Bitfarms™

Management's Discussion & Analysis

For the three and six months ended June 30, 2019

Q2

2019

Contents

Introduction

The following Management's Discussion and Analysis ("MD&A") for Bitfarms Ltd. (together with its subsidiaries, the "Company" or "Bitfarms") should be read in conjunction with the Company's second quarter 2019 unaudited interim period condensed consolidated financial statements and the accompanying notes and the audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2018. In addition, the following MD&A should be read in conjunction with the Company's "Caution Regarding Forward-Looking Statements" beginning on page 21 of this MD&A.

The Company's second quarter 2019 unaudited interim period condensed consolidated financial statements and the accompanying notes have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company's second quarter 2019 unaudited interim period condensed consolidated financial statements include the accounts of the Company and other entities that the Company controls and are reported in US dollars, except where otherwise noted.

Under IFRS, certain expenses and income must be recognized that are not necessarily reflective of the Company's underlying operating performance. Non-IFRS financial performance measures exclude the impact of certain items and are used internally when analyzing operating performance. Please refer to the "Caution Regarding Non-IFRS Financial Performance Measures" section of this MD&A on page 22 for more information. This MD&A contains various terms related to the Company's business and industry. Please refer to the Glossary of Terms on page 23 of this MD&A.

Company Overview

The Company operates through two operating corporate subsidiaries and reportable operating segments: Backbone Hosting Solutions Inc. ("Backbone") and 9159-9290 Quebec Inc. (operating as Volta Electrique, "Volta"). Backbone owns and operates server farms, comprised of computers (referred to as a "Miners") designed for the purpose of validating transactions, primarily on the Bitcoin Blockchain. The Miners operate 24 hours a day and revenues are earned from Block Rewards and transaction fees issued in the form of cryptocurrencies by the Bitcoin network that the Company receives in return for validating transactions (referred to as "Mining"). Backbone regularly exchanges cryptocurrencies mined into U.S. dollars through reputable and established cryptocurrency trading platforms. As described under the heading "Recent and Subsequent Events", Bitfarms recently acquired 100% ownership of Backbone. Volta provides electrician services to both commercial and residential customers in Quebec, while assisting Bitfarms in building and maintaining its server farms.

Bitfarms currently operates five server farm facilities in Québec, Canada, which use approximately 28 MW to produce 320 Petahash per second (PH/s) of hashrate for Mining Bitcoin as of the date of this MD&A. The Company has also contracts securing an additional 136 MW of hydro-electric green energy in Quebec. In addition, Bitfarms owns proprietary software that is used to control, manage, report and secure mining operations. The software scans and reports the location, computing power and temperature of all Miners at regular intervals to allow the Company to monitor performance and ensure Miners are operating at maximum capacity and up-time.

Consolidated Results of Operations

(U.S.$ in thousands except where indicated)	Three months ended				Six months ended			
For the periods ended as indicated	**Jun. 30 2019**	**Jun. 30 2018**	**$ Change**	**% Change**	**Jun. 30 2019**	**Jun. 30 2018**	**$ Change**	**% Change**
Revenues	**8,517**	6,592	1,925	29%	**12,146**	22,285	(10,139)	(45%)
Cost of Sales	**4,587**	4,804	(217)	(5%)	**8,003**	9,907	(1,904)	(19%)
Gross profit	**3,930**	1,788	2,142	120%	**4,143**	12,378	(8,235)	(67%)
Gross margin	**46%**	27%	-	-	**34%**	56%	-	-
G&A and other expenses	**3,359**	3,506	(147)	(4%)	**5,282**	5,713	(431)	(8%)
Operating income (loss)	**571**	(1,718)	2,289	(133%)	**(1,139)**	6,665	(7,804)	(117%)
Operating margin	**7%**	(26%)	-	-	**(9%)**	30%	-	-
Interest expense	**689**	36	653	1814%	**821**	110	711	646%
Other financial expenses	**1,202**	6	1,196	19933%	**1,366**	26	1,340	5154%
Pre-tax income (loss)	**(1,320)**	(1,760)	440	(25%)	**(3,326)**	6,529	(9,855)	(151%)
Income tax expense	**0**	(423)	423	(100%)	**0**	1,791	(1,791)	(100%)
Net income (loss) per share - basic	**(0.01)**	(0.02)	-	-	**(0.04)**	0.08	-	-
Gross mining profit (1)	**5,122**	3,567	1,555	44%	**6,205**	16,953	(10,748)	(63%)
Gross mining margin (1)	**67%**	60%	-	-	**58%**	80%	-	-
EBITDA (1)	**668**	1,483	(815)	(55%)	**142**	12,572	(12,430)	(99%)
EBITDA margin (1)	**8%**	22%	-	-	**1%**	56%	-	-
Adjusted EBITDA (1)	**3,329**	2,683	646	24%	**2,908**	13,919	(11,011)	(79%)
Adjusted EBITDA margin (1)	**39%**	41%	-	-	**24%**	62%	-	-

Second Quarter 2019 Highlights:

- Consolidated revenue of $8.5 million; gross profit of $3.9 million (46% gross profit margin), operating income of $571,000 (7% operating margin), and net loss of $1.3 million;
- Mining operations segment (i.e. Backbone) gross mining profit[1] of $5.1 million (67% gross mining margin);
- EBITDA of $668,000 (8% EBITDA margin) and Adjusted EBITDA of $3.3 million (39% Adjusted EBITDA margin);
- 974 Bitcoin and 4,857 Litecoin mined in Q2 2019;
- Q2 2019 average break-even[2] Bitcoin price of $2,259 and average break-even Litecoin Price of $40;
- Drew 2nd and 3rd $5.0 million tranches of $20.0 million loan to fund planned operational expansion;
- Completed the purchase and installation of 3,267 new generation ASICs producing approximately 90 PH/s of hashrate. This increased the Company's current hash power by approximately 41% since the end of Q1 2019; and
- Closed the Israel Arrangement to de-list from Tel Aviv Stock Exchange on June 12th and received a receipt from the Ontario Securities Commission for its final non-offering long form prospectus on June 13th.

[1] EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin, Gross mining profit and Gross mining margin are non-IFRS performance measures; please refer to the heading "Caution Regarding Non-IFRS Financial Performance Measures" on page 22 regarding the use of non-IFRS Measures.

[2] Represents the break-even cost of Bitcoin and Litecoin based on variable cost of electricity and is calculated by taking the total electricity costs related to the Mining of each of Bitcoin and Litecoin divided by the total number of Bitcoin and Litecoin mined, respectively, in the relevant period.

