
DIGIHOST TECHNOLOGY INC.

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED
MARCH 31, 2022 AND 2021**

(EXPRESSED IN UNITED STATES DOLLARS)
(UNAUDITED)

Notice to Reader

The unaudited condensed interim consolidated financial statements for the comparative period ended March 31, 2021 have not been reviewed by the Company's auditors.

Digihost Technology Inc.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in United States Dollars) (Unaudited)

	As at March 31, 2022	As at December 31, 2021
ASSETS		
Current assets		
Cash	\$ 8,180,252	\$ 915,715
Digital currencies (note 3)	39,536,888	33,491,986
Amounts receivable and prepaid expenses (note 4)	2,559,089	1,808,304
Total current assets	50,276,229	36,216,005
Property, plant and equipment (note 5)	41,470,038	38,142,107
Right of use assets	2,065,608	2,078,599
Promissory note receivable	806,667	800,000
Intangible asset (note 7)	1,410,952	1,443,260
Goodwill (note 6)	1,366,521	1,346,904
Total assets	\$ 97,396,015	\$ 80,026,875
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,076,260	\$ 2,272,850
Pre-funded warrants liability (note 9)	1,056,314	-
Amount owing to Northern Data, NY LLC (note 3 and 5)	1,370,674	2,940,412
Income tax payable	305,601	305,601
Loans payable (note 8)	10,000,000	-
Total current liabilities	14,808,849	5,518,863
Deposits payable	139,041	1,788,500
Deferred tax liability	2,805,475	2,514,743
Total liabilities	17,753,365	9,822,106
Shareholders' equity		
Share capital (note 9)	61,151,235	54,863,819
Contributed surplus	20,123,511	17,358,982
Cumulative translation adjustment	680,469	(266,730)
Digital currency revaluation reserve	3,085,863	3,706,624
Deficit	(5,398,428)	(5,457,926)
Total shareholders' equity	79,642,650	70,204,769
Total liabilities and shareholders' equity	\$ 97,396,015	\$ 80,026,875

Nature of operations (note 1)

The accompanying notes are an integral part of these consolidated financial statements.

Digihost Technology Inc.
Condensed Interim Consolidated Statements of Comprehensive Income
(Expressed in United States Dollars) (Unaudited)

	Three Months Ended March 31,	
	2022	2021
Revenue from digital currency mining (note 3)	\$ 7,312,342	\$ 4,767,075
Cost of digital currency mining		
Cost of power	(1,626,316)	(1,549,144)
Other production costs	(517,011)	-
Depreciation and amortization	(1,531,598)	(1,109,796)
Miner lease agreement (note 3)	(3,056,125)	-
Gross profit	581,292	2,108,135
Expenses		
Office and administrative expenses	(605,062)	(77,844)
Professional fees	(588,549)	(281,594)
Regulatory fees	(144,381)	(80,004)
Gain on sale of property, plant and equipment	2,340,658	-
Loss on settlement of debt	-	(274,882)
Foreign exchange loss	(770,196)	-
Gain on sale of digital currencies (note 3)	-	-
Other income	84,207	-
Change in fair value of amount owing for Miner Lease Agreement	379,065	-
Share based compensation (note 11)	(764,390)	(1,165,542)
Operating income	512,644	228,269
Net financial expenses (note 14)	(84,375)	(155,312)
Net income before income taxes	428,269	72,957
Deferred tax expense	(368,771)	-
Net income for the period	59,498	72,957
Other comprehensive income		
Items that will be reclassified to net income		
Foreign currency translation adjustment	947,199	1,456
Items that will not be reclassified to net income		
Revaluation of digital currencies, net of tax	(620,761)	5,836,561
Total comprehensive income for the period	\$ 385,936	\$ 5,910,974
Basic income per share (note 12)	\$ 0.00	\$ 0.00
Diluted income per share (note 12)	\$ 0.00	\$ 0.00

The accompanying notes are an integral part of these consolidated financial statements.

