

**DIGIHOST TECHNOLOGY INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2021**

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**DIGIHOST TECHNOLOGY INC.**  
**Management's Discussion & Analysis**  
**For the year ended December 31, 2021**

## **Introduction**

The following management's discussion & analysis ("MD&A") of the financial condition and results of the operations of Digihost Technology Inc. (the "Company" or "Digihost") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2021. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This MD&A should be read in conjunction with the audited consolidated financial statements of the Company for the years ended December 31, 2021 and 2020, together with the notes thereto. Results are reported in United States dollars, unless otherwise noted. The Company's audited consolidated financial statements and the financial information contained in this MD&A, unless otherwise indicated, are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. Information contained herein is presented as of March 25, 2022, unless otherwise indicated all financial information is expressed in United States dollars, unless otherwise stated.

The effective date of this MD&A is March 25, 2022.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Information about the Company and its operations can be obtained from the offices of the Company or on the System for Electronic Documents Analysis and Retrieval ("SEDAR") and is available for review under the Company's profile on the SEDAR website ([www.sedar.com](http://www.sedar.com)).

## **Description of Business**

Digihost and its US operating subsidiaries (together "Digihost" or the "Company") is a blockchain technology company currently focussed on bitcoin mining. The Company's growth-oriented strategy is to continuously exploit opportunities that increase mining hash rate, reduce energy costs through favourable contracts and vertical integration, and increase the Company's inventory of coins mined and held. The Company's operating facility is located in Buffalo, New York, with over 70,000 square feet of usable space and a 115,000 KVA outdoor substation under lease. The Company focuses on validation through mining, hosting solutions and blockchain software solutions.

Digihost utilizes low-cost power and infrastructure in upstate New York and currently operates approximately 12,000 miners. The Company has the capacity of adding an additional 25MW to its existing facility and is currently focused on procuring power from renewable energy sources and those that create zero carbon emissions.

Additionally, the Company is currently awaiting receipt of Public Service Commission approval to close the previously announced acquisition (March 14, 2021) of a 60MW independent power project in upstate New York. To date, the Company has received all required permits from the city of North Tonawanda, New York. This facility has the capacity to accommodate approximately 17,000 new miners.

The head office of the Company is located at 2830 Produce Row, Houston, TX 77023.

## **Mining operation and network overview**

Revenue from the Company's Bitcoin mining operation is recorded based upon the Bitcoin price in effect at the time Bitcoins are mined and received by the Company. Bitcoins are received within in a 24-hour period from the actual time they are mined. The Bitcoin price is volatile and can change markedly from day to day. This volatility in price can result in material changes in revenue recorded from period to period.

Network mining difficulty is one of the most significant competitive conditions the Company faces in its Bitcoin mining operation. Network difficulty is a unitless measure of how difficult it is to find a hash below a given target. Network difficulty is impacted directly by the price of Bitcoin. As the price of Bitcoin increases network mining difficulty may increase if more competitors begin to mine for Bitcoin, which would result in a decrease in the number of Bitcoins mined by the Company based upon its existing computing power.

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 maintained as close to ten minutes as possible. Price and network difficulty are positively correlated such that as the price of Bitcoin rises, there is an added incentive for miners to enter the market, and such increase in miners typically has a proportional increase in network difficulty. In order to expand the Company's operations and increase profitability the Company requires a significant capital investment to fund the acquisition of both additional power generating capacity and Bitcoin miners as well as the infrastructure and set-up costs necessary to support these new miners.

With respect to the conversion of the Company's Bitcoin to cash, the Company relies on a third-party service provider to broker sales of its mined Bitcoin. For the reporting period ended December 31, 2021 and through to and including the date hereof, the Company's strategy is to hold Bitcoin mined and Ethereum purchased in its digital currency inventory as opposed to monetizing its digital currencies.

## **Highlights**

### **Financings**

- On February 19, 2021, the Company announced the closing of a non-brokered private placement financing for aggregate gross proceeds of CAD\$4,000,000. Pursuant to the financing, the Company issued 4,938,271 subordinate voting shares of the Company at a price of CAD \$0.81 per share.
- On March 17, 2021, the Company announced the closing of a private placement of 9,363,296 units at a price of CAD\$2.67 per unit for gross proceeds of CAD\$25 million. Each unit consists of one subordinate voting share of the Company and one warrant to purchase one subordinate voting share. The warrants have an exercise price of CAD\$3.14 per subordinate voting share and an exercise period of three years from the issuance date.

H.C. Wainwright & Co. acted as the exclusive placement agent and received (i) a cash commission equal to 8.0% of the gross proceeds of the offering and (ii) 749,064 non-transferable broker warrants. Each broker warrant entitles the holder to purchase one subordinate voting share at an exercise price of CAD\$3.3375 at any time for a period of three years from the issuance date.

- On April 6, 2021, the Company announced the closing of a private placement of 11,682,243 units at a price of CAD\$2.14 per unit for gross proceeds of CAD\$25 million. Each unit consisted of one subordinate voting share of the Company and one warrant to purchase one subordinate voting share, at an exercise price of CAD\$2.37 per subordinate voting share. The warrants have an exercise period of four years from the issuance date.

H.C. Wainwright & Co. acted as the exclusive placement agent and received (i) a cash commission equal to 8.0% of the gross proceeds of the offering and (ii) 934,579 non-transferable broker warrants. Each broker warrant entitles the holder to purchase one subordinate voting share at an exercise price of CAD\$2.675 at any time for a period of four years from the issuance date.

- On June 21, 2021, the Company announced the closing of a private placement of 8,333,336 units at a price of CAD\$1.80 per unit for gross proceeds of CAD\$15 million. Each unit consisted of one subordinate voting share of the Company and  $\frac{3}{4}$  of one warrant, with each full warrant entitling the holder to purchase one subordinate voting share. to purchase subordinate voting shares. The warrants have an exercise price of CAD\$1.99 per subordinate voting share and an exercise period of three years from the issuance date.

H.C. Wainwright & Co. acted as the exclusive placement agent and received cash commission and expenses totalling \$1,164,466 and 666,667 non-transferable broker warrants. Each broker warrant entitles the holder to purchase one subordinate voting share at an exercise price of CAD\$2.25 at any time for a period of three years from the issuance date.