Revenue

Bitfarms' total revenue for the Q2 2019 was $8,517,000 compared to $6,592,000 for the comparable three-month period in 2018 ("Q2 2018"). Revenue in Q2 2019 increased $1,925,000 or 29% compared to the revenue in Q2 2018. The factors which had the greatest impact on the increase in revenue in Q2 2019 compared to Q2 2018 are provided in the following table:

(U.S. $ in thousands except where indicated)	Note	Bitcoin	(USD)	% Change
Revenue based on actual coins sold during the three-month period ended June 30, 2018 and Volta external revenue		717	6,592	-
Impact of increase in average Bitfarms' Bitcoin hashrate in excess of average network difficulty during Q2 2019 compared to Q2 2018	1	199	1,641	25%
Impact of reduction in Q2 2019 average Bitcoin price compared to Q2 2018 average Bitcoin price	2		(994)	(15%)
Impact of Q1 2018 Altcoin inventory plus additional Altcoins mined in Q2 2018 exchanged into Bitcoin in Q2 2018	3	(208)	(1,715)	(26%)
Difference in Bitcoin inventory as at Q2 2019 compared to Q2 2018	4	278	2,017	31%
Q1 2018 BTC Inventory sold in Q2 2018	5	(44)	(363)	(6%)
Q1 2019 BTC inventory sold in Q2 2019	6	59	428	6%
Impact of Litecoin sold in Q2 2019	7		607	9%
Impact of reduction in Q2 2019 average Litecoin price compared to Q2 2018 average Litecoin price	8		(116)	(2%)
Difference in Bitcoin Cash inventory in Q2 2019 compared to Q2 2018	9		128	2%
Other mining variance			142	2%
Volta increase in external revenues			151	2%
Revenue for three months-ended June 30, 2019		1,001	8,517	29%

Notes

1 Calculated as the difference in Bitcoin mined in Q2 2019 compared to Q2 2018 (i.e. 974 - 775) multiplied by Q2 2018 average Bitcoin price (i.e. $8,246)

2 Calculated as the difference in average realized Bitcoin price in Q2 2018 compared to Q2 2019 (i.e. $8,246 - $7,254) multiplied by the Bitcoin sold in Q2 2019 (i.e. 1,002)

3 Calculated as the total Bitcoin Cash, Dash, Ethereum, and Litecoin (each an "Altcoin" and collectively "Altcoins") exchanged into Bitcoin and sold in Q2 2018 multiplied by the Q2 2018 average realized Bitcoin price (i.e. $8,246)

4 Calculated as the difference in Bitcoin inventory as at Q2 2019 compared to Q2 2018 (i.e. 31-309) multiplied by the average realized Bitcoin price in Q2 2019 (i.e. $7,254)

5 Calculated as the difference in ending inventory on Mar. 31, 2018 multiplied by the average realized Bitcoin price in Q2 2018 (i.e. $8,246)

6 Calculated as the difference in ending inventory on Mar. 31, 2019 multiplied by the average realized Bitcoin price in Q2 2019 (i.e. $7,254)

7 Calculated as the Litecoin mined in Q2 2019 (i.e. 4,857) multiplied by Q2 2018 average Litecoin price (i.e. $125)

8 Calculated as the difference in average realized Litecoin price in Q2 2018 compared to Q2 2019 (i.e. $99 - $125) multipled by the Litecoin sold in Q2 2019 (i.e. 4,460)

9 Calculated as the difference in Bitcoin cash inventory in Q2 2019 compared to Q2 2018 (i.e. 0 - 357) multiplied by the average Bitcoin cash price in Q2 2019 (i.e. $358)

The most significant factors influencing Bitfarms' revenue presented in the table above is the decrease of Bitcoin inventory held by the Company as at June 30, 2019 (i.e. 31 Bitcoin) compared to June 30, 2018 (i.e. 309 Bitcoin) and the difference in the market price of cryptocurrency in Q2 2019 compared to Q2 2018. Given that the Company recognizes revenue when cryptocurrencies are sold, the greater amount of cryptocurrency inventory held as at June 30, 2018 resulted in revenues related to the cryptocurrency coin inventory as at June 30, 2018 being recognized in Q3 2018 when they were sold instead of Q2 2018 when the cryptocurrencies were mined. Note, it is the practice of the Company to use, or sell its cryptocurrencies for fiat (i.e. U.S. dollar), within one to four days after the cryptocurrencies are earned. The Company sells its cryptocurrency through cryptocurrency trading platforms operated by Tagomi Holdings, Inc. and Gemini Trust Company, LLC, two licensed digital asset exchanges regulated by the New York State Department of Financial Services and operated out of New York, New York, USA. In certain specific and limited cases, Bitfarms does not convert Bitcoin directly into fiat and uses Bitcoin to directly pay for payment obligations. In addition, the average realized Bitcoin price at the time of sale decreased by approximately 12% in Q2 2019 (i.e. $7,254) when compared to Q2 2018 (i.e. $8,246).

For the six month period ended June 30, 2019, revenue was $12,146,000 compared to $22,285,000 for the comparable six-month period in 2018. Revenue for the six month period ended June 30, 2019 decreased $10,139,000 or 45% compared to the revenue in six month period ended June 30, 2018. The factors which had the greatest impact on the decrease in revenue are provided in the following table:

(U.S. $ in thousands except where indicated)	Note	Bitcoin	(USD)	% Change
Revenue based on actual coins sold during the six-month period ended June 30, 2018 and Volta external revenue		2,242	22,285	-
Impact of increase in average network difficulty in excess of average Bitfarms' Bitcoin hashrate during YTD Q2 2019 compared to YTD Q2 2018	1	(116)	(1,087)	(5%)
Impact of reduction in YTD Q2 2019 average Bitcoin price compared to YTD Q2 2018 average Bitcoin price	2		(6,598)	(30%)
Impact of December 31, 2017 Altcoin inventory plus Altcoins mined during YTD Q2 2018 exchanged into Bitcoin and sold in Q2 2018 less ending Altcoin inventory	3	(604)	(5,569)	(25%)
Difference in Bitcoin inventory as at YTD Q2 2019 compared to YTD Q2 2018	4	278	2,604	12%
Impact of Litecoin sold during YTD Q2 2019	5		458	2%
Dec. 31, 2018 Inventory sold in YTD Q2 2019	6	11	63	0%
Other mining variance		(20)	(312)	(1%)
Volta increase in external revenues			303	1%
Revenue for six months-ended June 30, 2019		1,791	12,146	(45%)

