

Bitfarms Acquires Stronghold Digital Mining – Prepared Remarks

August 21, 2024

Tracy Krumme

Thank you and good morning, everyone. We appreciate you joining us on short notice to review today's announcement that Bitfarms has entered into a definitive agreement to acquire Stronghold Digital Mining.

Before we begin, please note this call is being webcast with an accompanying presentation. Today's press release and our presentation can be accessed at our website, [Bitfarms.com](https://www.bitfarms.com), under the Investor section.

Turning to slide 2, During this call, we may make forward-looking statements about expected future results. This forward-looking information is based on certain assumptions and is subject to risks and uncertainties, and as such, could differ from actual results. I invite you to refer to today's press release commentary on Forward Looking Statements or to consult Bitfarms' regulatory filings for a complete list of risks and uncertainties.

Please note that all financial references are denominated in U.S. dollars, unless otherwise noted.

Moving to slide 3. On the call today, we have Bitfarms CEO, Ben Gagnon, CFO, Jeff Lucas, and Stronghold's Chairman and CEO Greg Beard.

Ben and Greg will start by providing a high-level overview of the strategic rationale, describing how the addition of Stronghold positions Bitfarms for sustainable growth while delivering significant environmentally beneficial carbon capture potential. Then, Jeff will cover the transaction details. After concluding remarks from Ben, we will then open the call to questions.

Turning to slide 4, It is now my pleasure to turn the call over to Ben. Ben, please go ahead.

Ben Gagnon

Thank you, Tracy, and good morning everyone. I am very pleased to be here today discussing this transformative combination with Stronghold. We've known Greg and his team since 2021 and today's announcement is the culmination of 3 years of ongoing discussions.

I am incredibly proud to announce this acquisition which builds upon the successful momentum of our transformative fleet upgrade and ensures a multi-year strategic growth path for the company that both companies are incredibly excited about.

Turning to Slide 5, As I have said since my appointment as CEO, I am committed to diversifying the company beyond Bitcoin mining in order to make us better Bitcoin miners and create long-term value for shareholders. I would like to start this call with a summary of how we are executing on that strategy with this transaction.

First, we are vertically integrating into energy generation with the acquisition of two strategically located US power plants.

Second, we are dramatically expanding and rebalancing our energy portfolio towards the US with potentially over 300 MW of cost-effective power capacity. This could increase our energy portfolio to 950 megawatts by year end 2025 with significant expansion potential in 2026 and beyond.

Third, the two sites boast significant energy trading, demand response and other opportunities to give us significantly greater control over our most important cost variable, our price of energy.

Fourth, the sites have tremendous flexibility and a unique potential to scale our Bitcoin mining operations and cost-effectively integrate HPC & AI into our portfolio.

Fifth, we are extending our long-standing environmental leadership with the acquisition and integration of equipment and processes that go beyond just using sustainable energy and proactively detoxify and clean up centuries old pollution cleaning the earth, water and air.

Sixth, this all-stock transaction is highly accretive and preserves our balance sheet for future growth.

Turning to slide 6, I would like to turn the call over to Greg Beard to give a quick overview of the Stronghold assets and their potential, Greg, the call is yours.

Greg Beard

Thanks Ben, I am grateful to be here alongside the Bitfarms team, whom we have gotten to know very well.

After three years of merger discussions, it was about time we found a way to make it work, and we are very excited to be joining forces.

Scale and balance sheet strength are critical differentiators in most industries, including our own. When these characteristics are combined with low cost of power and a culture built on technological and operational expertise, we believe it is a winning recipe, and this represents what Bitfarms offers. There is not a stock I would rather take.

I believe that Stronghold is getting good, fair value for our assets, and I am highly confident that, with Bitfarms' financial fortitude, demonstrated ability to execute, and vision, they will be able to expand Stronghold's sites and unlock their value in a way that we would not have been able to in the near term as a standalone company. And, for me, personally, as a Stronghold shareholder, the accretion, growth profile, and balance sheet of the combined company are highly compelling and differentiated from industry peers.

