



**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**

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

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

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

		As of September 30,	As of December 31,
	Notes	2023	2022
Assets			
Current			
Cash		46,775	30,887
Trade receivables		1,157	701
Other assets	6	7,102	4,512
Short-term prepaid deposits	8	4,180	12,921
Taxes receivable		4,324	12,142
Digital assets	7	16,809	4,635
Digital assets - pledged as collateral	7, 13	2,166	2,070
Assets held for sale		1,220	1,220
		83,733	69,088
Non-current			
Property, plant and equipment	9, 23	203,452	219,428
Right-of-use assets	14	15,108	16,364
Long-term deposits, equipment prepayments and other	11	26,683	38,185
Intangible assets	10	3,821	33
Total assets		332,797	343,098
Liabilities			
Current			
Trade payables and accrued liabilities	12	16,659	20,541
Current portion of long-term debt	13	9,913	43,054
Current portion of lease liabilities	14	3,114	3,649
		29,686	67,244
Non-current			
Long-term debt	13	108	4,093
Lease liabilities	14	13,168	14,215
Asset retirement provision	16	2,335	1,979
Total liabilities		45,297	87,531
Shareholders' equity			
Share capital		499,678	429,120
Contributed surplus		71,983	65,512
Accumulated deficit		(284,161)	(239,065)
Total equity		287,500	255,567
Total liabilities and equity		332,797	343,098

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

November 6, 2023	<i>/s/ Nicolas Bonta</i>	<i>/s/ Geoffrey Morphy</i>	<i>/s/ Jeffrey Lucas</i>
Date of approval of the financial statements	Chairman of the Board of Directors	President & Chief Executive Officer	Chief Financial Officer

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

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

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
Revenues	7, 23	34,596	33,247	100,125	115,391
Cost of revenues	22	43,462	37,186	123,384	92,789
Gross (loss) profit		(8,866)	(3,939)	(23,259)	22,602
Operating expenses					
General and administrative expenses	22	8,372	10,299	25,887	39,534
Realized loss on disposition of digital assets	7	—	44,329	—	122,243
(Reversal of) revaluation loss on digital assets	7	1,183	(45,655)	(1,512)	21,118
Loss on disposition of property, plant and equipment		217	756	1,776	1,692
Impairment on short-term prepaid deposits, equipment and construction prepayments, property, plant and equipment and right-of-use assets	8	—	84,116	9,982	84,116
Impairment on goodwill	8	—	—	—	17,900
Operating loss		(18,638)	(97,784)	(59,392)	(264,001)
Net financial income	22	(336)	(8,251)	(12,706)	(24,191)
Net loss before income taxes		(18,302)	(89,533)	(46,686)	(239,810)
Income tax expense (recovery)	15	401	(4,725)	(23)	(17,603)
Net loss		(18,703)	(84,808)	(46,663)	(222,207)
Other comprehensive income (loss)					
Item that will not be reclassified to profit or loss:					
Change in revaluation surplus - digital assets, net of tax	7	(824)	—	1,567	—
Total comprehensive loss, net of tax		(19,527)	(84,808)	(45,096)	(222,207)
Loss per share	20				
Basic and diluted		(0.07)	(0.40)	(0.19)	(1.09)
Weighted average number of common shares outstanding	20				
Basic and diluted		273,907,000	210,378,000	251,010,000	203,839,000

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

BITFARMS LTD.
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	Notes	Number of shares	Share capital	Contributed surplus	Retained earnings (accumulated deficit)	Revaluation surplus	Total equity
Balance as of January 1, 2023		224,200,000	429,120	65,512	(239,065)	—	255,567
Net loss		—	—	—	(46,663)	—	(46,663)
Change in revaluation surplus - digital assets, net of tax		—	—	—	—	1,567	1,567
Total comprehensive loss, net of tax		—	—	—	(46,663)	1,567	(45,096)
Transfer of revaluation surplus on disposal of digital assets to retained earnings, net of tax		—	—	—	1,567	(1,567)	—
Share-based payment	21	—	—	7,009	—	—	7,009
Issuance of common shares	17	52,942,000	69,858	—	—	—	69,858
Settlement of restricted share units	21	142,000	405	(405)	—	—	—
Exercise of stock options	21	400,000	295	(133)	—	—	162
Balance as of September 30, 2023		277,684,000	499,678	71,983	(284,161)	—	287,500
Balance as of January 1, 2022		194,806,000	378,893	43,704	(15)	—	422,582
Net loss		—	—	—	(222,207)	—	(222,207)
Share-based payment	21	—	—	17,993	—	—	17,993
Issuance of common shares and warrants	17	20,835,000	48,506	35	—	—	48,541
Deferred tax expense related to equity issuance costs	15	—	(3,895)	—	—	—	(3,895)
Exercise of stock options	21	70,000	42	(15)	—	—	27
Balance as of September 30, 2022		215,711,000	423,546	61,717	(222,222)	—	263,041