Notes

1. Calculated as the difference in Bitcoin mined in YTD Q2 2019 compared to YTD Q2 2018 (i.e. 1,811 - 1,927) multiplied by YTD Q2 2018 average Bitcoin price (i.e. $9,368)
2. Calculated as the difference in average realized Bitcoin price in YTD Q2 2018 compared to YTD Q2 2019 (i.e. $9,368 - $5,684) multiplied by the Bitcoin sold in YTD Q2 2019 (i.e. 1,791)
3. Calculated as the total Bitcoin Cash, Dash, Ethereum, and Litecoin (each an "Altcoin" and collectively "Altcoins") exchanged into Bitcoin and sold in Q2 2018 multiplied by the YTD Q2 2018 average realized Bitcoin price (i.e. $9,368) less Bitcoin cash inventory as at YTD Q2 2019 compared to YTD Q2 2018 (i.e. 0 - 357) multiplied by the average Bitcoin Cash price for YTD Q2 2019 (i.e. $249)
4. Calculated as the difference in Bitcoin inventory as at Q2 2018 compared to Q2 2019 (i.e. 309-31) multiplied by the average realized Bitcoin price for YTD Q2 2019 (i.e. $9,368)
5. Calculated as the Litecoin mined for YTD Q2 2019 (i.e. 6,358) multiplied by YTD Q2 2019 average Litecoin price (i.e. $72)
6. Calculated as the Bitcoin inventory at Dec. 31, 2018 sold in YTD Q2 2019 (i.e. 11) multiplied by YTD Q2 2019 average Bitcoin price (i.e. $5,684)

The most significant factors influencing the net decrease to Bitfarms' revenue for the six months ended June 30, 2019 compared to the six months ended June 30, 2018 presented in the table above are the decrease of Bitcoin inventory held by the Company as at June 30, 2019 (i.e. 31 Bitcoin) compared to June 30, 2018 (i.e. 309 Bitcoin), offset by the impact of Altcoins converted to Bitcoin and sold, and the difference in the average realized price of cryptocurrency during the six month period ended June 30, 2019, compared to the comparable six-month period in 2018.

Bitfarms' cryptocurrencies mined in Q2 2019 compared to Q2 2018 are summarized in the table below:

For the periods ended as indicated	Three months ended Jun. 30 2019	Jun. 30 2018	% Change	Six months ended Jun. 30 2019	Jun. 30 2018	% Change
Bitcoin	**974**	775	26%	**1,811**	1,927	(6%)
Bitcoin Cash	**0**	1,527	(100%)	**0**	2,314	(100%)
Litecoin	**4,857**	1,168	316%	**6,352**	3,520	80%
Dash	**0**	220	(100%)	**0**	220	(100%)
Ethereum	**0**	259	(100%)	**0**	594	(100%)

Cost of Sales

Bitfarms' cost of sales for the Q2 2019 was $4,587,000 compared to $4,804,000 in Q2 2018. Costs of sales include energy and infrastructure expenses, rental expense, depreciation and amortization, purchases, electrician salaries, and, net change in cryptocurrency inventory which are summarized in the table below:

(U.S. $ in thousands except where indicated) For the periods ended as indicated	Three months ended Jun. 30 2019	Jun. 30 2018	$ Change	% Change	Six months ended Jun. 30 2019	Jun. 30 2018	$ Change	% Change
Energy and infrastructure	**2,565**	2,346	219	9%	**4,482**	4,176	306	7%
Depreciation and amortization	**1,299**	3,207	(1,908)	(59%)	**2,647**	5,933	(3,286)	(55%)
Purchases	**357**	311	46	15%	**539**	523	16	3%
Electrician salaries	**270**	311	(41)	(13%)	**430**	368	62	17%
Net change in inventory	**96**	(1,371)	1,467	(107%)	**(95)**	(1,093)	998	(91%)

Energy and infrastructure expenses increased by $223,000 or 10% in Q2 2019 compared to Q2 2018. Electricity expense was approximately $437,000 higher in Q2 2019 as compared to Q2 2018 as the Company added new Mining computers which had the effect of increasing its average computing power to 277 PH/s in Q2 2019 compared to 188 PH/s in Q2 2018. The increase in electricity cost in Q2 2019 compared to Q2 2018 was primarily offset by a decrease in facility rent expense in Q2 2019 of approximately $220,000 compared to Q2 2018 due to the adoption of new accounting standard IFRS 16. Rent expenses have been reclassified as depreciation and interest expense due to the adoption of IFRS 16 by the Company in 2019. Please refer to the Adoption of New Accounting Standards section found on page 16 for more details on IFRS 16.

Depreciation and amortization expense decreased by $1,912,000 in Q2 2019 compared to Q2 2018 due to the impairment loss of $18.5 million on property, plant and equipment and intangible assets recorded by the Company in 2018. The decrease in depreciation and amortization expense was partially offset by an increase in depreciation and amortization expense of $208,000 in Q2 2019 compared to Q2 2018 resulting from the adoption of IFRS 16 by the Company in January 2019 as the Company amortizes right of use assets over the term of the relevant leases.

Finally, the net change in inventory increased $1,467,000 or 107% in Q2 2019 compared to Q2 2018 and was primarily due to the fact that the Company held 309 Bitcoin in inventory as at June 30, 2018 compared to approximately only 31 Bitcoin as at June 30, 2019. The higher than normal inventory of Bitcoin that the Company held as at June 30, 2018 was sold early in Q3 2018.

Gross Profit

Bitfarms' gross profit for Q2 2019 was $3,930,000 compared to $1,788,000 for Q2 2018. The gross profit margin increased from 27% to 46% in Q2 2019 compared to Q2 2018 primarily due to the greater amount of Bitcoin inventory held by the Company as at June 30, 2018 compared to June 30, 2019, as described in detail in the analysis of revenue above.

General & Administrative Expenses

Bitfarms' general and administrative expenses in Q2 2019 were relatively similar to those in Q2 2018. Salary expenses increased by $1,001,000 in Q2 2019 compared to Q2 2018 primarily due to the non-cash share-based compensation expense related to employee stock options approved and granted in Q2 2019 that did not exist in Q2 2018. The increase in salary expense in Q2 2019 was offset by a decrease in listing costs of $1,000,000 related to the company's public listing on the Tel Aviv Stock Exchange that was completed April 12, 2018 and recorded in Q2 2018.