- On March 6, 2022, the Company announced it had entered into a private placement with a single institutional investor, for gross proceeds of approximately CAD\$13.3 million, comprised of 3,029,748 subordinate voting shares of the Company (or subordinate voting share equivalents) and warrants to purchase up to 3,029,748 subordinate voting shares, at a purchase price of CAD\$4.40 per subordinate voting share and associated warrant. The Warrants have an exercise price of CAD\$6.25 per Share and exercise period of three and one-half years from the issuance date.

H.C. Wainwright & Co. acted as the exclusive placement agent and received cash commission and expenses totaling \$1,066,471 and 242,380 non-transferable broker warrants. Each broker warrant entitles the holder to purchase one subordinate voting share at an exercise price of CAD\$6.25 at any time for a period of three years from the issuance date.

**DIGIHOST TECHNOLOGY INC.**  
**Management's Discussion & Analysis**  
**For the year ended December 31, 2021**

In connection with the private placement, the investor has agreed to cancel existing warrants to purchase up to 1,248,440 common subordinate voting shares of the Company at an exercise price of CAD\$9.42 per share issued in March 2021 expiring on March 18, 2024, and the existing warrants to purchase up to 1,781,308 common subordinate voting shares of the Company at an exercise price of CAD\$7.11 issued in April 2021 expiring on April 9, 2025. H.C. Wainwright & Co. is acting as the exclusive placement agent for the private placement.

**At-the-Market Offering**

On March 4, 2022, the Company announced that it had entered into an at-the-market offering agreement (the "ATM Agreement") with H.C. Wainwright & Co. (the "Agent"). Pursuant to the ATM Agreement, the Company and the Agent will implement an "at-the-market" equity offering program (the "ATM Equity Program"), under which the Agent may issue and sell from time to time such number of subordinate voting shares of the Company having an aggregate offering price of up to US\$250 million. A cash commission of 3.0% on the aggregate gross proceeds raised under the ATM Equity Program will be paid to the Agent in connection with its services. The Company intends to use the net proceeds of the ATM Equity Program, if any, to support the growth and development of the Company's existing mining operations as well as for working capital and general corporate purposes and to repay outstanding indebtedness from time to time. The ATM can be terminated with notice by either party, though the Agent has an 18 month right of first refusal from the date of the agreement (even in the event of agreement termination).

**Acquisitions and Joint Ventures**

- On March 24, 2021, the Company announced the signing of a binding agreement for the purchase of a 60 MW power plant ("Digifactory1") located in upper New York State, bringing the Company's total power capacity to approximately 102 MW.

Under the terms of the agreement, the Company will pay to the vendor cash consideration of US\$3,500,000 and issue to the vendor 437,318 subordinate voting shares of the Company with a deemed value of US\$750,000 (US\$1.71 per share).

The transaction is subject to New York regulatory approval as well as the approval of the TSX Venture Exchange. The securities issuable in connection therewith will be subject to a statutory four month and a day hold period.

- On March 29, 2021, the Company announced the acquisition of 700 Bitmain S17+ 76TH miners for a total purchase price of \$2.975 million, that increased the Company's hashrate by 50PH, or approximately 20% in the second quarter of 2021.
- On May 14, 2021, the Company announced that it had signed a definitive purchase agreement to acquire approximately 9,900 high-performance Bitcoin miners. The Miners have been sourced from Northern Data AG, a leading infrastructure supplier for BTC mining and other high-performance computing infrastructure solutions.

Pursuant to the terms of the purchase agreement, the Company has concurrently entered into a hosting agreement with Northern Data in connection with the miners, whereby Northern Data will provide services to the Company including the installation and hosting of the miners in proprietary pre-manufactured performance optimized mobile data centers to be located at Digihost's company-owned facility. Miners associated with this agreement began arriving at the Company's premises for setup in October 2021, with the order received in full during the first quarter of 2022.

- On June 10, 2021, the Company announced that it had entered into a strategic co-mining agreement with Bit Digital USA, Inc ("BTBT") (Nasdaq: BTBT). Pursuant to the terms of the agreement, the

**DIGIHOST TECHNOLOGY INC.**  
**Management's Discussion & Analysis**  
**For the year ended December 31, 2021**

Company will provide certain premises to BTBT for the purpose of the operation and storage of a 20 MW bitcoin mining system to be delivered by BTBT, and the Company will also provide services to maintain the premises for a term of two years. The Miners under this agreement have been received and are expected to be online during Q2 of 2022. The collaboration between Digihost and BTBT is expected to generate an increase in hashrate of approximately 400 PH between the companies.

- On July 26, 2021, the Company and BTBT announced that they had entered into a second strategic co-mining agreement. Pursuant to the terms of the agreement, Digihost will provide certain premises to Bit Digital for the operation of a 100 MW bitcoin mining system to be delivered by Bit Digital for a term of two years. This expanded collaboration between Digihost and Bit Digital is expected to facilitate an additional increase in hashrate of approximately 2 EH between the companies, and a total increase in hashrate between the two companies of approximately 2.4 EH including the initial collaboration agreement. The Company is currently exploring potential alternative sites for the contracted hosting capacity pursuant to our agreements, with delivery date of miners to be determined.
- On August 10, 2021, the Company and Northern Data entered into an agreement in which the parties agreed to split a portion of the mining rewards received and energy costs incurred for the Miners put in service pursuant to the agreement.
- On February 22, 2022, the Company and Watercool Asset Management LLC., entered into an agreement in which the Company would host 100 of Watercool's Miners in return for a share of the rewards generated by the Miners. This agreement has a term of one year.
- The market value of the miners in the Company's inventory as of this MD&A is approximately \$100m.

**Mining Operations**

***Bitcoin***

As of December 31, 2021, the Company held a total of 631.86 bitcoins. For the year ended December 31, 2021, Digihost mined a total of 520.63 bitcoins as compared to 335 for the year ended December 31, 2020.

On March 10, 2022, the Company added to its digital currency holdings with the purchase of 100 bitcoins at a price of \$39,320 per coin.