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

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

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

	Notes	Nine months ended September 30,	
		2023	2022
Cash flows from operating activities			
Net loss		(46,663)	(222,207)
Adjustments for:			
Depreciation and amortization	22	62,995	51,643
Impairment on short-term prepaid deposits, equipment and construction prepayments, property, plant and equipment and right-of-use assets	8	9,982	84,116
Impairment on goodwill	8	—	17,900
Net financial income	22	(12,706)	(24,191)
Digital assets earned	7	(96,350)	(113,049)
Proceeds from sale of digital assets earned	7	87,724	104,988
Realized loss on disposition of digital assets	7	—	122,243
(Reversal of) revaluation loss on digital assets	7	(1,512)	21,118
Share-based payment	21	7,009	17,993
Income tax expense (recovery)	15	(23)	(17,603)
Loss on disposition of property, plant and equipment		1,776	1,692
Interest and financial expenses paid		(7,922)	(14,139)
Income taxes refunded (paid)		7,275	(14,931)
Changes in non-cash working capital components	24	(1,557)	(12,404)
Net change in cash related to operating activities		10,028	3,169
Cash flows used in investing activities			
Purchase of property, plant and equipment		(43,576)	(116,217)
Proceeds from sale of property, plant and equipment		2,884	4,790
Purchase of marketable securities	22	(33,759)	(127,916)
Proceeds from disposition of marketable securities	22	45,005	172,248
Acquisitions of assets	5	(2,394)	—
Purchase of digital assets	7	—	(43,237)
Proceeds from sale of digital assets purchased	7	—	20,682
Equipment and construction prepayments and other		(3,533)	(54,891)
Net change in cash related to investing activities		(35,373)	(144,541)
Cash flows from financing activities			
Issuance of common shares	17	68,504	48,506
Repayment of long-term debt	13	(24,601)	(23,174)
Proceeds from long-term debt	13	—	67,168
Repayment of lease liabilities	14	(2,852)	(4,122)
Exercise of stock options	17, 21	162	27
Proceeds from credit facility		55	40,000
Repayment of credit facility		—	(76,863)
Net change in cash related to financing activities		41,268	51,542
Net increase (decrease) in cash		15,923	(89,830)
Cash, beginning of the period		30,887	125,595
Exchange rate differences on currency translation		(35)	49
Cash, end of the period		46,775	35,814

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

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

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

NOTE 1: NATURE OF OPERATIONS

Bitfarms Ltd. (the “Company” or “Bitfarms”) 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 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 on 110 Yonge Street, Suite 1601, Toronto, Ontario, Canada, M5C 1T4.

The activities of the Company mainly consist of selling its computational power for the purpose of cryptocurrency mining in multiple jurisdictions as described in Note 23 “Geographical Information”. The Company’s operations are currently located in Canada, the United States, Argentina and Paraguay. 9159-9290 Quebec Inc. (“Volta”), a wholly-owned subsidiary of the Company, assists the Company in building and maintaining its server farms and provides electrician services to both commercial and residential customers in Quebec.

Bitfarms owns and operates server farms comprised of computers (referred to as “Miners”) designed for the purpose of validating transactions on the BTC Blockchain (referred to as “Mining”). Bitfarms generally operates its Miners 24 hours a day, which produce computational power (measured by hashrate) that Bitfarms sells to a Mining Pool under a formula-driven rate commonly known in the industry as Full Pay Per Share (“FPPS”). Under FPPS, Mining Pools compensate Mining companies for their hashrate based on what the Mining Pool would expect to generate in revenue for a given time period if there was no randomness involved. The fee paid by a Mining Pool to Bitfarms for its hashrate may be in cryptocurrency, U.S. dollars, or another currency. Bitfarms accumulates the cryptocurrency fees it receives or exchanges them for U.S. dollars through reputable and established cryptocurrency trading platforms. Mining Pools generate revenue by Mining with purchased hashrate through the accumulation of Block Rewards and transaction fees issued by the BTC network. Mining Pools purchase hashrate and accept the risk of rewards not being commensurate with compensation paid with the aim to mine more blocks than their proportionate share in a given time period based on the computational power they have acquired.

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	BTC	Bitcoin
7	BVVE	Blockchain Verification and Validation Equipment (primarily Miners)
8	CAD	Canadian Dollars
9	USD	U.S. Dollars
10	ARS	Argentine Pesos

NOTE 2: LIQUIDITY

Bitfarms is primarily engaged in the cryptocurrency 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 have impacted the recoverability of the Company's digital assets and property, plant and equipment, resulting in impairment losses being recorded.

The Company's current operating budget and future estimated cash flows indicate that the Company will generate positive cash flow in excess of required interest and principal payments on its long-term debt due within the twelve-month period. These analyses are based on BTC market factors including price, difficulty and network hashrate, for the twelve-month period following the date of these interim condensed consolidated financial statements were authorized for issuance.

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, which is expected to occur around 2140. The next BTC Halving is expected to occur in late April or early May 2024, at which time BTC block rewards will decrease from 6.25 BTC per block to 3.125 BTC per block. Once 21 million BTC are generated, the network will stop producing more. 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 compensation from Mining Pools.

At current BTC prices, the Company's existing cash resources and the proceeds from any sale of its BTC treasury and BTC earned may not be sufficient to fund capital investments to 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 may be diluted. If the Company is unable to obtain financing from external sources or issuing securities, or if funds from operations and proceeds from any sale of the Company's BTC holdings are negatively impacted by the BTC price, the Company may have difficulty meeting its payment obligations.