Financial Expenses

Bitfarms' financial expenses for Q2 2019 were $1,891,000 compared to $42,000 in Q2 2018. Financing expenses are comprised of interest on the Dominion Capital loan financing, warrant issuance costs, loss on embedded derivative, loss on fair value revaluation of the warrants, interest payments in respect of vendor financing and Volta's long-term debt repayments and bank charges. For Q2 2019, financial expenses also include interest expense arising from the adoption of IFRS 16 as well as unrealized foreign exchange losses on translation of lease liabilities in Canadian dollars to the functional currency in US dollars.

Financial expenses increased in Q2 2019 compared to Q2 2018 for several reasons. First, the Company incurred interest expense of $549,000 on the Dominion Capital loan in Q2 2019 which did not exist in Q2 2018. Further, the Company incurred $72,000 in warrant issuance costs, a non-cash loss of $409,000 on embedded derivatives and a non-cash loss on the fair value revaluation of the warrants of $782,000. The Company had realized and unrealized foreign exchange gains of $80,000 in Q2 2019 compared to a gain of $23,000 during Q2 2018. Finally, the adoption of IFRS 16 in January 2019 resulted in $94,000 of lease payments to be recorded as interest expense in Q2 2019.

Bitfarms' net loss for Q2 2019 was $1,320,000 compared to a net loss of $3,372,000 for Q2 2018. Bitfarms' income tax expense for the Q2 2019 was $nil compared to $1,791,000 for Q2 2018.

Reportable Operating Segments

Backbone

(U.S. $ in thousands except where indicated)	Three months ended				Six months ended			
For the periods ended as indicated	Jun. 30 2019	Jun. 30 2018	$ Change	% Change	Jun. 30 2019	Jun. 30 2018	$ Change	% Change
Revenue	**7,687**	5,913	1,774	30%	**10,687**	21,129	(10,442)	(49%)
Cost of Sales	**3,926**	4,169	-	-	**6,959**	8,976	-	-
Gross profit	**3,761**	1,744	2,017	116%	**3,728**	12,153	(8,425)	(69%)
Gross margin	**49%**	29%	-	-	**35%**	58%	-	-
G&A and other expenses	**3,202**	2,126	1,076	51%	**4,715**	4,205	510	12%
Operating income (loss)	**559**	(382)	941	(246%)	**(987)**	7,948	(8,935)	(112%)
Operating margin	**7%**	-6%	-	-	**-9%**	38%	-	-
Interest expense	**685**	36	649	1803%	**814**	104	710	683%
Other finance expenses	**1,202**	6	1,196	19933%	**1,360**	20	1,340	6700%
Net income (loss) before tax	**(1,328)**	(424)	(904)	213%	**(3,161)**	7,824	(10,985)	(140%)
EBITDA (1)	**637**	2,813	(2,176)	(77%)	**256**	13,849	(13,593)	(98%)
EBITDA margin (1)	**8%**	3,014	-	-	**2%**	66%	-	-
Adjusted EBITDA (1)	**3,298**	2,590	708	27%	**3,022**	15,196	(12,174)	(80%)
Adjusted EBITDA margin (1)	**43%**	5,403	-	-	**28%**	72%	-	-

Volta

(U.S. $ in thousands except where indicated)	Three months ended				Six months ended			
For the periods ended as indicated	Jun. 30 2019	Jun. 30 2018	$ Change	% Change	Jun. 30 2019	Jun. 30 2018	$ Change	% Change
Revenue	**830**	679	151	22%	**1,459**	1,156	303	26%
Cost of Sales	**661**	635	26	4%	**1,044**	931	113	12%
Gross profit	**169**	44	125	284%	**415**	225	190	84%
Gross margin	**20%**	6%	-	-	**28%**	19%	-	-
G&A and other expenses	**157**	153	4	3%	**297**	281	16	6%
Operating income (loss)	**12**	(109)	121	(111%)	**118**	(56)	174	(311%)
Operating margin	**1%**	(16%)	-	-	**8%**	(5%)	-	-
Interest expense	**4**	0	4	100%	**7**	6	1	100%
Other finance expenses	**0**	0	0	0%	**6**	6	-	-
Net income (loss) before tax	**8**	(109)	117	(107%)	**105**	(68)	173	(254%)
EBITDA (1)	**31**	(103)	134	(130%)	**156**	(50)	206	(412%)
EBITDA margin (1)	**4%**	(15%)	-	-	**11%**	(4%)	-	-
Adjusted EBITDA (1)	**31**	(103)	134	(130%)	**156**	(50)	206	(412%)
Adjusted EBITDA margin (1)	**4%**	(15%)	-	-	**11%**	(4%)	0	-

Notes

(1) EBITDA, EBITDA margin, Adjusted EBITDA, and Adjusted EBITDA margin are non-IFRS performance measures; please refer to the heading "Caution Regarding Non-IFRS Financial Performance Measures" on page 22 regarding the use of non-IFRS Measures.

Selected Quarterly Information

(U.S. $ in thousands except where indicated)	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017 (1)
Revenue	**8,517**	3,629	5,292	6,243	6,592	15,678	8,663
Net income (loss)	**(1,320)**	(2,006)	(21,313)	(1,661)	(1,337)	6,075	4,905
Basic and Diluted Income (Loss) per Share	**(0.01)**	(0.02)	(0.23)	(0.02)	(0.02)	0.12	0.08

Notes
(1) The Company's operations began Nov. 6, 2017; Q4 2017 represents 56 days of activity

Liquidity and Capital Resources

Cash Flows

(U.S. $ in thousands except where indicated)	Six months ended			
For the periods ended as indicated	Jun. 30 2019	Jun. 30 2018	$ Change	% Change
Cash & cash equivalents, beginning of the period	**552**	4,518	(3,966)	(88%)
Cash flows from (used in):				
Operating activities	**1,489**	11,634	(10,145)	(87%)
Investing activities	**(10,585)**	(20,203)	9,618	(48%)
Financing activities	**13,898**	4,650	9,248	199%
Cash & cash equivalents, end of the period	**5,354**	599	4,755	794%

Cash Flows from Operating Activities
The cash flow from operating activities was significantly higher during the six months ended June 30, 2018 compared to the six months ended June 30, 2019 primarily due to higher net income in 2018 that resulted from higher realized Bitcoin prices and lower difficulty in 2018 compared to 2019.