Turning to Slide 7, I want to provide a quick overview of the Stronghold assets and their potential. Our complementary, vertically integrated operations include Bitcoin mining, power generation, and environmental reclamation across two sites in Pennsylvania. Stronghold owns two merchant power generation and reclamation facilities, Scrubgrass and Panther Creek, which are pictured on the slide, and over 750 acres of land, with another eleven hundred acres under option.

Scrubgrass and Panther Creek are waste-to-energy facilities that boast nameplate net power output capacities of 85 and 80 MW respectively. They were among about a dozen reclamation facilities

purpose-built in Pennsylvania to deal with mining waste that dates as far back as the 1800's. For over 200 years this toxic waste has been damaging the earth, poisoning the water supply and often spontaneously combusting and burning uncontrolled. The waste emits CO₂, NO_X, SO_X and other harmful toxins, and our plants process the waste in a controlled manner, significantly reducing emissions, cleaning the land, and mitigating acid mine drainage, while producing both cost-effective electricity and beneficial use ash, which can be used in environmental remediation, as agricultural fertilizer, and to capture CO₂.

In addition to producing electricity, our sites have the ability to draw power from the grid at attractive prices. This is expected to effectively double the potential electricity available at these locations to over 300 MW in the short term. Furthermore, Stronghold has numerous studies in process at different stages with local utilities to potentially nearly triple the total capacity available at the two sites to over 950 MW over the next few years. This expands Bitfarms robust portfolio of power assets with strategic access to existing power and provides significant potential for further expansion and development.

Turning to Slide 8, I will return the call to Ben.

Ben Gagnon

Thanks Greg for your great overview of the strength and potential of the Stronghold assets. Turning to Slide 9, I would like to discuss how this expands and rebalances our portfolio of energy assets.

Upon closing the expected 307 MW available at these two locations would drive a 47% increase in our 2025 YE megawatts from 648 MW to 955 MW. Building off the success of our recently announced Sharon, PA announcement the combination of these three sites creates a PJM portfolio of approximately 427 MW in 2025 which is nearly the same size as our energy portfolio at the end of 2024.

Importantly these sites rebalance our portfolio back to the US and North America representing 47% and 65% of our 2025 year end portfolio, respectively while LATAM exposure will scale down to just 35%, significantly improving the size, quality and distribution of our energy portfolio.

Turning to slide 10, we can see here how our energy portfolio can grow over the next few years. With the additional potential expansion capacity of the Stronghold Assets beyond 307 MW we now expect to expand beyond 950 MW to up to 1.6 GW of power of which 66% would be located in the US and in the highly desired PJM region. This creates the potential to grow our energy portfolio an additional 62% beyond 2025.

Turning to slide 11, I would like to reiterate why we believe PJM and Pennsylvania specifically are top tier jurisdictions for Bitcoin mining.

First, the PJM grid is the largest wholesale electricity market in the U.S.

As a deregulated market, PJM offers significant curtailment & energy trading opportunities giving us the ability to effectively hedge our energy costs and bring down the total cost of power, ideal for mining Bitcoin.

These sites also have the ability to participate in demand-response programs in order to earn additional revenue by providing reliability services to the grid.

As the grid is rapidly adding renewable capacity and significantly contributing to the decarbonization of the grid, these demand response programs are becoming increasingly more valuable and make these sites both economically and environmentally sustainable.

Pennsylvania is a good business jurisdiction with a notably pro-Bitcoin and pro-energy governor that just a few months ago recognized the importance of these remediation plants by doubling the tax credits available through 2035.

Finally, the proximity of these sites to major metropolitan areas and fiber lines make them ideal for both Bitcoin mining and HPC/AI data centers.

Turning to slide 12. There exists a tremendous potential for improvement and expansion of the Bitcoin mining operations at these two locations that can increase the total hashrate capacity by up to five fold in 2025, which would effectively double our 2024 year end target of 21 EH/s. This potential upgrade in addition to the changes in our energy portfolio is what we have underwritten this acquisition on. The potential upgrade can be broken down in two phases.