Digihost Technology Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in United States Dollars) (Unaudited)

	Three Months Ended March 31,	
	2022	2021
Operating activities		
Net income for the period	\$ 59,498	\$ 72,957
Adjustments for:		
Digital currency mined	(7,312,342)	(4,767,075)
Acquisition of digital currencies	(3,932,000)	-
Rent charge back for Miner Lease Agreement	3,056,125	-
Digital currency received	-	(47,670)
Digital currencies paid for services	196,298	-
Digital currencies traded for cash	403,200	-
Gain on sale of property, plant and equipment	(2,340,658)	-
Depreciation of right-of-use assets	12,991	49,573
Depreciation and amortization	1,518,607	1,060,223
Interest on lease liabilities	-	59,178
Change in fair value of amount owing for Miner Lease Agreement	(379,065)	-
Share based compensation	764,390	1,165,542
Loss on settlement of debt	-	274,882
Interest accrual	(6,667)	-
Deferred tax expense	368,771	-
Foreign exchange (gain) loss	927,584	(15,622)
Working capital items:		
Amounts receivable and prepaid expenses	(750,785)	(279,783)
Accounts payable and accrued liabilities	(196,590)	887,234
Deposit payable	(1,649,459)	-
Net cash used in operating activities	(9,260,102)	(1,540,561)
Investing activities		
Purchase of property, plant and equipment	(4,814,230)	(4,025,000)
Proceeds from sale of property, plant and equipment	1,995,000	-
Net cash used in investing activities	(2,819,230)	(4,025,000)
Financing activities		
Proceeds from private placement, net of costs	8,287,555	21,351,878
Proceeds from Pre-funded warrants	1,056,314	-
Repurchase of shares	-	(38,831)
Loans payable	10,000,000	1,473,495
Repayment of loans payable	-	(3,975,083)
Lease payments	-	(86,702)
Net cash provided by financing activities	19,343,869	18,724,757
Net change in cash	7,264,537	13,159,196
Cash, beginning of period	915,715	31,250
Cash, end of period	\$ 8,180,252	\$ 13,190,446
Supplemental information		
Interest paid	\$ 84,375	\$ 117,697

The accompanying notes are an integral part of these consolidated financial statements.

Digihost Technology Inc.
Condensed Interim Consolidated Statement of Changes in Shareholders' Equity
(Expressed in United States Dollars) (Unaudited)