Cash Flows used in Investing Activities
During the six months ended Q2 2018, the Company made significant investment through the purchase of ASICs and the development of the St. Hyacinthe and Magog facilities. The cost of ASICs were significantly higher in 2018 due to limited supply. During the six months ended Q2 2019, the Company obtained proceeds from the sale of a building in Sherbrooke for approximately $1,340,000, which proceeds were offset by the investments in ASICs, electrical components, investments in Sherbrooke construction and leasehold improvements in Farnham for a total of $10.6M.

Cash Flows from Financing Activities
In Q1 2018, the Company received proceeds of $2,900,000 from the sale and issuance of common shares, held in trust in Q4 2017. In addition, it obtained vendor financing for the acquisition of Miners of approximately $1,800,000. This was partially offset by the repayment of long-term debt of $118,000 in

Q2 2018. For the six months ended Q2 2019, the Company obtained the first, second and third tranches of $5.0 million each (less financing fees) on the $20.0 million debt facility from Dominion Capital ($14.7 million net). This was offset by the repayment of lease liability under IFRS 16 of $331,000 and repayment of long-term debt of $340,000.

Working Capital

As at June 30, 2019, Bitfarms had a positive working capital balance of $308,000 compared to a working capital deficit of $1,361,000 on December 31, 2018. As at June 30, 2019, Bitfarms had cash and cash equivalents of $5,354,000 compared to $552,000 on December 31, 2018. Cash and cash equivalents are mainly U.S. and Canadian dollar deposits at regulated financial institutions. In addition, Bitfarms held cryptocurrency tokens inventory with a fair value of $359,000 as at June 30, 2019 compared to $39,000 on December 31, 2018. These balances fluctuate as a result of market prices of cryptocurrencies earned upon sale.

Components of Total Debt

The Company expects that cash and cash equivalents and future operating cash flows will enable it to fund its ongoing business requirements, including working capital, planned capital expenditures and financial obligations, over the next twelve months.

Since inception, the Company has primarily financed its growth through retained earnings, vendor financing and, since March 2019, a long-term debt facility. The current portion of long-term debt of Bitfarms was $3,092,000 as June 30, 2019 compared to $1,025,000 on December 31, 2018. Bitfarms' long-term debt consists of the following:

(a) Bitfarms signed an agreement to purchase Miners in the amount of $2,000,000 and obtained vendor financing with no interest to pay for the purchase in twenty monthly instalments commencing on June 15, 2018. The financing was recorded at a present value of $1,800,000. The outstanding balance of this loan owing was $1,081,000 as at June 30, 2019;

(b) Volta signed several agreements to purchase vehicles with an outstanding balance of $133,000 as at June 30, 2019. Ten notes payable, bearing interest between 3.49% and 8.2% repayable in monthly instalments totaling $4,700 principal and interest, maturing between November 2019 and November 2023, secured by vehicles having a net carrying value of $154,000;

(c) Volta received long-term vendor financing with an outstanding balance of $144,000 bearing interest at 5.00% payable by monthly instalments of $3,800 principal and interest maturing at September 2022; and

(d) On March 14, 2019, Bitfarms entered into a secured debt financing facility for up to $20.0 million with DC BFL SPV, LLC ("Dominion Capital"). The debt facility is structured into four separate loan tranches of $5.0 million each bearing interest at 10% per annum on the full principal balance of each loan tranche regardless of principal repayments made during the term of each loan tranche. The term of each loan tranche is 24 months with a balloon payment for any remaining outstanding balance at the end the term. A monthly payment equivalent to 10% of the value of cryptocurrencies mined by

Bitfarms during the month is required in repayment of the total loan tranches drawn. This amount shall first be applied to accrued interest and the balance to principal and, in the event that the amount of interest owing is greater than the amount of cryptocurrency mined, such additional amount shall be remitted such that the interest is payable in full. The debt facility is fully secured by the assets of Bitfarms on a first priority basis.

In addition to interest, the Company has issued 1,666,667 warrants to Dominion Capital for each loan tranche drawn for a total of 6,666,668 warrants exercisable into common shares of Bitfarms at an exercise price of $0.40 per share. The details of each loan tranche are as follows:

Loan	Drawdown Amount	Drawdown Date	Loan Term	Loan Due Date	Warrants Issued	Warrant Expiry Date
Tranche #1	$5,000,000	March 15, 2019	24 months	March 15, 2021	1,666,667	March 15, 2024
Tranche #2	$5,000,000	April 17, 2019	24 months	April 17, 2021	1,666,667	April 17, 2024
Tranche #3	$5,000,000	June 21, 2019	24 months	June 21, 2021	1,666,667	June 21, 2024
Tranche #4	$5,000,000	August 9, 2019	24 months	August 9, 2021	1,666,667	August 9, 2024
	$20,000,000				**6,666,668**	

As of the date of this MD&A, proceeds from the loan tranches have been used to:

- to acquire new Miners for the existing facilities;
- make purchases of new Miners for the first phase ("Phase 1") of the Company's new facility at Sherbrooke;
- make deposits for the purchase of new Miners to be delivered in the fourth quarter 2019 for the second phase ("Phase 2') of the Company's new facility at Sherbrooke; and
- pay for the buildout of infrastructure for Phases 1 and 2 of the Company's new facility at Sherbrooke.

Additional information regarding Phase 1 and Phase 2 are provided in the prospectus of the Company dated June 12, 2019, available on www.sedar.com under the Company's profile.

Capital Resources

Bitfarms' capital management objective is to ensure its ability to maximize the return to its shareholders. In order to achieve these objectives, the Company monitors its capital structure and makes adjustments as required in light of changes in economic conditions and the risks to which the Company is exposed. The Company's strategy for achieving this objective is 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, and ensuring sufficient liquidity to pursue organic growth. Bitfarms may manage its capital structure by issuing equity, obtaining loan financing, adjusting capital spending, or disposing of assets. As at June 30, 2019, the terms of the Dominion Capital loan require Bitfarms to keep a minimum bank balance of $1,000,000 at all times. The Company is not subject to any other externally imposed capital requirements.

Purchase commitments

On June 21, 2019, the Company entered into an agreement to purchase mining hardware for $4,437,000. The Company has placed deposits with the vendor of the equipment totaling approximately $3,100,000 as of the date of the approval of the interim consolidated financial statements. The equipment is scheduled to be delivered in the fourth quarter 2019.

On August 8, 2019, the Company entered into an agreement to purchase mining hardware for $5,750,000. The Company has placed deposits with the vendor of the equipment totaling approximately $2,875,000 as of the date of the approval of the interim consolidated financial statements. The equipment is scheduled to be delivered in the fourth quarter 2019.