As of the date of this MD&A, Digihost holds 775.93 bitcoins, which at the approximate bitcoin price of \$45,000 values the bitcoin inventory at approximately \$34,916,400.

***Ethereum***

During May 2021, the Company elected to differentiate its cryptocurrency holdings by converting approximately 31 BTC into Ethereum (ETH). In September 2021, approximately 32 additional BTC were converted to ETH. As of the date of this MD&A, Digihost holds 1,000.89 ETH in its inventory, which at the approximate Ethereum price of \$3,200 per ETH, values the Ethereum holdings at approximately \$3,202,850.

**DIGIHOST TECHNOLOGY INC.**  
**Management's Discussion & Analysis**  
**For the year ended December 31, 2021**

**NASDAQ Listing**

On November 12, 2021, Company announced that it had been approved to list on the Nasdaq Capital Market ("**Nasdaq**"), with trading on Nasdaq commencing on November 15, 2021, under the symbol "DGHI." Digihost also retained its listing on the TSX Venture Exchange under the symbol "DGHI."

The Company expects the Nasdaq listing to enhance its investor profile and increase liquidity for its shareholders by making it easier US and international investors to acquire the Company's subordinate voting shares

**Green Initiative**

Currently, 90% of the energy consumed by Digihost's operation is from sources that create zero-carbon emissions, with more than 50% of the energy consumed being generated from renewable sources. As Digihost intends to purchase and bring online its own power generation facilities, the Company will focus on powering these facilities using "bridge" power sources for low-carbon or renewable sources of energy where available.

The following table provides a breakdown of the sources of energy consumed by Digihost in its BTC mining operations in 2020:

<b>SOURCE OF ENERGY *</b>	<b>%</b>
Hydro	42.68
Nuclear	41.19
Wind	6.45
Hydro pumped storage	0.56
Other renewables	1.15
Gas	7.00
Duel fuel	0.72
Coal	0.23
Oil	0.02

*\* Source of Energy information obtained from NYISO: Zone A - E*

Current Carbon-Neutrality Efforts & Initiatives include:

- 100% Carbon Neutral: Digihost plans for 100% of its operations to achieve carbon neutrality with a net-zero footprint by the end of 2025, and 100% renewable by 2030.
- Digigreen Initiative: A Digihost initiative focused on immediate steps to create sustainable, environmentally, and economically sound in-house practices, distinguishing the Company as an industry leader in lowering/eliminating its carbon footprint while maintaining profitability.
- Crypto Climate Accord: Digihost has joined a private sector-led initiative for the entire crypto community focused on decarbonizing the cryptocurrency industry in record time.
- Proof of Green: Digihost has begun initial research into developing proprietary standards for measuring the Company's carbon impact. Using these standards as an environmental audit tool for the various operations, we will be able to generate accountability reports and to advise Directors and Shareholders on efforts to minimize the Company's the carbon footprint.

**DIGIHOST TECHNOLOGY INC.**  
**Management's Discussion & Analysis**  
**For the year ended December 31, 2021**

**Normal Course Issuer Bid Facility**

On December 7, 2020, the Company announced that it has received approval to undertake, at the Company's discretion, a normal course issuer bid program to purchase up to 2,003,683 of its subordinate voting shares for cancellation (the "NCIB Facility"). The Company received acceptance from the TSXV to utilize the NCIB Facility for a period commencing on December 10, 2020, and terminating on December 10, 2021, or on an earlier date in the event that the maximum number of common shares bought pursuant to the facility have been purchased. A total of 164,533 subordinate voting shares were purchased and subsequently cancelled pursuant to the NCIB Facility. The NCIB Facility was terminated on December 10, 2021.

**Revolving Credit Facility**

On March 2, 2022, the Company announced the closing of a \$10,000,000 committed, collateralized revolving credit facility with Securitize, Inc. (the "Loan Facility") The Loan Facility provides Digihost with significant, non-dilutive, liquidity options to assist in the financing of its aggressive growth strategy. The Loan Facility has a one-year committed term and an interest rate of 7.5% per annum and has been fully drawn by the Company.

Proceeds from the Loan Facility, collateralized by the Company's growing Bitcoin inventory, will be used to fund both operating and capital costs thereby giving Digihost the ability to continue to add to its Bitcoin inventory, a key component of the Company's value creation strategy. The Loan Facility, combined with alternative equity issuing options available to the Company, will allow Digihost to continue to optimize the design of its capital structure, improve profitability, and add working capital flexibility

**Custodial services for digital currencies**

During April 2021, the Company was approved for an account with Gemini Trust Company, LLC (Gemini). Gemini is a digital currency exchange and custodian that allows customers to buy, sell, and store its digital assets. Gemini is not a related party of the Company. As of the date of this prospectus, Gemini is only responsible for safeguarding the cryptocurrency assets as of the Company, however Gemini has the infrastructure to process cryptocurrency asset payments and the Company may use Gemini to sell digital currencies should the Company elect to do so. The Company is not aware of anything with regards to Gemini's operations that would adversely affect the Company's ability to obtain an unqualified audit opinion on its audited financial statements.

The Company has chosen to hold the majority of the Company's cryptocurrency assets with Gemini due to its track record in the industry. Gemini is a New York trust company regulated by the New York State Department of Financial Services and is the foreign equivalent of a Canadian financial institution (as that term is defined in National Instrument 45-106 – *Prospectus Exemption*). Gemini is a qualified custodian under New York Banking Law and is licensed by the State of New York to custody digital assets. Gemini has not appointed a sub-custodian to hold any of the Company's cryptocurrencies. Gemini has US\$200 million in cold storage insurance coverage backing its digital asset custody, one of the highest levels of regulatory certifications in the market and US\$90 million in hot storage insurance. The Company has utilized both cold and hot storage for its digital crypto assets with Gemini, however, currently holds all its cryptocurrencies custodied with Gemini in hot storage

The Company has conducted due diligence on Gemini and has not identified any material concerns. It routinely reviews and verifies its asset balances on public blockchain explorers. Management of the Company is not aware of any security breaches or other similar incidents involving Gemini which resulted in lost or stolen cryptocurrency assets. In the event of an insolvency or bankruptcy of Gemini, the Company would write off as losses any unrecoverable cryptocurrency assets.



