labour is used at any step in the production of goods in Canada or goods that are imported into Canada. Although the Company does not anticipate that this legislation will have a material impact on its operations, it is impossible to predict how additional legislation or increased scrutiny from human rights groups regarding the cryptocurrency industry and related supply chains may affect the Company going forward, particularly in the complex socio-economic and socio-political jurisdictions in which the Company conducts its business.

The Company is committed to protecting human rights and has adopted a Code of Business Conduct and Ethics, along with other policies, to support such commitment, including its own Vendor and Suppliers Due Diligence process in order to mitigate third party-risks. Such policies and procedures may not minimize or prevent human rights issues. Any future failure to identify and respond to human rights issues, despite our efforts, may lead to costly and disruptive legal action, investor divestment, negative publicity, reputational damage and significant financial loss.

Erroneous Transactions and Human Error.

Cryptocurrency transactions are irreversible. Improper or compromised transfers are also generally irreversible and irrevocable. Such errors may be the result of computer or human error despite internal controls the Company has adopted to mitigate this risk. To the extent that the Company is unable to seek a corrective transaction with the third party or is incapable of identifying the third party that has received the Company's cryptocurrencies through error or theft, the Company will be unable to revert or otherwise recover incorrectly transferred cryptocurrencies. The Company may also be unable to convert or recover cryptocurrencies transferred to uncontrolled accounts.

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19. RISK FACTORS (Continued)**Erroneous Transactions and Human Error. (Continued)**

The use of cryptocurrencies to, among other things, buy and sell goods and services and complete other transactions is part of a new and rapidly evolving industry that employs digital assets based upon a computer-generated mathematical and/or cryptographic protocol. The growth of this industry in general, and the use of cryptocurrencies in particular, is subject to a high degree of uncertainty, and the slowing or stopping of the development or acceptance of developing protocols may adversely affect Bitfarms' operations. The factors affecting the further development of the industry, include, but are not limited to:

- Continued worldwide growth in the adoption and use of cryptocurrencies;
- Governmental and quasi-governmental regulation of cryptocurrencies and their use, or restrictions on or regulation of access to and operation of the network or similar cryptocurrency systems;
- Changes in consumer demographics and public tastes and preferences;
- The maintenance and development of the open-source software protocol of the network;
- The availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- General economic conditions and the regulatory environment relating to digital assets; and
- Negative consumer sentiment and perception of BTC specifically and cryptocurrencies generally.

Insurance risks.

Where considered practical to do so, the Company maintains, and intends to continue maintaining, insurance against risks in the operation of its business and in amounts that it believes to be reasonable. Such insurance, however, contains, and may in the future contain, exclusions and limitations on coverage. There can be no assurance that such insurance will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any resulting liability. The novelty of the cryptocurrency industry has impaired and may continue to impair the ability of the Company to acquire adequate insurance coverage for risks associated with its operations. The occurrence of an event that is not covered, in full or in part, by insurance may cause substantial economic damage to the Company. In some cases, such as with respect to environmental risks, coverage is not available or considered by Management to be too expensive relative to the perceived risk.

The Company's BTC, which is held in custody by Coinbase Custody and Anchorage Digital, is not insured. Although Coinbase Custody maintains an insurance policy of \$100.0 million for its cold storage and Anchorage Digital maintains an insurance policy of an aggregate of \$100.0 million for its cold and hot storage, the full limits of those policies may not be available to the Company or, if available, may not be sufficient to make the Company whole for any BTC that are lost or stolen from the Company's accounts. Therefore, a loss may be suffered with respect to the Company's BTC that is not covered by insurance and for which no person is liable in damages.

Any losses incurred by the Company that are not adequately covered by insurance or for which insurance coverage is not available or has not been obtained could adversely impact the Company, including its financial condition and results of operations.