1. First, the MW available at both sites can be doubled by simply isolating the powerplants from the grid, otherwise known as islanding, to provide power to a Bitcoin data center. Doing so frees up the substation and enables these sites to double down, drawing additional power from the grid in a similar capacity as the sites can generate. This grid connected load can then participate in demand response and other economic programs. Doing so we can dramatically increase scale by nearly 100%, bring down our expected average price of power through energy trading and other economic programs and spread our fixed operating expenses over a significantly greater amount of MWs further bringing down our all-in costs per MWh on site.
2. Second, while the miners on site are still productive, at 32 w/TH the fleet is significantly below the efficiency and productivity of the industry and new miner models. Refreshing this fleet with new Bitmain S21 XPs would increase the total hashrate of the current footprint to over 10 EH/s.
3. Additionally, if the full 307MW were allocated to new S21 Pros or S21 XPs the total EH/s on site could increase over five-fold in 2025 to over 20 EH/s more or less equivalent to our year end target of 21 EH/s.
4. Improving the energy efficiency of this largely outdated fleet would also dramatically reduce site hashcost by over 50% from over 3 cents today to an estimated 1.3 to 1.4 cents per TH per day. This is well below where the market is currently operating at and well below the levels of hashprice the market currently responds to and as well as where we expect hashprice to go during the widely anticipated Bitcoin Bullmarket.

Turning to slide 13. These sites have a unique potential to disrupt the HPC business model with a combined AI & Bitcoin mining data center.

It is important to emphasize here at the outset that this is highly innovative and disruptive. As far as we can tell no one has ever contemplated this kind of strategy and data center configuration. It is so novel that there is actually nothing in the PJM and FERC regulations that can be applied towards this structure. In order for this to be successfully implemented we will need to get approval from both PJM and FERC. Accordingly, this potential was not underwritten as part of the transaction. However the potential is so

great that we think it is important to outline the vision here and state that we will be seeking the necessary approvals but that these approvals will take time and it is possible that they never materialize.

A traditional data center utilizes a grid connection and diesel generators to provide a redundant source of power.

With this strategy we would be flipping this model on its head and instead utilize the cost-effective and reliable power from the Tier 2 Alternative energy plants for its primary and baseload connection.

We would then utilize the grid connection to provide redundancy for the HPC/AI data center. This configuration has numerous potential benefits. First diesel redundancy has a very high opex and other than providing the reliability for the data center required it has no value or function. By utilizing the grid connection and Bitcoin miners as a load bank we would be able to monetize this redundancy when the cost of energy is low and significantly enhance site profitability and in the process provide a more sustainable and environmentally friendly redundancy over traditional diesel or battery storage.

Even more importantly, we could avoid entirely the CAPEX associated with building out diesel or battery redundancy which can easily add up to \$3M / MW. Assuming one 80 MW HPC/AI/BTC data center that would translate to capex savings of up to \$240 M, significantly more than the entire cost of the transaction.

And we could do this twice, once at each location. Potentially saving up to US\$ 480M of CAPEX on 160 MW of HPC infrastructure, nearly 3x the value of this transaction.

If we are successful in securing the necessary regulatory approvals this could potentially result in a significant competitive advantage over traditional data centers by materially reducing capex, increasing revenues and improving our return on invested capital.

Turning to slide 14. For years Bitfarms has led the industry in environmentally responsible Bitcoin mining operations. Since our founding in 2017 approximately 96% of all our Bitcoins mined have been mined with sustainable energy, producing over 25k Bitcoins with minimal environmental impact.

But as we look towards the future, we believe it is not enough to utilize clean energy, we need to be proactive in solving problems and not only minimizing our impact but going above and beyond to drive positive change.

Turning to slide 15. In addition to the tremendous economic value of this transaction, as part of this transaction we are acquiring technologies, infrastructure and a team to drive this positive change and extend our environmental leadership beyond just minimizing our impact to making the world, better.