NOTE 3: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation and measurement

The interim condensed consolidated financial statements ("Financial Statements") of the Company comprise the accounts of Bitfarms Ltd. and its wholly-owned subsidiaries. These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. These Financial Statements were approved by the Board of Directors on November 6, 2023.

These Financial Statements do not include all the information required for full annual financial statements and should be read in conjunction with the audited annual consolidated financial statements of the Company and the notes thereto for the year ended December 31, 2022.

These Financial Statements have been prepared under the same accounting policies used in the audited annual consolidated financial statements for the year ended December 31, 2022, except for new accounting standards issued and adopted by the Company which are described below. The accounting policies have been applied consistently by the Company's entities and to all periods presented in these Financial Statements, unless otherwise indicated.

The Financial Statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and digital assets recorded at fair value, and assets held for sale measured at the lower of their carrying amount and fair value less costs to sell.

b. New accounting amendments issued and adopted by the Company

The following amendments to existing standards were adopted by the Company as of January 1, 2023:

Amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1")

Amendments to IAS 1 change the requirements in IAS 1 with regard to disclosure of accounting policies. Applying the amendments, an entity discloses its material accounting policies instead of its significant accounting policies. Further amendments to IAS 1 explain how an entity can identify a material accounting policy.

Amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* ("IAS 8")

Amendments to IAS 8 replace the definition of a change in accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty."

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

NOTE 3: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. New accounting amendments 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, 2024 and thereafter, with an earlier application permitted:

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

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 interim consolidated statements of financial position, 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 Company is currently evaluating the impact of adopting the amendments on the Company's Financial Statements.

NOTE 4: SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Financial Statements requires management to undertake judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. These estimates and judgments 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.

The significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those described in the audited annual consolidated financial statements for year ended December 31, 2022.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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 that owns the right to 22 MW of hydro power capacity in Baie-Comeau, Quebec. 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 821,000 common shares of the Company.

The acquisition of Baie-Comeau does not meet the definition of a business combination under IFRS 3, *Business Combinations*, as Baie-Comeau's primary assets consist mainly of a contractual right 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:

	Notes	As of July 5, 2023
Purchase price		
Cash consideration		610
Value of 821,000 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	10	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 14.

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

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

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 and Yguazu, respectively, Paraguay. 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	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	10	1,065	421
		1,112	454

NOTE 6: OTHER ASSETS

	As of September 30,	As of December 31,
	2023	2022
Sales taxes receivable*	5,961	3,816
Electrical component inventory	730	588
Other receivables	411	108
	7,102	4,512

* Refer to Note 22c for more details about the provision applied to the Argentine value-added tax (VAT) receivable included in sales taxes receivable.

BITFARMS LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 7: DIGITAL ASSETS

BTC transactions and the corresponding values for the three and nine months ended September 30, 2023 and 2022 were as follows:

	Three months ended September 30,			
	2023		2022	
	Quantity	Value	Quantity	Value
Balance of digital assets including digital assets pledged as collateral as of July 1,	549	16,734	3,144	62,204
BTC earned*	1,172	32,899	1,515	32,276
BTC exchanged for cash and services	(1,018)	(28,354)	(2,595)	(55,695)
Realized loss on disposition of digital assets**	—	(425)	—	(44,329)
Change in unrealized gain (loss) on revaluation of digital assets**	—	(1,879)	—	45,655
Balance of digital assets including digital assets pledged as collateral as of September 30,	703	18,975	2,064	40,111
Less digital assets pledged as collateral as of September 30,***	(80)	(2,166)	(1,724)	(33,496)
Balance of digital assets excluding digital assets pledged as collateral as of September 30,	623	16,809	340	6,615

	Nine months ended September 30,			
	2023		2022	
	Quantity	Value	Quantity	Value
Balance of digital assets including digital assets pledged as collateral as of January 1,	405	6,705	3,301	152,856
BTC earned*	3,692	96,350	3,733	113,049
BTC purchased	—	—	1,000	43,237
BTC exchanged for cash and services	(3,394)	(87,724)	(5,970)	(125,670)
Realized gain (loss) on disposition of digital assets**	—	1,272	—	(122,243)
Change in unrealized gain (loss) on revaluation of digital assets**	—	2,372	—	(21,118)
Balance of digital assets including digital assets pledged as collateral as of September 30,	703	18,975	2,064	40,111
Less digital assets pledged as collateral as of September 30,***	(80)	(2,166)	(1,724)	(33,496)
Balance of digital assets excluding digital assets pledged as collateral as of September 30,	623	16,809	340	6,615

* 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 on the day it was received. Management considers the prices quoted on Coinbase to be a level 2 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 three and nine months ended September 30, 2023, a loss of \$824, net of \$297 of deferred income tax recovery, and a gain of \$1,567, net of \$565 of deferred income tax expense, respectively, were presented in Other comprehensive income (three and nine months ended September 30, 2022: nil and nil, respectively).

*** Refer to Note 13 for details of the Company's long-term debt and BTC pledged as collateral.

NOTE 8: IMPAIRMENT

The impairment loss on short-term prepaid deposits, equipment and construction prepayments, property, plant and equipment and right-of-use assets for three and nine months ended September 30, 2023 were nil and \$9,982, respectively (three and nine months ended September 30, 2022: \$84,116 for both periods).