The remaining balance on purchase commitments detailed above will be funded with a combination of existing cash on hand as well as ongoing cash flow from operations generated in the period until the balance of the purchase commitments are due.

Sherbrooke Expansion

On March 8, 2018, Bitfarms announced a 98.0 MW power contract in the municipality of Sherbrooke, Québec for a new server farm facility (herein referred to as, the "Sherbrooke Expansion"). The construction of the Sherbrooke Expansion is anticipated to be completed in six stages based on megawatt capacity: Stage 1 – 12MW; Stage 2 – 18 megawatts; Stage 3 – 12 MW; Stage 4 - 18 megawatts; Stage 5 – 19 megawatts; and, Stage 6 – 19 megawatts.

As at the date of this MD&A, the following steps have been taken by Bitfarms with respect to the Sherbrooke Expansion:

- Two industrial real estate properties in the municipality of Sherbrooke have been acquired for a total purchase price of approximately CAD$4,750,000 with a total aggregate area of approximately 114,000 sq. feet which provides adequate space for the Sherbrooke Expansion. On February 11, 2019, one of the real estate properties in Sherbrooke with an area of 36,000 sq. feet was subsequently sold for CAD$1,750,000. The property was sold after an agreement was reached with the buyer, a real estate developer, to construct a purpose-built addition for crypto-mining to the building that would be leased to Bitfarms and allow it to realize net savings in its overall future buildout costs for the Sherbrooke Expansion while also providing immediate working capital from the proceeds of the building sale;

- A total of 30 megawatts of electrical distribution hardware for the phase 1 and phase 2 of the Sherbrooke Expansion has been acquired for a cost of approximately $2,000,000;

- Electricity supply agreements have been entered into with Hydro-Sherbrooke. Hydro-Sherbrooke is a regional public utility company that distributes electric power. It is the second largest distributer of energy in the province of Québec next only to Hydro-Québec. Hydro-Sherbrooke operates nine hydroelectric power generation stations;

- Deposits in the amount of approximately $6,920,000 have been made to suppliers to secure delivery of new Miners in the third and fourth quarters of 2019. The total purchase commitments made by the Company related to the deposits are $11,132,000 as described in the purchase commitments above; and

- Expenditures of approximately $4,300,000 have been made with respect to the infrastructure buildout of Phases 1 and 2 in addition to the $2,000,000 worth of purchases of electrical distribution noted above.

Bitfarms has secured sufficient working capital to fully fund phases 1 and 2 of the Sherbrooke Expansion. Bitfarms intends to finance the remainder of the construction of the Sherbrooke Expansion (i.e. phases 3 through phase 6) by raising additional debt or equity capital or a combination of these means, as well as through the cash flow from its operations.

Off-Balance Sheet Arrangements

There are currently no off-balance sheet arrangements, aside from the purchase commitments described above, which could have an effect on current or future results or operations, or the financial condition of Bitfarms.

Share Capital

As of the date of this MD&A, the Company has 83,374,980 common shares issued and outstanding.

Financial Instruments & Risks

It is anticipated that in the normal course of operations, Bitfarms will be exposed to exchange risk, foreign currency risk and credit risk.

Dominion Capital loan

As of June 30, 2019, the Dominion Capital loan consisted of three $5.0 million tranches that were drawn down from the financing facility, which included a total of four available $5.0 million loan tranches (please refer to the Components of Total Debt section above). The features of the loan, which include the issuance of 1,666,667 warrants per tranche with an exercise price of $0.40, as well as a make-whole interest clause resulted in a financial liability accounted for at amortized cost, warrant liabilities recorded at fair value through profit or loss and an embedded derivative recorded at fair value through profit or loss. The purpose of the loan is to provide the Company with additional funds to achieve its growth objectives, notably, the buildout of the first two phases of the Sherbrooke project.

Financial instrument at amortized cost

Management used significant judgement and estimates when determining the effective interest rate of the financial liability accounted for at amortized cost. Payment amounts are determined as 10% of the cryptocurrency mined by Bitfarms. In order to calculate the effective interest rate, management had to estimate Bitfarms' future cryptocurrency mining revenues in order to estimate the timing and amount of future loan repayments. The effective interest rate was determined to be 26.93%, 30.16% and 37.10% for the first, second and third tranches, respectively. Management had to make key assumptions in estimating the revenues, including Bitcoin price, Network Difficulty and the Company's internal hashrate. The weighted average Bitcoin price and Network Difficulty used in the projections upon the inception of Tranches #1 and #2 were $5,400 and 5.36^12, respectively. The weighted average Bitcoin price and Network Difficulty used in the projections upon the inception of Tranche #3 were $10,200 and 7.82^12, respectively. The weighted average difficulty for the period of the projection is lower than the difficulty as of the reporting date due to management's estimate that difficulty will decrease as a result of the halving expected to occur in 2020. The component of the financial instrument carried at amortized cost resulted in interest expense of $596,000 included in financial expenses.

Warrant liability

The warrants contain an anti-dilutive feature that may result in a reduction in the exercise price in the event that the Company issues common shares at a price lower than the exercise price. As a result of this feature, the warrants will not necessarily result in a fixed number of common shares being issued for a fixed price. The possibility of variation in the settlement price results in the warrants being classified as a liability that is measured at fair value through profit or loss. The assumptions in measuring the warrant liability at the issuance and period-end date are as follows:

	Tranche 1	**Tranche 2**	**Tranche 3**	**June 30, 2019**
Dividend yield (%)	-	-	-	-
Expected volatility of the share price (%)	110%	114%	114%	115%
Risk-free interest rate (%)	2.4%	2.4%	1.8%	1.8%
Expected life of warrants (years)	5	5	5	4.8
Share price (U.S. Dollar)	0.62	0.73	0.83 *)	0.89 *)
Warrant value (U.S. Dollar)	0.57	0.68	0.77	0.83
Quantity of warrants	1,666,667	1,666,667	1,666,667	5,000,001
Total value	$ 946,000	$ 1,137,000	$ 1,283,000	$ 4,150,000

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

The revaluation to fair value through profit or loss as at June 30, 2019 resulted in a loss of $782,000 included in financial expenses. Any increase or decrease in the company's share price can have a material impact on profit or loss upon remeasurement in subsequent periods.