	<u>Number of shares (note 9)</u>							
	<u>Subordinate</u>	<u>Proportionate</u>	<u>Share</u>	<u>Contributed</u>	<u>Cumulative</u>	<u>Digital currency</u>		
	<u>voting shares</u>	<u>voting shares</u>	<u>capital</u>	<u>surplus</u>	<u>Translation</u>	<u>revaluation</u>	<u>Deficit</u>	<u>Total</u>
					<u>Adjustment</u>	<u>reserve</u>		
Balance, December 31, 2020	13,357,838	3,333	\$ 12,541,038	\$ 1,267,551	\$ 118,162	\$ 1,982,501	\$ (5,465,446)	\$ 10,443,806
Private placements (note 9(b)(iii)(iv)(v))	4,883,814	-	22,581,656	748,525	-	-	-	23,330,181
Cost of issue - cash (note 9(b)(v))	-	-	(1,978,303)	-	-	-	-	(1,978,303)
Cost of issue - broker warrants (note 9(b)(iv)(v))	-	-	(1,227,581)	1,227,581	-	-	-	-
Shares issued as payment for accounts payable (note 9(b)(ii))	66,667	-	305,055	-	-	-	-	305,055
Shares cancelled (note 9(b)(ii))	(23,167)	-	(21,750)	-	-	-	(17,081)	(38,831)
Share based compensation	-	-	-	1,165,542	-	-	-	1,165,542
Transaction with owners	18,285,152	3,333	32,200,115	4,409,199	118,162	1,982,501	(5,482,527)	33,227,450
Foreign currency translation adjustment	-	-	-	-	1,456	-	-	1,456
Revaluation of digital currencies, net of tax	-	-	-	-	-	5,836,561	-	5,836,561
Net loss for the period	-	-	-	-	-	-	72,957	72,957
Total comprehensive loss for the period	-	-	-	-	1,456	5,836,561	72,957	5,910,974
Balance, March 31, 2021	18,285,152	3,333	\$ 32,200,115	\$ 4,409,199	\$ 119,618	\$ 7,819,062	\$ (5,409,570)	\$ 39,138,424
Balance, December 31, 2021	24,956,165	3,333	\$ 54,863,819	\$ 17,358,982	\$ (266,730)	\$ 3,706,624	\$ (5,457,926)	\$ 70,204,769
Private placements (note 9(b)(vi))	2,729,748	-	7,903,009	1,465,130	-	-	-	9,368,139
Cost of issue - cash (note 9(b)(vi))	-	-	(1,080,584)	-	-	-	-	(1,080,584)
Cost of issue - broker warrants (note 9(b)(vi))	-	-	(535,009)	535,009	-	-	-	-
Share based compensation	-	-	-	764,390	-	-	-	764,390
Transaction with owners	27,685,913	3,333	61,151,235	20,123,511	(266,730)	3,706,624	(5,457,926)	79,256,714
Foreign currency translation adjustment	-	-	-	-	947,199	-	-	947,199
Revaluation of digital currencies, net of tax	-	-	-	-	-	(620,761)	-	(620,761)
Net income for the period	-	-	-	-	-	-	59,498	59,498
Total comprehensive income for the period	-	-	-	-	947,199	(620,761)	59,498	385,936
Balance, March 31, 2022	27,685,913	3,333	\$ 61,151,235	\$ 20,123,511	\$ 680,469	\$ 3,085,863	\$ (5,398,428)	\$ 79,642,650

The accompanying notes are an integral part of these consolidated financial statements.

Digihost Technology Inc.
Notes to Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2022
(Expressed in United States Dollars) (Unaudited)

1. Nature of operations

Digihost Technology Inc. (the "Company" or "Digihost") was incorporated in British Columbia, Canada, on February 18, 2017 as Chortle Capital Corp and subsequently changed its name to HashChain Technology Inc. on September 18, 2017, and again to Digihost Technology Inc. on February 14, 2020. Digihost and its subsidiaries, Digihost International, Inc., and DGX Holding, LLC (together the "Company") is a blockchain technology company with operations in cryptocurrency mining. The head office of the Company is located at 2830 Produce Row, Houston, TX, 77023.

These unaudited condensed interim consolidated financial statements of the Company were reviewed, approved and authorized for issue by the Board of Directors on May 16, 2022.

2. Significant accounting policies

(a) Statement of compliance

The Company applies IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee. These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as of May 16, 2022, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual financial statements as at and for the year ended December 31, 2021. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2022 could result in restatement of these unaudited condensed interim consolidated financial statements.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company.

At the date of authorization of these unaudited condensed interim consolidated financial statements, several new, but not yet effective, standards and amendments to existing standards, and interpretations have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Company. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's unaudited condensed interim consolidated financial statements.

(c) Critical accounting judgements, estimates and assumptions

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 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 year in which the estimate is revised and future years if the revision affects both current and future years. 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 are the same as the most recent annual financial statements as at and for the year ended December 31, 2021.

Digihost Technology Inc.
Notes to Condensed Interim Consolidated Financial Statements
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(Expressed in United States Dollars) (Unaudited)

3. Digital currencies

The Company's holdings of digital currencies consist of the following:

	As at March 31, 2022	As at December 31, 2021
Bitcoin	\$ 36,252,328	\$ 29,770,994
Ethereum	3,284,560	3,720,992
	\$ 39,536,888	\$ 33,491,986

The continuity of digital currencies was as follows:

	Number of Bitcoin	Amount	Number of Ethereum	Amount	Total Amount
Balance, December 31, 2020	154	\$ 4,508,042	-	\$ -	\$ 4,508,042
Bitcoin mined ⁽²⁾	519	24,952,344	-	-	24,952,344
Received from sale of property, plant and equipment	24	1,347,977	63	204,318	1,552,295
Received from private placement	1	47,671	-	-	47,671
Acquisition (disposal) of digital currencies	(66)	(3,347,790)	974	3,347,034	(756)
Acquisition of property, plant and equipment	-	-	(36)	(163,942)	(163,942)
Gain on sale of digital currencies	-	235,067	-	55,881	290,948
Revaluation adjustment ⁽¹⁾	-	2,027,683	-	277,701	2,305,384
Balance, December 31, 2021	632	29,770,994	1,001	3,720,992	33,491,986
Bitcoin mined for Digihost ⁽²⁾	178	7,312,342	-	-	7,312,342
Bitcoin mined for Northern Data ⁽³⁾	5	248,172	-	-	248,172
Bitcoin remitted per Miner Lease Agreement ⁽²⁾	(113)	(4,494,972)	-	-	(4,494,972)
Received from sale of property, plant and equipment	9	345,658	-	-	345,658
Acquisition of digital currencies	100	3,932,000	-	-	3,932,000
Digital currencies paid for services	(5)	(196,298)	-	-	(196,298)
Digital currencies traded for cash	(10)	(403,200)	-	-	(403,200)
Revaluation adjustment ⁽¹⁾	-	(262,368)	-	(436,432)	(698,800)
Balance, March 31, 2022	796	\$ 36,252,328	1,001	\$ 3,284,560	\$ 39,536,888
Digital assets - current	396	\$ 18,040,146	1,001	\$ 3,284,560	\$ 21,324,706
Digital assets - collateral for loan (note 8)	400	\$ 18,212,182	-	\$ -	\$ 18,212,182

⁽¹⁾ Digital assets held are revalued each reporting period based on the fair market value of the price of Bitcoin and Ethereum on the reporting date. As at March 31, 2022, the prices of Bitcoin and Ethereum were \$45,539 (December 31, 2021 - \$47,117) and \$3,282 (December 31, 2021 - \$3,718), respectively resulting in total revaluation loss of \$698,800, net of taxes of \$78,039 recorded to other comprehensive income.

⁽²⁾ During the year ended December 31, 2021, the Company entered into a Miner Lease Agreement with Northern Data, NY LLC, pursuant to which the parties have agreed to split a portion of the mining rewards received and energy costs incurred for the miners put in service pursuant to that lease agreement. In connection with this agreement, as at March 31, 2022, the Company must remit 30 Bitcoin with a value of \$1,370,674 which is presented in the current liabilities.

⁽³⁾ During the quarter ended March 31, 2022, the Company entered into a BTC rewards share arrangement with Northern Data, NY LLC, pursuant to which the parties have agreed to split a portion of the mining rewards received for the miners put in service pursuant to the arrangement. In connection with this agreement, as at March 31, 2022, the Company must remit 5.5 Bitcoin with a value of \$248,173 which is presented in the current liabilities.

Digihost Technology Inc.
Notes to Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2022
(Expressed in United States Dollars) (Unaudited)

4. Amounts receivable and prepaid expenses

	As at March 31, 2022	As at December 31, 2021
Prepaid insurance and deposits	\$ 808,072	\$ 709,575
Receivable from Miner Lease Agreement	1,751,017	911,200
Other receivable	-	187,529
	\$ 2,559,089	\$ 1,808,304