**DIGIHOST TECHNOLOGY INC.**  
**Management's Discussion & Analysis**  
**For the year ended December 31, 2021**

In order to monitor Gemini, the Company relies on system and organization controls provided by a SOC 2 Type II report, which was undertaken by Deloitte & Touche LLP, an independent audit firm. SOC 2 Type II certification and report are viewed as instrumental in providing verification to third parties that appropriate controls have been put in place to safeguard the Company's cryptocurrency assets, specifically as it relates to having strict security and data protection processes and protocols.

In general, a SOC 2 Type II certification is issued by an outside auditor and evaluates the extent to which a vendor complies with five trust principles based on the systems and processes in place. These five principles include the following:

- "Security", which addresses the safeguarding of system resources and assets against unauthorized access;
- "Availability", which addresses the accessibility of the system as stipulated by the applicable service agreement between vendor and customer;
- "Processing Integrity", which addresses whether or not a system achieves its purpose;
- "Confidentiality", which addresses whether access and disclosure of data is restricted to a specified set of persons or organizations; and
- "Privacy", which addresses the system's collection, use, retention, disclosure and disposal of personal information in conformity with an organization's privacy notice.

The Company has elected to use Gemini as its sole custodian as Gemini compiles documented controls that can be provided to the Company, such as the SOC 2 Type II certification. The Company reviews the SOC 2 Type II report to ensure it maintains a secure technology infrastructure and the security systems designed to safeguard cryptocurrency assets are operating effectively. To date, the Company has not identified any material concerns based on its review of the SOC 2 Type II report.

The Company holds the remaining 20% of its digital currencies in cold storage solutions which are not connected to the internet. The Company's digital assets that are held in cold storage are stored in safety deposit boxes at US Bank, at a branch which is located in the State of California. The wallets on which the Company stores its cryptocurrency assets are not multi-signature wallets, however, the Company secures the 24-word seed phrase, which facilitates recovery of the wallets should the wallets become lost, stolen or damaged, by partitioning the seed phrase in two parts, and securing each part in a separate location. Each part of the seed phrase is stored in either a safe or safety deposit box located in California, and at least two of the Company's executives have access to such safe or safety deposit box. The Company replicates this security protocol by taking the same 24-word seed phrase, partitioning this into several parts and storing each part in a secure location in a separate safe or safety deposit box in California than was used for the first copy of the seed-phrase. This duplication ensures that the digital currencies held via cold storage solutions will be recoverable by the Company, should the Company's cold-wallets become lost, stolen or damaged. The Company's current strategy is to hold its cryptocurrencies, and therefore as of the date hereof, very infrequently monetizes its digital currencies into fiat currency.

Gemini maintains insurance coverage for the cryptocurrency held on behalf of the Company in its online hot wallet. The Company is in the process of looking to insure the remainder of its mined digital currency. Given the novelty of digital currency mining and associated businesses, insurance of this nature is generally not available, or is uneconomical for the Company to obtain, which leads to the risk of inadequate insurance cover.

**DIGIHOST TECHNOLOGY INC.**  
**Management's Discussion & Analysis**  
**For the year ended December 31, 2021**

**ADJUSTED EBITDA – NON-GAAP MEASURE**

“Adjusted EBITDA” is a metric used by management which is income (loss) from operations, as reported, before interest, tax, and adjusted for removing other non-cash items, including the stock-based compensation expense, depreciation, and further adjusted to remove acquisition related costs. Management believes “Adjusted EBITDA” is a useful financial metric to assess its operating performance on a cash basis before the impact of non-cash items and acquisition related activities.

	Year ended Dec 31	
	2021	2020
	\$	\$
Income (Loss) before other items	289,345	(5,190,713)
Share-based compensation	7,804,271	1,247,551
Taxes and Interest	2,633,433	(377,386)
Depreciation	3,281,143	3,387,043
<b>Adjusted EBITDA</b>	<b>14,008,192</b>	<b>(933,505)</b>

**Selected Financial Information**

	Year ended December 31, 2021 (\$)	Year ended December 31, 2020 (\$)	Year ended December 31, 2019 (\$)
Revenue	24,952,344	3,553,362	nil
Net income (loss)	289,345	(5,190,713)	(269,968)
Net income (loss) per share – basic and diluted	0.01	(0.15)	(742)
	Year ended December 31, 2021 (\$)	As at December 31, 2020 (\$)	As at December 31, 2019 (\$)
Total assets	80,026,875	16,519,601	3,897,511
Total long-term liabilities	4,303,243	3,003,037	nil

## Selected Quarterly Information

A summary of selected information for each of the eight most recent quarters prepared in accordance with IFRS is as follows:

Three Months Ended	Revenues (\$)	Net Income or (Loss)		
		Total (\$)	Per Share - Basic (\$)	Per Share - Diluted (\$)
2021-December 31	9,586,962	1,266,031	0.01	0.01
2021-September 30	5,485,754	(771,154)	(0.02)	(0.02)
2021-June 30	5,112,553	(278,849)	(0.00)	(0.00)
2021-March 31	4,767,075	72,957	0.00	0.00
2020-December 31	1,187,362	(959,580)	(0.02)	(0.02)
2020-September 30	437,813	(2,171,782)	(0.05)	(0.05)
2020-June 30	1,089,877	(1,293,527)	(0.03)	(0.03)
2020-March 31	838,310	(765,824)	(0.04)	(0.04)

The Company is generally not subject to seasonality. Factors that may impact revenues and profitability include Bitcoin price, network difficulty, foreign currency fluctuations and the Company's hashrate.

## Results of Operations

**For the three months ended December 31, 2021, compared to the three months ended December 31, 2020:**

For the three months ended December 31, 2021, the Company's net income was \$1,266,031 compared to net loss of \$959,580 for the three months ended December 31, 2020. The increase in net income and decrease in net loss of \$2,225,611 is a result of the following:

### **Revenue**

Revenue from Bitcoin mining was \$9,586,962 for the period ended December 31, 2021, compared to \$1,187,362 for the period ended December 31, 2020.