Embedded derivative

The value of the "make-whole" clause described above will vary based on management's projections of the timing of the loan repayment, which are based on Bitfarms' cryptocurrency mining revenues. This interest feature has been accounted for as an embedded derivative that is measured at fair value through profit or loss. Since this is a non-option derivative, the fair value upon initial recognition of the loan liability is nil. As of June 30, 2019, management revised its projections of the timing of the loan repayment and discounted future payments to their present value using the effective interest rates determined upon inception of each loan tranche. As of June 30, 2019, management recognized an embedded derivative with a value of $409,000 resulting in a loss of the same amount included in financial expenses. Any change in management's assumptions of Bitcoin price, Bitcoin network difficulty and the Company's internal hashrate may have a material impact on profit of loss upon remeasurement in subsequent periods.

Credit 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, accounts receivable and long-term deposits. The risk regarding cash and cash equivalents is mitigated by holding the cash and cash equivalents through Canadian chartered banks. The credit risk regarding trade receivables are derived mainly from sales to Volta's third-party customers. The Company performs ongoing credit evaluations of its customers. The Company places deposits with suppliers of cryptocurrency mining hardware in the normal course of operations in order to secure orders and delivery dates. The Company deals with major suppliers of cryptocurrency equipment and routinely maintains strong relationships with suppliers and evaluates. Other long-term deposits include deposits with local government run energy producers. The Company is also exposed to credit risk through conversion of cryptocurrency to fiat currency through the use of cryptocurrency exchanges. The Company maintains relationships with multiple exchanges and mitigates credit risk by routinely converting cryptocurrency to fiat currency to limit exposure. Furthermore, the Company routinely performs ongoing evaluations of cryptocurrency exchanges.

Liquidity Risk

Liquidity risk is the 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, as far as possible, that it maintains sufficient liquidity in order to pay its projected financial liabilities. The contractual maturities of trade and other payables are less than three months. Long-term debt includes financial obligations with contractual maturities, including principal and interest, as follows:

2019:	$2,898,000
2020:	$5,855,000
2021:	$10,085,000
Total	**$18,838,000**

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 US Dollar as all its revenue, excluding Volta, and most of its capital expenditures are transacted in US dollars. The Company is exposed to variability in the Canadian dollar to US dollar exchange rate when paying operating expenses incurred and payable in Canadian dollars. The Company funds foreign currency transactions by buying the foreign currency at the spot rate when required. Management does not currently hedge its foreign currency risk.

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 Company is primarily engaged in the cryptocurrency mining industry that is a highly volatile market with significant inherent risk. A significant decline in the market prices of cryptocurrencies, an increase in the difficulty of cryptocurrency mining, changes in the regulatory environment and adverse changes in other inherent risks can significantly negatively impact the Company's operations. The Company does not currently hedge the conversion of cryptocurrencies to fiat currency.

Custody of Crypto Asset Risk

Cryptocurrencies are controllable by the possessors of the unique public key and private key relating to the digital wallet used to store the cryptocurrencies. If keys are lost, stolen or destroyed this could result in a loss for the Company. In order to mitigate the risk of loss of cryptocurrencies the Company sells cryptocurrency routinely and uses multi-signature digital wallets to store cryptocurrency until its eventual sale. The digital wallets used for Bitcoin and Litecoin require 2 out of 3, and 2 out of 5 individuals, respectively, in order to approve a spending transaction. Each of the users has a separate password that is not known by the other users. The transactions can only be initiated from the physical computer where the multi-signature wallet is installed for each user. In order to install the multi-signature wallet on a computer, twelve "seed" words that are distinct to each user are required, which are physically stored offline in confidential locations offsite.

Security breaches and hacking have been prevalent in cryptocurrency exchanges. The Company mitigates this risk by performing ongoing evaluations of exchanges, routinely converting cryptocurrencies to fiat currency, and regularly converting its crypto assets into fiat so that no material amount of crypto assets is held at any given time.

Related Party Transactions

During the three and six month periods ended June 30, 2019, the Company had the following transactions with related parties:

1. Bitfarms was charged approximately $38,000 and $79,000 for the three- and six-month periods ended June 30, 2019 (three and six month periods ended June 30, 2018 - $43,000 and $93,000) for telecommunication expenses by Globotech, a company in which a director has significant influence.

2. In addition, Bitfarms was charged rent expense of approximately $144,000 and $294,000 for the three- and six-month periods ended June 30, 2019 (three and six month periods ended June 30, 2018 - $154,000 and $303,000) by companies controlled by directors.

3. Bitfarms entered into consulting agreements with two of the directors. The consulting fees charged by directors totaled approximately $100,000 and $200,000 for the three- and six-month periods ended June 30, 2019 ($100,000 and $248,000 for the three- and six-month periods ended June 30, 2018).

4. Bitfarms sold 627 Bitcoin (717 Bitcoin and 2,239 Bitcoin for the three and six months ended June 30, 2018) to a company of which, at the time of such sales, had a director who was also a shareholder of the Company for proceeds of $2,283,000 ($5,913,000 and $21,128,000 for the three and six months ended June 30, 2018). The company which Bitfarms sold Bitcoin to ceased operating in the cryptocurrency industry as of March 11, 2019, and since that date Bitfarms has not transacted with this company.

5. On June 12, 2019, two Bitfarms founding shareholders exchanged 17,335,090 exchangeable shares of Backbone into 17,335,090 common shares of the Company.

The above transactions were incurred in the normal course of operations.

Recent and Subsequent Events

TSXV Listing

The Company had its shares listed for trading on the TSX Venture Exchange starting on July 16, 2019.

Loan drawdown

On August 9, 2019, the Company drew down on the fourth and final $5,000,000 tranche from the Dominion Capital loan.

Purchase commitments

The Company entered into certain equipment purchase agreements as described above under the heading "*Capital Resources - Purchase Commitments*" above.

Backbone Share Acquisition and Exchange

On August 12, 2019 the Company entered into a share exchange agreement to acquire all of the outstanding 26,295,655 Class A voting shares of Backbone not already owned by the Company in consideration for the issuance of 26,295,655 common shares of the Company. The transaction closed on August 15, 2019 and Bitfarms now owns 100% of the issued and outstanding shares of Backbone.

Lease Agreement Modification

On August 1, 2019, a new lease agreement for the Cowansville farming facility became effective, as the former landlord, a company controlled by certain insiders of the Company, sold the property a third-party unrelated to Bitfarms. The new lease contract is for the same underlying property and has a lease term of 10 years with two lease extension options of five years each. Monthly rent is approximately $22,000 CAD with an increase based on the Consumer Price Index per Statistics Canada on December 31 of each year.