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19. RISK FACTORS (Continued)**Corruption.**

Fraud, bribery and corruption are more common in some jurisdictions than in others. Doing business in international developing markets brings with it inherent risks associated with enforcement of obligations, fraud, bribery and corruption. The Company currently has operations in Argentina and Paraguay, which are jurisdictions perceived as having relatively high levels of corruption. While the Company uses its best efforts to prevent the occurrence of fraud, bribery and corruption, it may not be possible to detect or prevent every instance of fraud, bribery and corruption in every jurisdiction in which its employees, agents or contractors are located. The Company may therefore be subject to civil and criminal penalties and to reputational damage if any fraud, bribery or corruption is perpetrated by or on behalf of the Company.

Instances of fraud, bribery and corruption, and violations of laws and regulations in the jurisdictions in which the Company operates could have a material adverse effect on its business, prospects, financial condition or results of operations. In addition, as a result of the Company's anti-corruption policies and other safeguards, there is a risk that the Company could be at a commercial disadvantage and may fail to secure contracts within jurisdictions that have been allocated a low score on the Corruption Perceptions Index, to the benefit of other companies who may not have or comply with such anti-corruption safeguards.

U.S. Foreign Corrupt Practices Act and Similar Legislation.

The Foreign Corrupt Practices Act (United States), the Corruption of Foreign Public Officials Act (Canada) and anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business or other commercial advantages. The Company's policies mandate compliance with applicable anti-bribery laws, which laws, if violated, often provide for the levy of substantial penalties against offending parties. The Company operates in jurisdictions that have experienced governmental and private sector corruption to varying degrees, and, in certain circumstances, strict compliance with anti-bribery laws may conflict with certain local customs and practices. There can be no assurance that the Company's internal control policies and procedures will always protect it from reckless or other inappropriate acts committed by the Company's affiliates, employees, agents or companies acquired by or merged with the Company. Violations of these laws, or allegations of such violations, could have a material adverse effect on the Company's reputation, as well as its business, financial position and results of operations, and could cause the market value of the Company's common shares to decline. Investigations by governmental authorities could also have a material adverse effect on the business, consolidated results of operations and consolidated financial condition of the Company.

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19. RISK FACTORS (Continued)**U.S. Foreign Corrupt Practices Act and Similar Legislation. (Continued)**

The Company has policies in place to minimize the risk of corruption or bribery, which includes enforcement of policies against giving or accepting money or gifts in certain circumstances; namely the Company's Code of Business Conduct and Ethics, Anti-Bribery and Anti-Corruption Policy and Whistleblower Policy. The Company uses its best efforts to prevent the occurrence of fraud, bribery and corruption, but it may not be possible to detect or prevent every instance of fraud, bribery and corruption in every jurisdiction in which its employees, agents or contractors are located. The Company, or any of its employees or contractors, could be charged with bribery or corruption as a result of the actual or perceived unauthorized actions of its employees or contractors. If the Company is found guilty of such a violation, which could include a failure to take effective steps to prevent or address corruption by its employees or contractors, the Company could be subject to onerous penalties and reputational damage. A mere investigation could lead to significant corporate disruption, high legal costs and forced settlements (such as the imposition of an internal monitor). Any government investigations or other allegations against the Company or its directors, officers, employees or contractors, or a finding of involvement in corruption or other illegal activity by such persons, could significantly damage the Company's reputation and its ability to do business and could have a material adverse effect on the Company's business, results of operations and financial condition.

Political Instability.

The Company operates in multiple jurisdictions, including in geographic regions which may be subject to a greater risk of political instability, geopolitical upheaval and social unrest. The Company's ability to carry on its business in the normal course may be adversely affected by political and economic considerations such as civil unrest, war (including in neighbouring states), terrorist actions, labour disputes, corruption, sovereign risk (including coup d'état), political instability, the failure of foreign parties or governments to honour contractual relations, consents, rejections or waivers granted, changing government regulations with respect to cryptocurrency Mining, including environmental requirements, taxation, foreign investments, income repatriation and capital recovery (which changes may be arbitrary and with little or no notice), severe fluctuations in currency exchange and inflation rates, import and export restrictions, problems renewing licenses and permits, opposition to cryptocurrency Mining from non-governmental organizations, increased financing costs, instability due to economic under-development, inadequate infrastructure and the expropriation of property interests. The occurrence of any of the foregoing could result in conditions that have a material adverse impact on the Company and its operations.