Starting in the industrial revolution in the 1800's, industrial waste began being dumped into large piles all across the state, over time they effectively became toxic mountains. There are literally hundreds of these abandoned waste piles across the state of Pennsylvania that make the land unusable. As these waste piles sit untreated, they leak toxic chemicals into the water supply first contaminating smaller streams that feed into the Allegheny River, and then into the Ohio river, which feeds into the Missouri river and eventually ends up in the Gulf of Mexico, polluting a significant amount of the US water supply and negatively impacting tens or hundreds of millions of people. Additionally, these piles will inevitably combust whether that happens from a lightning strike, dry weather or some other factors and when

they do, they burn uncontrollably emitting a massive amount of pollutants into the atmosphere. There are currently over 40 of these piles actively burning throughout the state today.

The remediation plants we are acquiring utilize specialized technology that remediates toxic waste into two valuable commodities, electricity and beneficial use ash, which is both a valuable fertilizer and carbon capture agent.

This equipment and remediation effort is so important to Pennsylvania that it is classified as a Tier 2 Alternative Energy Source in the state and is in the same category as large scale hydropower. This is a well-recognized environmental issue, and these remediation plants enjoy what may seem rare these days, Bi-partisan support, due to their proven environmental benefits over multiple decades. The tax credits available to those that remediate these legacy waste sites are proof of the positive impact these plants are having on the local communities and stakeholders.

On the screen are photos that highlight this centuries-old environmental problem and the positive externalities that these plants have driven over many years as they clean the earth, water and the atmosphere. We look forward to continuing to drive these environmental benefits in a way that creates value for shareholders and the local communities.

I'll now move to slide 16 and turn the call over to Jeff to discuss the financials. Jeff?

Jeff Lucas

Thank you, Ben. This is an exciting day for us. Turning to slide 17, I'll now provide a brief overview of the deal economics.

Bitfarms is acquiring 100% of Stronghold in an all-stock transaction for a total equity value of \$125 million US dollars plus an assumption of debt valued at about \$50 million US dollars.

As Ben discussed, Stronghold is bringing significant value to the table, immediately adding 4.0 EH/s and 165 MW to our operating capacity upon closing. We believe that this EH number will grow significantly as we initiate a similar fleet upgrade program to the one that we have been successfully conducting across all of our sites in 2024. In addition, Stronghold currently has capacity to import 142 MW of PJM power and has identified a path to potentially import as much as 790 MW of PJM power, which would bring our total MW under management to over 1.6 GW.

On the operational side, we anticipate annual run-rate cost synergies of approximately \$10 million US dollars, based on our current estimates. The Stronghold team complements Bitfarms' existing bench with operational expertise in power generation and a number of other activities that will be additive to our current capabilities.

Lastly we expect this transaction to close in the first quarter of 2025, subject to approval by Stronghold's shareholders and other customary closing conditions.

With that, I'll turn to slide 18 and hand the call back over to Ben to close.

Ben Gagnon

Thanks Jeff. Turning to slide 19.

To summarize, this transaction is highly accretive expanding our Bitcoin mining operations at an attractive value and securing robust expansion and growth opportunities for years to come. With this one transaction we are able to:

One, significantly scale up our exposure to the highly coveted PJM region.

Two, expand and rebalance our energy portfolio towards the US delivering short term value and significant long term potential expansion.

Three, leverage our operating expertise to perform a transformative data center upgrade.

Four, pursue our vision of disrupting the HPC/AI industry with a combination HPC/AI/BTC data center

Five, acquire new technologies that drive positive environmental change.

And we are able to do all of this at an attractive price with compelling transaction economics and an all-stock structure and potential synergies that preserve our balance sheet strength for future growth.

I know I speak on behalf of the entire Bitfarms and Stronghold team when I say we are so incredibly excited about this transaction which would not be possible if it wasn't for the tremendous teams at both Bitfarms and Stronghold that made this possible and that we look forward to building the Bitfarms of the future.

With that, we'd be happy to take your questions. Operator?