Accounting Standards

Adoption of New Accounting Standards

IFRS 16 Leases:

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

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

The effect of adoption IFRS 16 as of January 1, 2019 is as follows:

Assets		
Right-of-use assets *)	$	5,303,000
Liabilities		
Short-term		621,000
Long-term		4,498,000
Total liabilities	$	5,119,000

*) Includes reclassification of $184,000 presented in long-term deposits as of December 31, 2018.

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

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

Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized, and the lease payments were recognized as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under other assets and accounts payable, respectively.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

As all of the Company's leases were previously classified as operating leases, the Company recognized right-of-use assets and lease liabilities for these leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

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

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

Farming facilities operating lease commitments as of December 31, 2018	$	3,737,000
Less:		
Commitments relating to short-term leases		(37,000)
Adjusted farming facilities operating lease commitments as of December 31, 2018		3,700,000
Add:		
Payments in optional extension periods not recognized as of December 31, 2018		3,033,000
Adjusted farming facilities operating lease commitments and optional extension periods not recognized as of December 31, 2018		6,733,000
Discount rate for portfolio of leases		8%
Lease liabilities as of January 1, 2019 (unaudited)		5,017,000
Vehicle operating lease commitments as of December 31, 2018		105,000
Discount rate for portfolio of leases		3.49%
Discounted operating lease commitments at January 1, 2019		102,000
Lease liabilities as of January 1, 2019 (unaudited)		102,000
Total lease liabilities as of January 1, 2019 (unaudited)	$	5,119,000

2. Summary of new accounting policies:

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

Right-of-use assets

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

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

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

The 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 five years. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the 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 included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to ten years) and there will be a significant negative effect on production if a replacement is not readily available. The renewal options for leases of motor vehicles were not included as part of the lease term because the Company has a policy of leasing motor vehicles for not more than five years and, hence, not exercising any renewal options.

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

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

	Farming facilities	Vehicles	Other equipment	Total ROU assets	Lease liabilities
As of January 1, 2019	$ 5,201,000	$ 102,000	$ -	$ 5,303,000	$ 5,119,000
Additions	88,000	27,000	60,000	175,000	175,000
Lease terminations	-	(8,000)	-	(8,000)	(8,000)
Depreciation	(372,000)	(22,000)	(2,000)	(396,000)	-
Payments	-	-	-	-	(493,000)
Interest	-	-	-	-	162,000
Foreign exchange loss on lease liabilities	-	-	-	-	191,000
As of June 30, 2019 (unaudited)	4,917,000	99,000	58,000	5,074,000	5,146,000

The Company recognized rent expense from short-term leases of $38,000 for the six months ended June 30, 2019.

Caution 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 in the circumstances. The Company’s expectation of operating and financial performance in 2019 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:

- the availability of financing opportunities and risks associated with economic conditions;
- the ability to service debt obligations and maintain flexibility in respect of debt covenants;
- the speculative and competitive nature of the technology sector;
- dependency in continued growth in blockchain and cryptocurrency usage;
- lawsuits and other legal proceedings and challenges;
- conflict of interests with directors and management;
- government regulation; and
- other factors beyond the Company's control.

This above is not an exhaustive list of the factors that may affect the Company's forward-looking statements. 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 in its forward-looking statements. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities authorities, including without limitation, the section entitled "Part III – Risk Factors" in the Company's non-offering prospectus dated June 12, 2019. 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.

Caution Regarding Non-IFRS Financial Performance Measures

This MD&A makes reference to certain measures that are not recognized under IFRS and do not have a standardized meaning prescribed by IFRS. They are therefore unlikely to be comparable to similar measures presented by other companies. The Company uses non-IFRS measures including "EBITDA," "EBITDA margin," "Adjusted EBITDA," "Adjusted EBITDA margin," "Gross mining profit," and "Gross mining margin" as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from management's perspective.

EBITDA and EBITDA margin are common measures used to assess profitability before the impact of different financing methods, income taxes, depreciation of capital assets and amortization of intangible assets. Adjusted EBITDA and Adjusted EBITDA margin are measures used to assess profitability before the impact of all of the items in calculating EBITDA in addition to certain other non-cash expenses. Gross mining profit and Gross mining margin are measures used to assess profitability after power costs in cryptocurrency production, the largest variable expense in mining. Management uses non-IFRS measures in order to facilitate operating performance comparisons from period to period and to prepare annual operating budgets.

"EBITDA" is defined as net income (loss) before: (i) interest expense; (ii) income tax expense; and (iii) depreciation and amortization. "EBITDA margin" is defined as the percentage obtained when dividing EBITDA by Revenue. "Adjusted EBITDA" is defined as EBITDA adjusted to exclude: (i) share-based compensation; (ii) non-cash finance expenses; (iii) asset impairment charges; and (iv) other non-cash expenses. "Adjusted EBITDA margin" is defined as the percentage obtained when dividing Adjusted EBITDA by Revenue. "Gross mining profit" is defined as Revenue minus energy expenses for the Backbone segment of the Company. "Gross mining margin" is defined as the percentage obtained when dividing Gross mining margin by Revenue for the Backbone segment of the Company.

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.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company and its subsidiaries is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.
In designing such controls, it should be recognized that due to inherent limitations, any control, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is required to use judgment in evaluating controls and procedures.

Glossary of Terms

ASIC: ASIC stands for Application Specific Integrated Circuit and refers primarily to specific computer devices designed to solve the SHA-256 algorithm, as well as other machines used in the mining of Litecoin which use the Scrypt algorithm.

Bitcoin: Bitcoin 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. Bitcoin is created when the Bitcoin network issues Block Rewards through the Mining process.

Block Reward: A Bitcoin block reward refers to the new bitcoins that are awarded by the Blockchain network to eligible cryptocurrency miners for each block they successfully mine. The current block reward is 12.5 Bitcoin 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.

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.

Israel Arrangement: Refers to the means the arrangement pursuant to Sections 350-351 of the Israeli Companies Law between Bitfarms and Bitfarms Israel, a corporation incorporated pursuant to the laws of Israel ("Bitfarms Israel"), pursuant to which, among other things, Bitfarms acquired 100% of the issued and outstanding shares of Bitfarms Israel in exchange for 39,739,785 Bitfarms Shares, on a one-for-one basis.

Megawatt: 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 Bitcoin Blockchain. As a reward for their services, Bitcoin Miners collect transaction fees for the transactions they confirm, along with newly created Bitcoins as Block Rewards.

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: One quadrillion (1,000,000,000,000,000) hashes per second or one thousand Terahash.

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.

Terahash: One trillion (1,000,000,000,000) hashes per second.