5. Property, plant and equipment

	Data miners	Equipment and other	Leasehold improvement	Powerplant in progress	Powerplant in use	Total
Cost						
Balance - December 31, 2020	\$ 5,802,789	\$ 2,760,000	\$ 1,040,000	\$ -	\$ -	\$ 9,602,789
Additions	26,845,831 ⁽¹⁾	603,324	-	7,148,920	-	34,598,075
Disposal	(990,517)	-	-	-	-	(990,517)
Balance - December 31, 2021	31,658,103	3,363,324	1,040,000	7,148,920	-	43,210,347
Additions	-	1,993,619	39,542	2,781,069	-	4,814,230
Disposal	(1,253,992)	-	-	-	-	(1,253,992)
Transfer asset in use	-	-	-	(3,658,066)	3,658,066	-
Balance - March 31, 2022	\$ 30,404,111	\$ 5,356,943	\$ 1,079,542	\$ 6,271,923	\$ 3,658,066	\$ 46,770,585
Accumulated depreciation						
Balance - December 31, 2020	\$ 2,538,211	\$ 479,888	\$ 87,056	\$ -	\$ -	\$ 3,105,155
Depreciation	2,272,602	577,000	104,000	-	-	2,953,602
Disposal	(990,517)	-	-	-	-	(990,517)
Balance - December 31, 2021	3,820,296	1,056,888	191,056	-	-	5,068,240
Depreciation	1,214,216	144,250	26,220	-	101,613	1,486,299
Disposal	(1,253,992)	-	-	-	-	(1,253,992)
Balance - March 31, 2022	\$ 3,780,520	\$ 1,201,138	\$ 217,276	\$ -	\$ 101,613	\$ 5,300,547
Net carrying value						
As at December 31, 2021	\$ 27,837,807	\$ 2,306,436	\$ 848,944	\$ 7,148,920	\$ -	\$ 38,142,107
As at March 31, 2022	\$ 26,623,591	\$ 4,155,805	\$ 862,266	\$ 6,271,923	\$ 3,556,453	\$ 41,470,038

⁽¹⁾ Included in this total are 10,000 high performance Bitcoin miners sourced from Northern Data AG per a definitive purchase agreement entered into on May 12, 2021.

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 centres to be located at Digihost's company-owned facility.

Digihost Technology Inc.
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Three Months Ended March 31, 2022
(Expressed in United States Dollars) (Unaudited)

6. Goodwill

	As at March 31, 2022	As at December 31, 2021
Balance, beginning of period	\$ 1,346,904	\$ 1,342,281
RTO transaction	-	-
Foreign currency translation	19,617	4,623
Balance, end of period	\$ 1,366,521	\$ 1,346,904

7. Intangible asset

Intangible asset relates to the right of use of an electric power facility.

	As at March 31, 2022	As at December 31, 2021
Balance, beginning of period	\$ 1,443,260	\$ 1,572,500
Amortization	(32,308)	(129,240)
Balance, end of period	\$ 1,410,952	\$ 1,443,260

8. Loans payable

	As at March 31, 2022	As at December 31, 2021
Balance, beginning of the period	\$ -	\$ 2,543,083
New loans ⁽¹⁾	10,000,000	1,432,000
Repayment of loans	-	(3,975,083)
Balance, end of the period	\$ 10,000,000	\$ -

⁽¹⁾ 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. As at March 31, 2022, Securitize, Inc. held 400 Bitcoin valued at \$18,212,182 as security against this loan.

Digihost Technology Inc.
Notes to Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2022
(Expressed in United States Dollars) (Unaudited)

9. Share capital

a) Authorized share capital

Unlimited subordinate voting shares without par value and conferring 1 vote per share.

Unlimited proportionate voting shares without par value, conferring 200 votes per share, convertible at the holder's option into subordinate voting shares on a basis of 200 subordinate voting shares for 1 proportionate voting shares.

b) Subordinate voting shares and proportionate voting shares issued

Period ended March 31, 2021

(i) 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 667,894 of its subordinate voting shares for cancellation (the "Bid"). The Company received acceptance from the TSXV to commence the Bid on December 10, 2020. The Bid was terminated on December 10, 2021. As at March 31, 2022, the Company repurchased and cancelled 164,533 subordinate voting shares for a total repurchase price of \$600,865.

(ii) On February 9, 2021, the Company issued 66,667 subordinate voting shares to settle a debt of \$40,000 with two third-party creditors.