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19. RISK FACTORS (Continued)**Potential of Bitfarms Being Classified as a Passive Foreign Investment Company.**

Generally, if for any taxable year 75% or more of the Company's gross income is passive income, or at least 50% of the average quarterly value of the Company's assets are held for the production of, or produce, passive income, the Company would be characterized as a passive foreign investment company ("PFIC") for U.S. federal income tax purposes. The Company does not believe it was a PFIC for 2023 and does not expect to be a PFIC for 2024. However, PFIC status is determined annually, and whether the Company will be a PFIC for any future taxable year is uncertain. Moreover, the Company is not committing to determine whether it is or is not a PFIC on an annual basis. If the Company is characterized as a PFIC, United States holders of the Company's shares may suffer adverse tax consequences, including the treatment of gains realized on the sale of the Company's shares as ordinary income, rather than as capital gain, the loss of the preferential income tax rate applicable to dividends received on the Company's shares by individuals who are United States holders, and the addition of interest charges to the tax on such gains and certain distributions. A United States shareholder of a PFIC generally may mitigate these adverse U.S. federal income tax consequences by making a Qualified Electing Fund ("QEF") election, or, to a lesser extent, a mark-to-market election. The Company does not intend to provide the information necessary for United States shareholders to make a QEF election if the Company is classified as a PFIC for any year.

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20. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Company's Financial Statements requires Management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting periods. Actual outcomes could differ from these estimates.

The Financial Statements include estimates that, by their nature, are uncertain. Key areas of estimation uncertainty include those relating to:

- revenue recognition (Note 4 and Note 8 to the Financial Statements);
- digital assets (Note 4 and Note 8 to the Financial Statements);
- liquidity risk and going concern (Note 2 and Note 4 to the Financial Statements);
- leases (Note 4 and Note 19 to the Financial Statements);
- property, plant and equipment and intangible assets (Note 4, Note 12 and Note 13 to the Financial Statements);
- impairment and reversal of impairment of non-financial assets (Note 4 and Note 11 to the Financial Statements);
- contingent liability (Note 4 and Note 14 to the Financial Statements); and
- measurement of financial instruments (Note 4 and Note 23 to the Financial Statements).

The impacts of such estimates are pervasive throughout the Financial Statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Refer to Note 4 to the Financial Statements for more information regarding the Company's significant accounting estimates.

21. MATERIAL ACCOUNTING POLICY INFORMATION AND NEW ACCOUNTING POLICIES

Refer to Note 3 to the Financial Statements for more information regarding the Company's material accounting policy information and new accounting policies.

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22. CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. Specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to the Company's anticipated future results, events and plans, strategic initiatives, future liquidity, and planned capital investments. Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may", "maintain", "achieve", "grow", "should" and similar expressions, as they relate to the Company and its Management.

Forward-looking statements reflect the Company's current estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate under the circumstances. The Company's expectation of operating and financial performance is based on certain assumptions including assumptions about operational growth, anticipated cost savings, operating efficiencies, anticipated benefits from strategic initiatives, future liquidity, and planned capital investments. The Company's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and as such, are subject to change. The Company can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

Numerous risks and uncertainties could cause the Company's actual results to differ materially from those expressed, implied or projected in the forward-looking statements. Such risks and uncertainties include:

- future Bitcoin Halving event;
- insolvency, bankruptcy, or cessation of operations of Mining Pool operator;
- reliance on foreign Mining Pool operator;
- counterparty risk;
- emerging markets operating risks;
- reliance on manufacturing in foreign countries and the importation of equipment to the jurisdictions in which the Company operates;
- dependency on continued growth in blockchain and cryptocurrency usage;
- the availability of financing opportunities and risks associated with economic conditions, including BTC price, Bitcoin Network Difficulty and share price fluctuations;
- the ability to attract and retain customers for the Company's hosting business;
- global financial conditions;
- employee retention and growth;
- cybersecurity threats and hacking;

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22. CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS (Continued)

- limited operating history and limited history of de-centralized financial system;
- limited experience of Company's management in AI/HPC
- risk related to technological obsolescence and difficulty in obtaining hardware;
- economic dependence on regulated terms of service and electricity rates;
- costs and demands upon management and accounting and finance resources as a result of complying with the laws and regulations affecting public companies;
- expense and impact of restatement of the Company's historical financial statements;
- lack of comprehensive accounting guidance for cryptocurrencies under IFRS Accounting Standards;
- internal control material weakness;
- increases in commodity prices or reductions in the availability of such commodities could adversely impact the Company's results of operations;
- permits and licenses;
- server or internet failures;
- tax consequences;
- environmental regulations and liability;
- adoption of environmental, social, and governance practices and the impacts of climate change;
- erroneous transactions and human error;
- data center developments;
- non-availability of insurance;
- competition;
- hazards associated with high-voltage electricity transmission and industrial operations;
- corruption, political and regulatory risk;
- potential being classified as a passive foreign investment company;
- lawsuits and other legal proceedings and challenges;
- conflict of interests with directors and management;
- risks relating to unsolicited take-over bids;
- risks related to the success and profitability of the Company's carbon capture program and related environmental tax credits; or
- the inherent risks, costs and uncertainties associated with integrating the business successfully and risks of not achieving all or any of the anticipated benefits and synergies of the Stronghold Transaction, or the risk that the anticipated benefits and synergies of the Stronghold Transaction may not be fully realized or take longer to realize than expected.

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22. CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS (Continued)

The above is not an exhaustive list of the factors that may affect the Company's forward-looking statements. For a more comprehensive discussion of factors that could affect the Company, refer to the risk factors discussed above. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed, implied or projected in its forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this MD&A. Except as required by law, the Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

23. CAUTIONARY NOTE REGARDING NON-IFRS AND OTHER FINANCIAL MEASURES AND RATIOS

This MD&A makes reference to certain measures that are not recognized under IFRS Accounting Standards and do not have a standardized meaning prescribed by IFRS Accounting Standards. They are therefore unlikely to be comparable to similar measures presented by other companies. The Company uses non-IFRS and other financial measures and ratios including "EBITDA," "EBITDA margin," "Adjusted EBITDA," "Adjusted EBITDA margin," "Gross Mining profit," "Gross Mining margin," "Gross margin," "Operating margin," "Direct Cost," "Direct Cost per BTC," "Total Cash Cost" and "Total Cash Cost per BTC" as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from Management's perspective. Refer to Section 10 - *Non-IFRS and Other Financial Measures and Ratios* of the MD&A for more details.

These measures are provided as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from Management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. Reconciliations from IFRS measures to non-IFRS measures are included throughout this MD&A.

24. ADDITIONAL INFORMATION

Additional information and other publicly filed documents relating to the Company are available through the internet on SEDAR+ at www.sedarplus.ca and on EDGAR at www.sec.gov/edgar.