Impairment on short-term prepaid deposits during the second quarter of 2023

i. Background

In 2022, the Company entered into agreements with external 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 brokers, which were classified as short-term prepaid deposits on the consolidated statements of financial position. During the three months ended June 30, 2023, the Company decided to terminate the importation agreements with the external 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 balance of \$6,982 of deposits. Accordingly, as of June 30, 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 and property, plant and equipment.

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 three months ended June 30, 2023, in connection with the planned disposal of the Suni mineral asset, management tested the cash-generating unit for impairment, resulting in a further impairment charge of \$3,000 and bringing 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 and property, plant and equipment. On July 27, 2023, the Company sold the Suni mineral asset for a nominal amount to a third party.

BITFARMS LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

As of September 30, 2023 and December 31, 2022, property, plant and equipment (“PPE”) consisted of the following:

	Notes	BVVE and electrical components	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		57,614	—	456	5,112	200	63,382
Additions related to asset acquisitions	5	13	—	—	30	—	43
Dispositions		(6,410)	(9,000)	—	(5)	(74)	(15,489)
Transfer to assets held for sale		(5,695)	—	—	—	—	(5,695)
Balance as of September 30, 2023		353,727	—	4,848	50,415	1,208	410,198
Accumulated Depreciation							
Balance as of January 1, 2023		120,097	6,000	270	21,636	526	148,529
Depreciation		57,778	—	114	2,498	132	60,522
Dispositions		(5,094)	(9,000)	—	(5)	(56)	(14,155)
Transfer to assets held for sale		(4,938)	—	—	—	—	(4,938)
Impairment	8	—	3,000	—	—	—	3,000
Impairment on deposits transferred to PPE		13,319	—	—	469	—	13,788
Balance as of September 30, 2023		181,162	—	384	24,598	602	206,746
Net book value as of September 30, 2023		172,565	—	4,464	25,817	606	203,452

		BVVE and electrical components	Mineral assets	Land and buildings	Leasehold improvements	Vehicles	Total
Cost							
Balance as of January 1, 2022		156,647	9,000	4,549	5,783	547	176,526
Measurement period adjustment to business combination		(1,127)	—	(18)	—	—	(1,145)
Additions		164,437	—	3,239	39,495	552	207,723
Dispositions		(3,609)	—	(3,378)	—	(17)	(7,004)
Transfer to assets held for sale		(8,143)	—	—	—	—	(8,143)
Balance as of December 31, 2022		308,205	9,000	4,392	45,278	1,082	367,957
Accumulated Depreciation							
Balance as of January 1, 2022		35,766	1,800	286	1,560	264	39,676
Depreciation		66,319	—	193	1,703	124	68,339
Dispositions		(2,562)	—	(366)	—	(13)	(2,941)
Transfer to assets held for sale		(6,040)	—	—	—	—	(6,040)
Impairment		24,820	4,200	157	13,107	151	42,435
Impairment on deposits transferred to PPE		1,794	—	—	5,266	—	7,060
Balance as of December 31, 2022		120,097	6,000	270	21,636	526	148,529
Net book value as of December 31, 2022		188,108	3,000	4,122	23,642	556	219,428

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

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

NOTE 9: PROPERTY, PLANT AND EQUIPMENT (Continued)**BVVE**

Further details of the quantity and models of BTC BVVE held by the Company as of September 30, 2023 and December 31, 2022 are as follows :

	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	7,735	9,289	—	409	17,433
Dispositions	(1,380)	—	(2,591)	(409)	(4,380)
Quantity as of September 30, 2023	51,730	16,461	3,120	—	71,311
Classified as assets held for sale	(1,132)	—	(3,120)	—	(4,252)
Presented as property, plant and equipment	50,598	16,461	—	—	67,059

* Includes 1,132 M20S classified as assets held for sale, 36,018 M30S, 12,653 M31S and 1,927 M50 Miners as of September 30, 2023.

** Includes 1,848 T3 and 1,272 T2T Miners classified as assets held for sale as of September 30, 2023.

	MicroBT Whatsminer*	Bitmain S19j Pro	Innosilicon T3 & T2T**	Canaan Avalon A10	Bitmain S19XP	Other Bitmain Antminers***	Total
Quantity as of January 1, 2022	18,675	7,172	6,446	1,024	—	8,073	41,390
Additions	28,499	—	—	—	801	—	29,300
Dispositions	(1,799)	—	(735)	(1,024)	(801)	(8,073)	(12,432)
Quantity as of December 31, 2022	45,375	7,172	5,711	—	—	—	58,258
Classified as assets held for sale	(2,512)	—	(1,272)	—	—	—	(3,784)
Presented as ROU asset****	(3,000)	—	—	—	—	—	(3,000)
Presented as property, plant and equipment	39,863	7,172	4,439	—	—	—	51,474

* Includes 2,512 M20S classified as assets held for sale, 30,210 M30S and 12,653 M31S Miners.