(iii) On January 8, 2021, the Company closed a non-brokered private placement for 116,625 subordinate voting shares for CAD\$2.43 for gross proceeds of \$220,551 (CAD\$283,400).

(iv) On February 18, 2021, the Company closed a non-brokered private placement financing for 1,646,090 subordinate voting shares for CAD\$2.43 for gross proceeds of \$3,124,018 (CAD\$4,000,000). In connection with the private placement, the Company will pay a commission of 49,383 shares to third party advisors.

(v) On March 16, 2021, the Company closed a non-brokered private placement financing for 3,121,099 units for CAD\$8.01 per unit for gross proceeds of \$19,985,611 (CAD\$25 million). 3,121,099 subordinate voting shares of the Company and warrants to purchase 3,121,099 subordinate voting shares were issued. The warrants have an exercise price of CAD\$9.42 per subordinate voting share and 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 \$1,978,303 and 249,688 non-transferable broker warrants. Each broker warrant entitles the holder to purchase one subordinate voting share at an exercise price of CAD\$10.01 at any time for a period of three years from the issuance date. The 3,121,099 warrants and 249,688 broker warrants were assigned fair values of \$748,525 and \$1,124,704, respectively. The grant date fair value of \$748,525 for the 3,121,099 warrants was determined using the residual method.

The grant date fair value of \$1,124,704 for the 249,688 broker warrants was determined using the Black-Scholes pricing model and the following assumptions and inputs: share price of CAD\$7.71; exercise price of CAD\$10.01; expected dividend yield of 0%; expected volatility of 235% which is based on comparable companies; risk-free interest rate of 0.53%; and an expected average life of three years.

Digihost Technology Inc.
Notes to Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2022
(Expressed in United States Dollars) (Unaudited)

9. Share capital (continued)

Period ended March 31, 2022

(vi) On March 9, 2022, the Company closed a private placement with a single institutional investor, for (a) 2,729,748 subordinate voting shares at a purchase price of CAD\$4.40 per subordinate voting share and associated warrant, (b) 300,000 pre-funded warrants (Pre-funded Warrants) at an exercise price of \$0.0001 per subordinate voting shares, at an offering price of CAD\$4.3999 per Pre-Funded Warrant and associated warrant and (iii) 3,029,748 common share purchase warrants (the "Warrants") for aggregate gross proceeds of \$10,424,453 (CAD\$13,330,861). 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. The Pre-Funded Warrants were assigned a fair value of \$1,056,314 based on the cash received and are accounted for as financial liabilities at amortized cost.

In connection with the private placement, the investor has agreed to cancel existing warrants to purchase 1,248,440 common subordinate voting shares of the Company at an exercise price of CAD\$9.42 per share issued in March 16, 2021 expiring on March 16, 2024 and the existing warrants to purchase 1,781,308 common subordinate voting shares of the Company at an exercise price of CAD\$7.11 issued in April 9, 2021 expiring on April 9, 2025.

H.C. Wainwright & Co. acted as the exclusive placement agent and received cash commission and expenses totalling \$1,080,584 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 and one-half years from the issuance date. The 3,029,748 warrants and 242,380 broker warrants were assigned fair values of \$1,465,130 and \$535,009, respectively. The grant date fair value of \$1,465,130 for the 3,029,748 warrants was determined using the residual method.

The grant date fair value of \$535,009 for the 242,380 broker warrants was determined using the Black-Scholes pricing model and the following assumptions and inputs: share price of CAD\$3.78; exercise price of CAD\$6.25; expected dividend yield of 0%; expected volatility of 136% which is based on comparable companies; risk-free interest rate of 1.62%; and an expected average life of three and one-half years.