During the three-month period ended December 31, 2021, the Company mined 172.38 Bitcoins at an average Bitcoin price of US\$55,900 (from CoinDesk) compared to the period ended December 31, 2020, where the Company mined 64.27 Bitcoins at an average price of Bitcoin of US\$17,000 (from CoinDesk).

The most significant factors impacting the increase in the Company's revenues in Q4 2021 versus Q3 2021 were the growth of the organization's mining operation (hashrate went from approximately 143 Petahash as of December 31, 2020, to approximately 415 Petahash as of December 31, 2021), the commencement of revenues associated with the Miner Lease Agreement with Northern Data, and the increase in average Bitcoin price mentioned above.

### **Cost of Sales**

The Company's cost of sales was \$6,225,994 for the three-month period ended December 31, 2021, compared to \$2,172,317 for the period ended December 31, 2020.

**DIGIHOST TECHNOLOGY INC.**  
**Management's Discussion & Analysis**  
**For the year ended December 31, 2021**

The overall increase in cost of sales was due to the increase in energy and infrastructure expenses along with a slight increase in depreciation and amortization expense. Energy and infrastructure expenses increased by \$3,979,538 due to the Company adding new miners thereby significantly increasing its hashrate from approximately 143 Petahash as of December 31, 2020 to approximately 415 Petahash as of December 31, 2021. Depreciation and amortization expense increased by \$0.1 million in Q4 2021 as compared to Q4 2020 as a majority of the Company's new miners and electrical infrastructure were not placed into service until Q4 of 2021, thereby not being depreciated.

***General & Administrative Expenses***

The Company's general and administrative expenses were \$1,232,879 for the three-month period ended December 31, 2021, compared to \$656,723 for the period ended December 31, 2020.

The variance from the prior quarter of \$576,156 as due to an increase in shared based compensation expenses which represents the expense associated with the vesting of stock options during the periods.

**For the year ended December 31, 2021, compared to the year ended December 31, 2020:**

For the year ended December 31, 2021, the Company's net income was \$289,345 compared to net loss of \$5,190,713 for the year ended December 31, 2020. The year over year increase in net income and decrease in net loss of \$5,480,058 is a result of the following:

***Revenue***

Revenue from Bitcoin mining was \$24,952,344 for the year ended December 31, 2021, compared to \$3,553,362 for the year ended December 31, 2020.

During the year ended December 31, 2021, the ramp in the Company's mining operation led to the mining of 520.63 Bitcoins at an average Bitcoin price of US\$47,430 (from CoinDesk) compared to the period ended December 31, 2020, where the Company mined 335 Bitcoins at an average price of Bitcoin of US\$10,750 (from CoinDesk).

In addition to the incremental hashing power the Company added during 2021, the revenue increase can be attributed to the price of Bitcoin which began to rise in Q4 of 2020 that continued into 2021 and the entering into of the Miner Lease Agreement with Northern Data.

***Cost of Sales***

The Company's cost of sales was 13,823,194 for the year ended December 31, 2021, compared to \$7,550,050 for the year ended December 31, 2020.

The overall increase in cost of sales was due to the increase in energy and infrastructure expenses that were partially offset by a slight decrease in depreciation and amortization expense. Energy and infrastructure expenses increased by \$6,379,044, due to the Company adding new miners thereby significantly increasing its hashrate from approximately 143 Petahash as of December 31, 2020 to approximately 400 Petahash as of December 31, 2021. Depreciation and amortization expense decreased by US\$0.1 million in 2021 as the Company's new miners and electrical infrastructure were not placed into service until Q4 of 2021.

***General & Administrative Expenses***

The Company's general and administrative expenses were \$ 8,206,372 for the year ended December 31, 2021, compared to \$1,571,411 for the year ended December 31, 2020.

**DIGIHOST TECHNOLOGY INC.**  
**Management's Discussion & Analysis**  
**For the year ended December 31, 2021**

The year over difference was driven by an increase of 6,556,720 in shared based compensation expenses which represents the expense associated with the vesting of stock options during the periods.

**Cash flows**

*Operating Activities*

Cash used in operating activities for the year ended December 31, 2021, was \$8,859,594 as compared to \$2,249,857 for the year ended December 31, 2020. The decrease in net cash flows from operating activities was primarily driven by the ramp in the Company's mining operation coupled with its policy of retaining its Bitcoin, which led to 662 coins held at the end of the year rather than being converted into fiat currency (154 held as of December 31, 2020).

*Investing Activities*

Cash used in investing activities for the reporting year ended December 31, 2021, was \$34,724,780 as compared to \$1,268,177 for the year ended December 31, 2020. The year over year increase in cash used was due to the purchase of mining and data centre equipment of \$33,924,780.

*Financing Activities*

Cash provided by financing activities for the reporting year ended December 31, 2021, was \$44,468,839 as compared to \$2,245,347 for the year ended December 31, 2020. The Company received proceeds from a private placement of \$50,218,093, made lease payments of \$2,647,669, repaid custodial loans of \$3,975,083, repurchased shares of \$599,997 and received net funds from loans of \$1,473,495.

**Liquidity and Financial Position**

As of December 31, 2021, the Company had working capital of \$30,697,142, which digital currencies of \$33,491,986. The Company commenced earning revenue from digital currency mining in mid-February 2020, however it has limited history and no assurance that historical performance will be indicative of future performance.

The improvement in working capital was primarily due to \$49.6 million raised in total from private placements during 2021 and the accumulation of 632 Bitcoin with a fair value approximating \$29.8 million as of December 31, 2021. The proceeds were used primarily to acquire property, plant and equipment and make deposits to secure orders of Mining hardware and electrical distribution equipment and to repay loans payable from 2020.

The Company's ability to continue as a going concern is dependent on the Company's ability to efficiently mine and liquidate digital currencies, manage operational expenses, and raise additional funds through debt or equity financing.