** Includes 4,439 T3 and 1,272 T2T Miners classified as assets held for sale.

*** Included Antminer T15 and Antminer S15 Miners classified as assets held for sale and written off.

**** Includes 3,000 Whatsminer M31S+ with a net book value of approximately \$3,330.

BITFARMS LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 10: INTANGIBLE ASSETS

	Notes	Systems software	Access rights to electricity	Favorable lease	Total
Cost					
Balance as of January 1, 2023		5,150	—	2,000	7,150
Additions related to asset acquisitions	5	—	3,801	—	3,801
Additions		20	—	—	20
Balance as of September 30, 2023		5,170	3,801	2,000	10,971
Accumulated amortization					
Balance as of January 1, 2023		5,117	—	2,000	7,117
Amortization		17	16	—	33
Balance as of September 30, 2023		5,134	16	2,000	7,150
Net book value as of September 30, 2023		36	3,785	—	3,821

	Systems software	Access rights to electricity	Favorable lease	Total
Cost				
Balance as of January 1, 2022	5,150	—	1,800	6,950
Measurement period adjustment to business combination	—	—	200	200
Balance as of December 31, 2022	5,150	—	2,000	7,150
Accumulated amortization				
Balance as of January 1, 2022	5,008	—	261	5,269
Amortization	109	—	1,739	1,848
Balance as of December 31, 2022	5,117	—	2,000	7,117
Net book value as of December 31, 2022	33	—	—	33

Additions related to acquisitions of assets

During the three and nine months ended September 30, 2023, the Company made three acquisitions of groups of assets, resulting in additional access rights to electricity. These access rights represent a contractual right to hydro power capacity and are classified as intangible assets. The assets acquired, including these 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 these access rights:

Acquisitions	Additions to intangibles	Additional capacity	Term of contractual access rights	Amortization method and period
Baie-Comeau, Quebec	2,315	22 MW	No termination date	Straight-line over the lease term of the facility
Villarrica, Paraguay	1,065	50 MW	Ending in December 31, 2027	Straight-line over the access rights period
Yguazu, Paraguay	421	100 MW	Ending in December 31, 2027	Straight-line over the access rights period
	3,801	172 MW		

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

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

NOTE 11: LONG-TERM DEPOSITS, EQUIPMENT PREPAYMENTS, COMMITMENTS AND OTHER

	As of September 30,	As of December 31,
	2023	2022
VAT receivable	—	2,083
Security deposits for energy, insurance and rent	5,219	3,872
Equipment and construction prepayments	21,464	32,230
	26,683	38,185

a. Equipment and construction prepayments

As of September 30, 2023, the Company has deposits on BVVE and electrical components in the amount of \$14,897, which includes \$19,097 of credits for orders placed at fixed prices, but not yet received, as described below, with a book value of \$13,127 due to previously recorded impairments of \$5,930. In addition, the Company has deposits for construction work and materials in the amount of \$6,567, mainly for the Paraguay expansion.

b. Commitments

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 which was fully utilized during the nine months ended September 30, 2023 for the acquisition of hydro Miners and hydro containers.

As of September 30, 2023, the Company had no commitments.

c. Contingent liability

In 2021, the Company imported Miners into Washington State, which the Chinese manufacturer asserted originated in Malaysia. In early 2022, U.S. Customs and Border Protection challenged the origination of the Miners, asserting their manufacture 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 manufacturer to validate their origination by visiting contract manufacturer sites, and by examining and documenting the manufacture and assembly of the Miners by the manufacturer and its third-party contractors.

During the three months ended September 30, 2023, the Company has obtained documentary evidence of the Miners' manufacture outside of China, and has sent the supporting documentation to the U.S. Customs and Border Protection in defense of its position that Miners were manufactured outside China and the related 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 September 30, 2023.

NOTE 12: TRADE PAYABLES AND ACCRUED LIABILITIES

	As of September 30,	As of December 31,
	2023	2022
Trade accounts payable and accrued liabilities	7,621	12,897
Government remittances	9,038	7,644
	16,659	20,541

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

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

NOTE 13: LONG-TERM DEBT

	As of September 30, 2023	As of December 31, 2022
Equipment financing	9,875	47,020
Vehicle loans	146	127
Total long-term debt	10,021	47,147
Less current portion of long-term debt	(9,913)	(43,054)
Non-current portion of long-term debt	108	4,093

Movement in long-term debt is as follows:

	As of September 30, 2023	As of December 31, 2022
	nine-month period	twelve-month period
Balance as of January 1,	47,147	11,167
Issuance of long-term debt	55	67,201
Payments	(27,006)	(38,532)
Gain on extinguishment of long-term debt	(12,580)	—
Interest on long-term debt	2,405	7,311
Balance as of period end	10,021	47,147

a. Equipment financing activity**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.

On February 8, 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 income in the consolidated statements of profit or loss and comprehensive profit or loss during the three months ended March 31, 2023. Upon settlement, all of Backbone Mining’s assets, including the 6,100 Miners collateralizing the loan, were unencumbered.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 13: LONG-TERM DEBT (continued)**a. Equipment financing activity** (continued)**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 is 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 Company pledged 80 BTC as collateral with a fair market value of \$2,166 as of September 30, 2023. The pledged BTC is held in a segregated Coinbase Custody account, which BTC is owned by the Company unless there is an event of default under the NYDIG Loan.

b. Summary of equipment financing

As of September 30, 2023, the Company's equipment financing consisted only of the NYDIG Loan. The NYDIG Loan balance and the net book value (“NBV”) of its related collateral, as of September 30, 2023, are as follows:

	Maturity date	Stated rate	Effective rate*	Monthly Long-term debt repayment (\$)	Long-term debt balance (\$)	NBV of Collateral (\$)	Collateral**
NYDIG Loan	February 2024	12.0 %	14.4 %	2,043	9,875	24,921	10,395

*Represents the implied interest rate after capitalizing financing and origination fees.