10. Warrants

	Number of Warrants	Weighted Average Exercise Price (CAD\$)
Balance, December 31, 2020	36,858	5.25
Issued (note 9(b)(v))	3,370,787	9.45
Balance, March 31, 2021	3,407,645	5.25
Balance, December 31, 2021	9,881,950	7.69
Issued (note 9(b)(vi))	3,272,128	6.25
Cancelled	(3,029,748)	8.06
Balance, March 31, 2022	10,124,330	7.12

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10. Warrants (continued)

The following table reflects the warrants issued and outstanding as of March 31, 2022:

Number of Warrants Outstanding	Exercise Price (CAD\$)	Weighted Average Contractual Life (years)	Expiry Date
1,872,659	9.42	1.96	March 16, 2024
249,688	10.01	1.96	March 16, 2024 ⁽¹⁾
2,083,334	5.97	2.22	June 18, 2024
222,222	6.75	2.22	June 18, 2024 ⁽¹⁾
2,112,773	7.11	3.03	April 9, 2025
311,526	8.025	3.03	April 9, 2025 ⁽¹⁾
3,029,748	6.25	3.45	September 9, 2025
242,380	6.25	3.45	September 9, 2025 ⁽¹⁾
10,124,330	7.12	2.76	

⁽¹⁾ Broker warrants.

11. Stock options and restricted share units

(a) Stock options

The Company has a stock option plan whereby the maximum number of shares subject to the plan, in the aggregate, shall not exceed 10% of the Company's issued and outstanding shares. The exercise price shall be no less than the discount market price as determined in accordance with TSXV policies.

The following table reflects the continuity of stock options for the periods presented below:

	Number of Stock Options	Weighted Average Exercise Price (CAD\$)
Balance, December 31, 2020	625,000	2.88
Granted (i)(ii)(iii)	1,133,497	5.94
Balance, March 31, 2021	1,758,497	2.88
Balance, December 31, 2021 and March 31, 2022	2,345,165	5.28

(i) On January 5, 2021, the Company granted stock options to directors, officers, employees and consultants of the Company to acquire an aggregate of 550,164 subordinate voting shares. Each stock option is exercisable into a subordinate voting share at a price of CAD\$3.75 and expire on January 5, 2026. The stock options vest fully on the six-month anniversary of the date of grant.

A value of CAD\$2.76 per option was estimated for the 550,164 stock options on the date of grant with the following assumptions and inputs: share price of CAD\$3.03; exercise price of CAD\$3.75; expected dividend yield of 0%; expected volatility of 155% which is based on comparable companies; risk-free interest rate of 0.39%; and an expected average life of five years.

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11. Stock options and restricted share units (continued)

(ii) On February 24, 2021, the Company granted stock options to consultants of the Company to acquire an aggregate of 50,000 subordinate voting shares. Each stock option is exercisable into a subordinate voting share at a price of CAD\$13.92 and expire on February 24, 2026. The stock options vested immediately.

A value of CAD\$12.78 per option was estimated for the 50,000 stock options on the date of grant with the following assumptions and inputs: share price of CAD\$13.92; exercise price of CAD\$13.92; expected dividend yield of 0%; expected volatility of 155% which is based on comparable companies; risk-free interest rate of 0.73%; and an expected average life of five years.

(iii) On March 26, 2021, the Company granted stock options to directors, officers, employees and consultants of the Company to acquire an aggregate of 533,333 subordinate voting shares. Each stock option is exercisable into a subordinate voting share at a price of CAD\$7.47 and expire on March 25, 2026. The stock options vest fully on the six-month anniversary of the date of grant.

A value of CAD\$6.87 per option was estimated for the 533,333 stock options on the date of grant with the following assumptions and inputs: share price of CAD\$7.47; exercise price of CAD\$7.47; expected dividend yield of 0%; expected volatility of 155% which is based on comparable companies; risk-free interest rate of 0.90%; and an expected average life of five years.

The underlying expected volatility of all option grants was determined by reference to historical data of comparable companies share price over the expected stock option life.