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25. GLOSSARY OF TERMS

Terms	Definition
Artificial Intelligence (AI)	A branch of technology enabling computers and machines to replicate human-like abilities, including learning, understanding, problem-solving, decision-making, creativity, and autonomous action.
ASIC	ASIC stands for Application Specific Integrated Circuit and refers primarily to specific computer devices designed to solve the SHA-256 algorithm.
Bitcoin (BTC)	BTC is a decentralized digital currency that is not controlled by any centralized authority (e.g., a government, financial institution or regulatory organization) that can be sent from user to user on the Bitcoin network without the need for intermediaries to clear transactions. Transactions are verified through the process of Mining and recorded in a public ledger known as the Blockchain. BTC is created when the Bitcoin network issues Block Rewards through the Mining process.
Block Reward	A Bitcoin Block Reward refers to the new BTC that are awarded by the Blockchain network to eligible cryptocurrency Miners for each block they successfully mine. The current block reward is 3.125 BTC per block.
Blockchain	A Blockchain is a cloud-based public ledger that exists on computers that participate on the network globally. The Blockchain grows as new sets of data, or 'blocks', are added to it through Mining. Each block contains a timestamp and a link to the previous block, such that the series of blocks form a continuous chain. Given that each block has a separate hash and each hash requires information from the previous block, altering information an established block would require recalculating all the hashes on the Blockchain which would require an enormous and impracticable amount of computing power. As a result, once a block is added to the Blockchain it is very difficult to edit and impossible to delete.
Exahash or EH/s	One quintillion (1,000,000,000,000,000,000) hashes or one million Terahash per second.
Gigawatt or GW	A gigawatt is 1,000 megawatts of electricity and, in the industry of cryptocurrency Mining, can be a reference to the number of gigawatts of electricity per hour that is available for use.
Hash	A hash is a function that converts or maps an input of letters and numbers into an encrypted output of a fixed length, which outputs are often referred to as hashes. A hash is created using an algorithm. The algorithm used in the validation of Bitcoin transactions is the SHA-256 algorithm.
Hashrate	Hashrate refers to the number of hash operations performed per second and is a measure of computing power in Mining cryptocurrency.
Hashrate Under Management	Hashrate from the Miners the Company owns and from Miners hosted and managed by the Company.
High Performance Computing (HPC)	Advanced computing capability that allows for rapid data processing and complex calculations at exceptionally high speeds, essential for handling large datasets and complex computational tasks.
Hosting	A service in which a company provides infrastructure, power, and cooling solutions to house and operate cryptocurrency mining equipment owned by clients.

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25. GLOSSARY OF TERMS (Continued)

Terms	Definition
Megawatt or MW	A megawatt is 1,000 kilowatts of electricity and, in the industry of cryptocurrency Mining, is typically a reference to the number of megawatts of electricity per hour that is available for use.
Miners	ASICs used by the Company to perform Mining.
Mining	Mining refers to the process of using specialized computer hardware, and in the case of the Company, ASICs, to perform mathematical calculations to confirm transactions and increase security for the BTC Blockchain. As a reward for their services, Bitcoin Miners collect transaction fees for the transactions they confirm, along with newly created BTC as Block Rewards.
Mining Pool	A Mining Pool is a group of cryptocurrency Miners who pool their computational resources, or Hashrate, in order to increase the probability of finding a block on the BTC Blockchain. Mining Pools administer regular payouts to mitigate the risk of Miners operating for a prolonged period of time without finding a block.
Network Difficulty	Network Difficulty is a unitless measure of how difficult it is to find a hash below a given target. The Bitcoin network protocol automatically adjusts Network Difficulty by changing the target every 2,016 blocks hashed based on the time it took for the total computing power used in Bitcoin Mining to solve the previous 2,016 blocks such that the average time to solve each block is ten minutes.
Network Hashrate	Network Hashrate refers to the total global hashrate (and related computing power) used in Mining for a given cryptocurrency.
Petahash or PH/s	One quadrillion (1,000,000,000,000,000) hashes or one thousand Terahash per second.
SHA-256	SHA stands for Secure Hash Algorithm. The SHA-256 algorithm was designed by the US National Security Agency and is the cryptographic hash function used within the Bitcoin network to validate transactions on the Bitcoin Blockchain.
Synthetic HODL	Synthetic HODL is the Company's use of financial instruments to generate BTC exposure with inherent risk management, capital efficiency and leverage characteristics.
Terahash or TH/s	One trillion (1,000,000,000,000) hashes or one Terahash per second.