**Represents the quantity of Whatsminers received in connection with the equipment financing and pledged as collateral for the related loan.

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

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

NOTE 14: LEASES

Set out below are the carrying amounts of the Company's right-of-use ("ROU") assets and lease liabilities and their activity during the nine months ended September 30, 2023 and the year ended December 31, 2022:

	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	1,019	509	—	1,528	1,527
Reclass to property, plant and equipment	—	—	(364)	(364)	—
Depreciation	(2,198)	(155)	(26)	(2,379)	—
Lease termination	—	(41)	—	(41)	(23)
Payments	—	—	—	—	(3,905)
Gain on extinguishment of lease liabilities	—	—	—	—	(255)
Interest	—	—	—	—	1,053
Foreign exchange	—	—	—	—	21
As of September 30, 2023	14,515	578	15	15,108	16,282
Less current portion of lease liabilities					(3,114)
Non-current portion of lease liabilities					13,168
	Leased premises	Vehicles	Other equipment	Total ROU assets	Lease liabilities
As of January 1, 2022	9,038	283	76	9,397	13,573
Additions and extensions to ROU assets	9,526	118	1,693	11,337	11,354
Depreciation	(1,975)	(129)	(121)	(2,225)	—
Lease termination	(104)	(7)	—	(111)	(112)
Impairment	(791)	—	(1,243)	(2,034)	—
Payments	—	—	—	—	(7,528)
Interest	—	—	—	—	1,451
Foreign exchange	—	—	—	—	(874)
As of December 31, 2022	15,694	265	405	16,364	17,864
Less current portion of lease liabilities					(3,649)
Non-current portion of lease liabilities					14,215

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 22 for more details.

Baie-Comeau

On July 5, 2023, in conjunction with the Baie-Comeau acquisition, 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 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 15: INCOME TAXES**Deferred taxes**

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 September 30, 2023, 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.

Current and deferred income tax expense (recovery)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Current tax expense (recovery):				
Current year	104	(819)	360	(9,220)
Prior year	—	—	182	68
	104	(819)	542	(9,152)
Deferred tax expense (recovery):				
Current year	297	(4,149)	(565)	(8,600)
Prior year	—	243	—	149
	297	(3,906)	(565)	(8,451)
	401	(4,725)	(23)	(17,603)

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

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

NOTE 16: ASSET RETIREMENT PROVISION

	As of September 30,	As of December 31,
	2023	2022
	nine-month period	twelve-month period
Balance as of January 1,	1,979	239
Additions during the period	192	1,701
Accretion expense	157	93
Effect of change in the foreign exchange rate	7	(54)
Balance as of period end	2,335	1,979

As of September 30, 2023, 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, 2022: \$3,950), discounted to present value of \$2,335 (December 31, 2022: \$1,979) using annual discount rates between 7% and 10% (December 31, 2022: between 7% and 10%) over the lease periods, which were estimated to range from seven to ten years depending on the location.

NOTE 17: SHARE CAPITAL**Common shares**

The Company's authorized share capital consists of an unlimited number of common shares without par value. As of September 30, 2023, the Company had 277,684,000 issued and outstanding common shares (December 31, 2022: 224,200,000).

Warrants

Details of the outstanding warrants are as follows:

	Nine months ended September 30,			
	2023		2022	
	Number of	Weighted	Number of	Weighted
	warrants	average exercise	warrants	average exercise
		price (USD)		price (USD)
Outstanding, January 1,	19,153,000	4.21	19,428,000	4.16
Granted	—	—	25,000	3.47
Outstanding, September 30,	19,153,000	4.21	19,453,000	4.16

The weighted average contractual life of the warrants as of September 30, 2023 was 0.7 years (September 30, 2022: 1.7 years).

NOTE 17: SHARE CAPITAL (Continued)

Significant transactions

i. Garlock Acquisition

In the first quarter of 2022, the Company acquired a building in Quebec referred to as "Garlock" in exchange for cash consideration of \$1,783 and the issuance of 25,000 warrants granted with a strike price of \$3.47 and a contractual life of 2 years.

ii. At-The-Market Equity Offering Program

Bitfarms commenced an at-the-market equity offering program (the "ATM program") on August 16, 2021, 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 proceeds of up to \$500,000. The ATM program expired on September 12, 2023.

During the nine months ended September 30, 2023, the Company issued 52,121,000 common shares in the 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 program and \$79 in other transaction costs.