**Capital Resources**

The Company's capital management objective is to provide the financial resources that will enable Digihost to maximize the return to its shareholders while also enhancing its cost of capital. In order to achieve this goal, the Company monitors its capital structure and adjusts as required in response to an ever-changing economic environment and the various risks to which the Company is exposed. The Company's approach for attaining this objective is to preserve a flexible capital structure that optimizes the cost of capital at a satisfactory level of risk, to maintain its ability to meet financial obligations as they

**DIGIHOST TECHNOLOGY INC.**  
**Management's Discussion & Analysis**  
**For the year ended December 31, 2021**

come due, and to ensure the Company has appropriate financial resources to fund its organic and acquisitive growth.

The Company anticipates that its existing financial resources will be sufficient to put into operation all previously announced acquisitions of Mining hardware with deliveries scheduled in the first half of 2022. In order to achieve its future business objectives, the Company may need to liquidate or borrow against the Bitcoin that have been accumulated as of the date hereof as well as Bitcoin generated from ongoing operations, which may or may not be possible on commercially attractive terms. The Company presently anticipates that additional financing will be required to acquire additional power generation facilities in the future in order to meet the Company's objective of obtaining access to an additional 100MW of power by the end of 2022. The Company also anticipates that additional financing will be required to purchase the miners required to utilize its maximum capacity.

Digihost may manage its capital structure by issuing equity, seeking financing through loan products, adjusting capital spending, or disposing of assets.

## **Notes Receivable and Related Party Transactions**

### **Promissory Notes Receivable**

In December 2021, the Company entered into an agreement for a Secured Convertible Promissory Note ("Note") with a principal of \$800,000. The Note accrues interest at a rate of 6% per annum, with interest payments every calendar quarter commencing March 31, 2022. The Note is convertible at the Company's option into Series C Preferred Stock of the issuer. If the Note is not converted into shares by the Company, all unpaid and accrued interest are due on Maturity Date of December 21, 2026. The Notes are secured by the assets of the issuer.

### **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties include key management personnel and may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions are recorded at the exchange amount, being the amount agreed to between the related parties.

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and members of the Board of Directors.

Remuneration of key management personnel of the Company was as follows:

	<b>Year Ended December 31, 2021</b>	<b>Year Ended December 31, 2020</b>
Professional fees <sup>(1)</sup>	91,249	40,491
Salaries	144,231	-
Share based compensation <sup>(2)</sup>	6,016,173	1,047,943
<b>Total</b>	<b>\$6,251,653</b>	<b>\$1,088,434</b>

<sup>(1)</sup> In September 2019, Ms. Cindy Davis was appointed Chief Financial Officer of the Company. Ms. Davis is also a senior employee of Marrelli Support Services Inc. ("Marrelli Support"). Marrelli Support also

**DIGIHOST TECHNOLOGY INC.**  
**Management's Discussion & Analysis**  
**For the year ended December 31, 2021**

provides accounting services to the Company. On April 29, 2021, Mr. Paul Ciullo was appointed as the Chief Financial Officer replacing Ms. Davis.

<sup>(2)</sup> Represents the share-based compensation for officer and directors.

## **Share Capital**

On October 26, 2021, the Company announced it would effect the consolidation of its outstanding subordinate voting shares and proportionate voting shares of the Company on the basis of three (3) pre-consolidation shares for every one (1) post-consolidation share in order to facilitate a listing of its subordinate voting shares on the Nasdaq. The subordinate voting share began trading on the TSX Venture Exchange ("TSXV") on a consolidated basis and with a new CUSIP number on October 28, 2021. As a result of the Consolidation, the outstanding subordinate voting shares of the Company were reduced to approximately 25,029,610 Shares.

As at December 31, 2021, the Company has 24,956,165 common shares outstanding.

As at December 31, 2021 the Company had issued 2,345,165 stock options and 9,881,950 warrants.

## **Subsequent Events**

On March 4, 2022, the Company announced that it had entered into an at-the-market offering agreement with H.C. Wainwright & Co.. Pursuant to the ATM Agreement, the Company and the Agent will implement an "at-the-market" equity offering program, under which the Agent may issue and sell from time to time such number of subordinate voting shares of the Company having an aggregate offering price of up to US\$250 million. A cash commission of 3.0% on the aggregate gross proceeds raised under the ATM Equity Program will be paid to the Agent in connection with its services. The Company intends to use the net proceeds of the ATM Equity Program, if any, to support the growth and development of the Company's existing mining operations as well as for working capital and general corporate purposes and to repay outstanding indebtedness from time to time

On March 6, 2022, the Company announced that it had entered into a private placement with a single institutional investor, for gross proceeds of approximately CAD\$13.3 million, comprised of 3,029,748 subordinate voting shares of the Company (or subordinate voting share equivalents) and warrants to purchase up to 3,029,748 subordinate voting shares, at a purchase price of CAD\$4.40 per subordinate voting share and associated warrant. The Warrants have an exercise price of CAD\$6.25 per Share and exercise period of three and one-half years from the issuance date.

H.C. Wainwright & Co. acted as the exclusive placement agent and received cash commission and expenses totaling \$1,066,471 and 242,380 non-transferable broker warrants. Each broker warrant entitles the holder to purchase one subordinate voting share at an exercise price of CAD\$6.25 at any time for a period of three years from the issuance date.

In connection with the private placement, the investor has agreed to cancel existing warrants to purchase up to 1,248,440 subordinate voting shares of the Company at an exercise price of CAD\$9.42 per share issued in March 2021 expiring on March 18, 2024, and existing warrants to purchase up to 1,781,308 subordinate voting shares of the Company at an exercise price of CAD\$7.11 issued in April 2021 expiring on April 9, 2025.

On March 2, 2022, the Company announced the closing of a \$10,000,000 committed, collateralized revolving credit facility with Securitize, Inc. (the "Loan Facility"). The Loan Facility has a one-year committed term and an interest rate of 7.5% per annum and has been fully drawn by the Company.

**DIGIHOST TECHNOLOGY INC.**  
**Management's Discussion & Analysis**  
**For the year ended December 31, 2021**

On March 10, 2022, the Company added to its digital currency holdings with the purchase of 100 bitcoins at a price of \$39,320 per coin.

### **Off-Balance Sheet Arrangements**

As at the date of this MD&A, the Company did not have any off-balance sheet arrangements.