During the nine months ended September 30, 2022, the Company issued 20,835,000 common shares in the ATM program in exchange for gross proceeds of \$50,181 at an average share price of approximately \$2.41. The Company received net proceeds of \$48,506 after paying commissions of \$1,585 to the sales agent and \$90 in other transaction costs.

iii. Stock Options

During the nine months ended September 30, 2023, option holders exercised stock options to acquire 400,000 common shares (nine months ended September 30, 2022: 70,000) resulting in proceeds of approximately \$162 (nine months ended September 30, 2022: \$27) being paid to the Company.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 18: FINANCIAL INSTRUMENTS**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:

		As of September 30,	As of December 31,
		2023	2022
Financial assets at amortized cost			
Cash	Level 1	46,775	30,887
Trade receivables	Level 2	1,157	701
Other receivables	Level 2	411	108
Total carrying amount and fair value		48,343	31,696
Financial liabilities at amortized cost			
Trade accounts payable and accrued liabilities	Level 2	7,621	12,897
Long-term debt	Level 2	10,021	47,147
Total carrying amount and fair value		17,642	60,044
Net carrying amount and fair value		30,701	(28,348)

The carrying amounts of trade receivables, other receivables, trade payables and accrued liabilities and long-term debt presented in the table above are a reasonable approximation of their fair value.

Derivative assets

Starting in the first quarter of 2023, the Company entered into forward BTC option contracts to sell digital assets to reduce the risk of variability of future cash flows resulting from future sales of digital assets. The fair value of option contracts is categorized as Level 2 in the fair value hierarchy and is presented under Other assets in the consolidated statements of financial position when there is an outstanding contract at period end. As of September 30, 2023, there were no outstanding contracts. 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. The Company did not apply hedge accounting on these contracts.

During the three and nine months ended September 30, 2023, the realized loss on settled contracts amounting to nil and \$180, respectively, were recognized in net financial income included in the consolidated statements of profit or loss and comprehensive profit or loss (three and nine months ended September 30, 2022: nil and nil). Refer to Note 22.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 19: TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The following table details balances payable to related parties:

	As of September 30, 2023	As of December 31, 2022
Trade payables and accrued liabilities		
Directors' remuneration	—	1,522
Director and senior management incentive plan	46	95
	46	1,617

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

Transactions with related parties

During the three and nine months ended September 30, 2022, the Company made rent payments totaling approximately \$95 and \$273, respectively, to companies controlled by certain directors of the Company. No such payments were made for the three and nine months ended September 30, 2023. The rent payments were classified as interest included in financial expenses and principal repayment of lease liabilities. During the year ended December 31, 2022, the Company's leases with companies controlled by directors were renewed with third parties.

In December 2022, the Company's consulting agreements with two of its directors were terminated, their roles and responsibilities were reduced and termination payments totaling \$1,466 were accrued and included in trade payables and accrued liabilities as at December 31, 2022 (as of September 30, 2023, balance accrued: nil). The consulting fees totaled approximately \$417 and \$843 for the three and nine months ended September 30, 2022, respectively (for the three and nine months ended September 30, 2023: nil).

The transactions described above were incurred in the normal course of operations. These transactions are included in the consolidated statements of profit or loss and comprehensive profit or loss as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
General and administrative expenses	—	417	—	843
Net financial expenses	—	26	—	70
	—	443	—	913

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 20: NET EARNINGS (LOSS) PER SHARE

For the three and nine months ended September 30, 2023 and 2022, potentially dilutive securities have not been included in the calculation of diluted earnings (loss) per share because their effect is antidilutive. 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 three and nine months ended September 30, 2023, would have totaled approximately 4,343,000 and 3,952,000 (three and nine months ended September 30, 2022: 1,531,000 and 2,014,000, respectively).

NOTE 21: SHARE-BASED PAYMENT

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Equity-settled share-based payment plans	2,011	3,961	7,009	17,993

Options

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 the persons who formerly held the cancelled options to grant new options no less than 90 days after the cancellation date of the original 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 nine months ended September 30, 2023.

During the nine months ended September 30, 2023, the Board of Directors approved stock option grants to purchase 8,471,000 common shares in accordance with the Long-Term Incentive Plan (the "LTIP Plan") adopted on May 18, 2021 (nine month ended September 30, 2022: 5,523,000 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.

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

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

NOTE 21: SHARE-BASED PAYMENT (Continued)

Details of the outstanding stock options are as follows:

	Nine months ended September 30,			
	2023		2022	
	Number of Options	Weighted Average Exercise Price (\$CAD)	Number of Options	Weighted Average Exercise Price (\$CAD)
Outstanding, January 1,	21,804,000	3.47	12,547,000	5.06
Granted	8,471,000	1.89	5,523,000	2.50
Exercised	(400,000)	0.54	(70,000)	0.41
Forfeited	—	—	(170,000)	6.16
Cancelled	(10,535,000)	5.17	—	—
Expired	(340,000)	5.47	(15,000)	5.01
Outstanding, September 30,	19,000,000	1.85	17,815,000	4.27
Exercisable, September 30,	3,035,000	0.51	1,391,000	0.41

The weighted average contractual life of the stock options as of September 30, 2023 was 4.0 years (September 30, 2022: 4.0 years).

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

	June 30, 2023
Grant date	
Dividend yield (%)	—
Expected share price volatility (%)	104 %
Risk-free interest rate (%)	4.49 %
Expected life of stock options (years)	3
Share price (CAD)	1.89
Exercise price (CAD)	1.89
Fair value of options (USD)	0.89
Vesting period (years)	1.5
Number of options granted	8,471,000

BITFARMS LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 21: SHARE-BASED PAYMENT (Continued)
Restricted Unit Shares ("RSU")

Details of the RSUs are as follows:

	Nine months ended September 30,			
	2023		2022	
	Number of RSUs	Weighted Average Grant Price (\$CAD)	Number of RSUs	Weighted Average Grant Price (\$CAD)
Outstanding, January 1,	400,000	3.73	200,000	5.01
Granted	—	—	200,000	2.45
Settled	(142,000)	3.65	—	—
Outstanding, September 30,	258,000	3.77	400,000	3.73

On May 19, 2022, the Board of Directors approved the grant of 200,000 RSUs to certain members of senior management which vest 25% upfront and an additional 25% every 6 months. The value of the RSUs on the grant date was \$1.91 per unit.

NOTE 22: ADDITIONAL DETAILS TO THE STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE PROFIT OR LOSS
Cost of revenues

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Energy and infrastructure	20,396	15,489	57,339	38,970
Depreciation and amortization	21,767	20,720	62,995	51,643
Purchases of electrical components	890	688	1,830	1,252
Electrician salaries and payroll taxes	409	289	1,220	924
	43,462	37,186	123,384	92,789

General and administrative expenses

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Salaries and share-based payment	4,939	6,097	15,136	23,648
Professional services	1,795	1,835	5,325	6,459
Insurance, duties and other	1,165	1,992	4,077	7,951
Travel, motor vehicle and meals	295	233	678	894
Hosting and telecommunications	105	110	311	431
Advertising and promotion	73	32	360	151
	8,372	10,299	25,887	39,534

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

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

NOTE 22: ADDITIONAL DETAILS TO THE STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE PROFIT OR LOSS (Continued)**Net financial income**

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
Gain on disposition of marketable securities	a	(4,120)	(13,690)	(11,246)	(44,332)
Gain on extinguishment of long-term debt and lease liabilities	b	—	—	(12,835)	—
Loss on foreign exchange		2,070	8	5,059	1,884
Interest on credit facility and long-term debt		481	3,020	2,405	9,916
Discount expense on VAT receivable	c	1,046	1,919	2,748	6,929
Interest on lease liabilities		334	374	1,053	1,034
Other financial (income) expenses		(147)	118	110	378
		(336)	(8,251)	(12,706)	(24,191)

a. Gain on disposition of marketable securities

During the three and nine months ended September 30, 2023 and 2022, the Company funded its expansion in Argentina through the acquisition of marketable securities and in-kind contribution of those securities to the Company's subsidiary in Argentina. The subsequent disposition of those marketable securities in exchange for Argentine Pesos gave rise to a gain as the amount received in ARS exceeds the amount of ARS the Company would have received from a direct foreign currency exchange.

b. Gain on extinguishment of the BlockFi loan and Reliz lease liability

In February 2023, the Company negotiated a settlement of its loan agreement with BlockFi with a then outstanding debt balance of \$20,330 for a payment of \$7,750. As a result, a gain on extinguishment of long-term debt was recognized in the amount of \$12,580 during the nine months ended September 30, 2023.

In February 2023, the Company modified its lease agreement with Reliz Ltd. in order to settle its outstanding lease liability of \$373 for a payment of \$118. As a result, a gain on extinguishment of lease liabilities was recognized in the amount of \$255 during the nine months ended September 30, 2023.

c. Discount expense on VAT receivable

A portion of the Argentine VAT receivable is not expected to be settled within the next 12 months and, therefore, it has been classified as a long-term receivable in Note 11 with the short-term portion being included in sales tax receivable in Note 6. The Company has discounted this VAT receivable to its present value. The discounted amount is classified within Net financial income during the three and nine months ended September 30, 2023. Historically, ARS has devalued significantly when compared to USD due to high levels of inflation in Argentina, which may result in the Company recording future foreign exchange losses on its Argentina VAT receivable.

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

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

NOTE 23: 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 operating segments based on the products and services of its business units and has one material reportable segment, cryptocurrency Mining, which is the operation of server farms 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:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Canada	24,230	27,445	74,177	90,540
USA	3,491	4,581	11,675	21,650
Argentina	5,129	158	9,221	158
Paraguay	1,746	1,063	5,052	3,043
	34,596	33,247	100,125	115,391

*Revenues are presented based on the geographical contribution of computational power (measured by hashrate) or sales to external customers.

Property, Plant and Equipment

The net book value of property, plant and equipment by country is as follows:

	As of September 30,	As of December 31,
	2023	2022
Canada	111,051	142,654
USA	23,527	32,664
Argentina	58,507	31,927
Paraguay	10,367	12,183
	203,452	219,428

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

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

NOTE 24: ADDITIONAL DETAILS TO THE STATEMENTS OF CASH FLOWS

	Nine months ended September 30,	
	2023	2022
Changes in working capital components:		
Increase in trade receivables, net	(456)	(377)
Decrease (increase) in other current assets	(831)	1,364
Decrease (increase) in deposits	3,309	(8,997)
Decrease in trade payables and accrued liabilities	(3,289)	(3,992)
Decrease in taxes payable	(290)	(402)
	(1,557)	(12,404)
Significant non-cash transactions:		
Issuance of common shares in connection with acquisitions of assets	1,354	—
Addition of ROU assets, property, plant and equipment and related lease liabilities	1,527	9,182
Purchase of property, plant and equipment financed by short-term credit	674	1,910
Equipment prepayments realized as additions to property, plant and equipment	6,331	51,948
Deferred tax expense related to equity issuance costs	—	(3,895)