### **Adoption of new accounting policies**

(a) Basis of consolidation

These consolidated financial statements include the accounts of Digihost and its wholly owned subsidiary: Digihost International, Inc. Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date that such control ceases. Control is achieved when an investor has power over an investee to direct its activities, exposure to variable returns from an investee, and the ability to use the power to affect the investor's returns. All inter-company transactions and balances have been eliminated upon consolidation.

(b) Functional and presentation currency

These financial statements are presented in United States Dollars. The functional currency of Digihost is the Canadian dollar and the functional currency of Digihost International, Inc. is the United States Dollars. All financial information is expressed in United States Dollars, unless otherwise stated.

(c) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated to United States dollars at exchange rates in effect at the reporting date. Non-monetary assets and liabilities are translated at historical exchange rates at the respective transaction dates. Revenue and expenses are translated at the rate of exchange at each transaction date. Gains or losses on translation are included in foreign exchange expense.

The results and financial position of an entity whose functional currency are translated into a different presentation currency are treated as follows:

- assets and liabilities are translated at the closing rate at the reporting date;
- income and expenses for each income statement are translated at average exchange rates at the dates of the period; and
- all resulting exchange differences are recognized in other comprehensive income as cumulative translation adjustments.

(d) Revenue recognition

The Company recognizes revenue from the provision of transaction verification services within digital currency networks, commonly termed "cryptocurrency mining". As consideration for these services, the Company receives digital currency from each specific cryptocurrency mining pool in which it participates. Revenue is measured based on the fair value of the digital currencies received. The fair value is determined using the spot price of the digital currencies on the date of receipt. Digital currencies are considered earned on the completion and addition of a block to the blockchain, at which time the economic benefit is received and can be reliably measured.

(e) Digital currencies



**DIGIHOST TECHNOLOGY INC.**  
**Management's Discussion & Analysis**  
**For the year ended December 31, 2021**

Digital currencies consist of Bitcoin. Digital currencies meet the definition of intangible assets in IAS 38 Intangible Assets as they are identifiable non-monetary assets without physical substance. They are initially recorded at cost and the revaluation method is used to measure the digital currencies subsequently. Where digital assets are recognized as revenue, the fair value of the bitcoin received is considered to be the cost of the digital assets. Under the revaluation method, increases in fair value are recorded in other comprehensive income, while decreases are recorded in profit or loss. The Company revalues its digital currencies at the end of each quarter. There is no recycling of gains from other comprehensive income to profit or loss. However, to the extent that an increase in fair value reverses a previous decrease in fair value that has been recorded in profit or loss, that increase is recorded in profit or loss. Decreases in fair value that reverse gains previously recorded in other comprehensive income are recorded in other comprehensive income. Gains and losses on digital currencies sold between revaluation dates are included in profit or loss.

Digital currencies are measured at fair value using the quoted price on Cryptocompare. Cryptocompare is a pricing aggregator, as the principal market or most advantageous market is not always known. The Company believes any price difference amongst the principal market and an aggregated price to be immaterial. Management considers this fair value to be a Level 2 input under IFRS 13 Fair Value Measurement fair value hierarchy as the price on this source represents an average of quoted prices on multiple digital currency exchanges.

(f) Property, plant, and equipment

Details as to the Company's policies for property, plant and equipment are as follows:

<b>Asset</b>	<b>Measurement Basis</b>	<b>Amortization Method</b>	<b>Amortization Rate</b>
Data miners	Cost	Straight-line	12 - 36 months
Equipment	Cost	Straight-line	36 - 120 months
Leasehold improvement	Cost	Straight-line	120 months

Property, plant, and equipment are recorded at cost less accumulated depreciation. Cost includes all expenditures incurred to bring assets to the location and condition necessary for them to be operated in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any replaced parts is derecognized. All other repairs and maintenance are charged to profit or loss during the fiscal period in which they are incurred.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

(g) Intangible assets

Intangible assets that qualify for separate recognition are recognized as intangible assets at their fair values. Right of use of an electric power facility is depreciated over 13 years.

(h) Impairment of non-financial assets

The Company reviews the carrying amounts of its non-financial assets, including property, plant, and equipment, when events or changes in circumstances indicate the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual

**DIGIHOST TECHNOLOGY INC.**  
**Management's Discussion & Analysis**  
**For the year ended December 31, 2021**

asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Assets carried at fair value, such as digital currencies, are excluded from impairment analysis.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows to be derived from continuing use of the asset or cash generating unit are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs of disposal is the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal. When a binding sale agreement is not available, fair value less costs of disposal is estimated using a discounted cash flow approach with inputs and assumptions consistent with those of a market participant. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in net income. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized.

(i) Leases and right-of-use assets

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonably certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at cost, which includes the initial amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Company is contractually required to dismantle, remove, or restore the leased asset.

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the

**DIGIHOST TECHNOLOGY INC.**  
**Management's Discussion & Analysis**  
**For the year ended December 31, 2021**

revised carrying amount being amortised over the remaining (revised) lease term or recorded in profit or loss if the right-of-use asset is reduced to zero.

(j) Goodwill

The Company measures goodwill as the fair value of the cost of the acquisition less the fair value of the identifiable net assets acquired, all measured as of the acquisition date. Goodwill is carried at cost less accumulated impairment losses.

(k) Share capital and equity

Share capital represents the amount received on the issue of shares, less issuance costs, net of any underlying income tax benefit from these issuance costs. When warrants are issued in connection with shares, the Company uses the residual method for allocating fair value to the shares and then to warrants.

Contributed surplus include the value of outstanding warrants and stock options. When warrants and stock options are exercised, the related compensation cost and value are transferred to share capital.

Deficits include all current and prior year losses.

Digital currency revaluation reserve includes gains and losses from the revaluation of digital currencies, net of tax.

Cumulative translation reserve includes foreign currency translation differences arising from the translation of financial statements of foreign entities into United States dollars.

(l) Share-based compensation

The granting of stock options to employees, officers, directors, or consultants of the Company requires the recognition of share-based compensation expense with a corresponding increase in contributed surplus in shareholders' equity. The fair value of stock options that vest immediately are recorded as share-based compensation expense at the date of the grant. The expense for stock options that vest over time is recorded over the vesting period using the graded method, which incorporates management's estimate of the stock options that are not expected to vest. For stock options where vesting is subject to the completion of performance milestones, the estimate for completion of the milestone is reviewed at each reporting date for any change in the estimated vesting date, and to the extent there is a material change in the vesting date estimate, the amortization to be recognized is recalculated for the new timeline estimate and adjusted on a prospective basis in the current period. The effect of a change in the number of stock options expected to vest is a change in an estimate and the cumulative effect of the change is recognized in the period when the change occurs. On exercise of a stock option, the consideration received, and the estimated fair value previously recorded in contributed surplus is recorded as an increase in share capital.

Stock options awarded to consultants are measured based on the fair value of the goods and services received unless that fair value cannot be estimated reliably. If the fair value of the goods and services cannot be reliably measured, then the fair value of the equity instruments granted is used to recognize the expense.

### **Critical accounting judgements, estimates and assumption**

The preparation of these financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual

**DIGIHOST TECHNOLOGY INC.**  
**Management's Discussion & Analysis**  
**For the year ended December 31, 2021**

outcomes could differ from these estimates. These financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

**Significant judgements**

(i) Income from digital currency mining

The Company recognizes income from digital currency mining from the provision of transaction verification services within digital currency networks, commonly termed "cryptocurrency mining". As consideration for these services, the Company receives digital currency from each specific network in which it participates ("coins"). Income from digital currency mining is measured based on the fair value of the coins received. The fair value is determined using the spot price of the coin on the date of receipt. The coins are recorded on the statement of financial position, as digital currencies, at their fair value less costs to sell and re-measured at each reporting date. Revaluation gains or losses, as well as gains or losses on the sale of coins for traditional (fiat) currencies are included in profit or loss in accordance with the Company's treatment of its digital currencies as a traded commodity.

There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the mining and strategic selling of digital currencies and management has exercised significant judgement in determining appropriate accounting treatment for the recognition of income from digital currency mining for mining of digital currencies. Management has examined various factors surrounding the substance of the Company's operations, including the stage of completion being the completion and addition of a block to a blockchain and the reliability of the measurement of the digital currency received.

(ii) Business combination

Management uses judgement to determine whether assets acquired, and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs.

The Company completed the RTO Transaction in February 2020 (note 3) and concluded that the entity acquired did qualify as a business combination under IFRS 3, "Business Combinations", as significant processes were acquired. Accordingly, the RTO Transaction has been accounted for as a business combination.

(iii) Going concern

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements as discussed in note 1.

(iv) Leases – incremental borrowing rate

Judgment is applied when determining the incremental borrowing rate used to measure the lease liability of each lease contract, including an estimate of the asset-specific security impact. The incremental

**DIGIHOST TECHNOLOGY INC.**  
**Management's Discussion & Analysis**  
**For the year ended December 31, 2021**

borrowing rate should reflect the interest rate the Company would pay to borrow at a similar term and with similar security.

(v) Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

**Significant estimates**

(i) Determination of asset and liability fair values and allocation of purchase consideration

Significant business combinations require judgements and estimates to be made at the date of acquisition in relation to determining the relative fair value of the allocation of the purchase consideration over the fair value of the assets. The information necessary to measure the fair values as at the acquisition date of assets acquired requires management to make certain judgements and estimates about future events, including but not limited to availability of hardware and expertise, future production opportunities, future digital currency prices and future operating costs.

(ii) Useful lives of property, plant, and equipment

Depreciation of data miners and equipment are an estimate of its expected life. In order to determine the useful life of computing equipment, assumptions are required about a range of computing industry market and economic factors, including required hashrates, technological changes, availability of hardware and other inputs, and production costs.

(iii) Digital currency valuation

Digital currencies consist of cryptocurrency denominated assets (note 4) and are included in current assets. Digital currencies are carried at their fair value determined by the spot rate less costs to sell. The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital currencies would have a significant impact on the Company's earnings and financial position.

(iv) Impairment of goodwill

Goodwill is tested for impairment if there is an indicator of impairment and annually for all CGUs with goodwill. The Company considers both external and internal sources of information for indications that goodwill is impaired. External sources of information we consider include changes in the market and economic and legal environment in which the CGU operates that are not within its control and affect the recoverable amount of goodwill. Internal sources of information considered include the strategic plans for the Company including estimates of revenue and other indications of economic performance of the assets.

## **Disclosure of Internal Controls**

Management has established processes to provide it with sufficient knowledge to support representations that it has exercised reasonable diligence to ensure that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements, and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized, and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer's GAAP (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **Risk Factors**

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk Factors" in the Company's Annual Information Form for the fiscal year ended December 31, 2021, dated March 28, 2022 available on SEDAR at [www.sedar.com](http://www.sedar.com) and the Risk Factors contained the Company's various filings on SEDAR.

## **Cautionary Note Regarding Forward-Looking Information**

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be

**DIGIHOST TECHNOLOGY INC.**  
**Management's Discussion & Analysis**  
**For the year ended December 31, 2021**

achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements. In particular, this MD&A contains forward-looking statements pertaining to the following:

- the impact of the ongoing novel coronavirus disease outbreak (COVID-19) on the business, operations, financial results, and prospects of the Company;
- the impact of the Bitcoin Halving in May 2020 on the price of BTC and the normalization after the Bitcoin Halving to pre-Bitcoin Halving profitability levels;
- future debt levels, financial capacity, liquidity, and capital resources;
- anticipated future sources of funds to meet working capital requirements;
- future capital expenditures and contractual commitments;
- expectations respecting future financial results;
- expectations regarding benefits of certain transactions and capital investments;
- the Company's objectives, strategies, and competitive strengths and growth strategy;
- expectations with respect to future opportunities;
- expectations with respect to the Company's financial position;
- the Company's capital expenditure programs and future capital requirements;
- capital resources and the Company's ability to raise capital; and
- industry conditions pertaining to the cryptocurrency industry;
- the other factors discussed under "*Risk Factors*".

This list of factors should not be construed as exhaustive.

**Additional Information**

Additional information concerning the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).