The following table reflects the stock options issued and outstanding as of March 31, 2022:

Expiry Date	Exercise Price (CAD\$)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (exercisable)	Number of Options Unvested
February 14, 2025	2.88	2.88	575,000	575,000	-
January 5, 2026	3.75	3.77	525,164	525,164	-
February 24, 2026	13.92	3.91	50,000	50,000	-
March 25, 2026	7.47	3.99	525,000	525,000	-
May 17, 2026	7.35	4.13	421,667	421,667	-
June 22, 2026	4.20	4.23	248,334	248,334	-
	5.28	3.72	2,345,165	2,345,165	-

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11. Stock options and restricted share units (continued)

The Company has an RSU plan whereby there is a fixed cap of shares that can be granted under the plan. The exercise price shall be no less than the discount market price as determined in accordance with TSXV policies.

(b) Restricted share units

The following table reflects the continuity of RSUs for the periods ended March 31, 2022 and 2021:

	Number of RSUs
Balance, December 31, 2020 and March 31, 2021	-
Balance, December 31, 2021	-
Granted	1,449,250
Balance, March 31, 2022	1,449,250

During the three months ended March 31, 2022, the Company granted 1,449,250 RSUs to officers, directors, employees and advisors. These RSUs vest third on each of the first, second and third anniversaries of the date of grant. The grant date fair value of the RSUs was \$5,725,262.

For the three months ended March 31, 2022, the Company recorded share based compensation expense for these RSU's of \$764,390, (three months ended March 31, 2021 - \$nil).

12. Income per share

	Three Months Ended March 31,	
	2022	2021
Net income for the period	\$ 59,498	\$ 72,957
Net income per share - basic	\$ 0.00	\$ 0.00
Net income per share - diluted	\$ 0.00	\$ 0.00
Weighted average number of shares outstanding - basic	25,623,437	14,771,251
Dilutive effect of stock options and warrants	294,963	584,382
Weighted average number of shares outstanding - diluted	25,918,400	15,355,633

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13. 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:

	Three Months Ended March 31,	
	2022	2021
Professional fees ⁽¹⁾	\$ 72,917	\$ 10,248
Salaries ⁽¹⁾	219,375	-
Share based compensation ⁽²⁾	717,316	532,228
	\$ 1,009,608	\$ 542,476

⁽¹⁾ Represents the professional fees and salaries paid to officers and directors.

⁽²⁾ Represents the share based compensation for officers and directors.

14. Additional information on the nature of comprehensive loss components

	Three Months Ended March 31,	
	2022	2021
<u>Expenses for employee benefits</u>		
Operating and maintenance costs	\$ 119,259	\$ 86,778
Professional fees	72,917	10,248
Share based compensation	764,390	1,165,542
	\$ 956,566	\$ 1,262,568
<u>Net financial expenses</u>		
Interest on loans	\$ 84,375	\$ 96,134
Interest on lease liabilities	-	59,178
	\$ 84,375	\$ 155,312

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15. Segmented reporting

The Company has one operating segment being cryptocurrency mining located in the United States. The operations of the Company are located in two geographic locations, Canada and the United States. Geographic segmentation is as follows:

As at March 31, 2022	Canada	United States	Total
Current assets	\$ -	\$ 50,276,229	\$ 50,276,229
Non-current assets	1,366,521	45,753,265	47,119,786
Total assets	\$ 1,366,521	\$ 96,029,494	\$ 97,396,015
As at December 31, 2021	Canada	United States	Total
Current assets	\$ 179,396	\$ 36,036,609	\$ 36,216,005
Non-current assets	1,346,904	42,463,966	43,810,870
Total assets	\$ 1,526,300	\$ 78,500,575	\$ 80,026,875

16. Financial instruments and risk management

Fair value

The fair value of the Company's financial instruments, including cash, amounts receivable, accounts payable and accrued liabilities, pre-funded warrants liability, amount owing for Miner Lease Agreement, loans payable, deposit payable approximates their carrying value due to their short-term nature. Promissory note receivable is due from an arm's length third party, the fair value of this note are measured using relevant market input (Level 3). Digital currencies are measured at fair value using the quoted price on Coinmarketcap (Level 2).

Risks

The Company is exposed to a variety of financial related risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash, amounts receivable, promissory note receivable and loan receivable. The cash is deposited in a bank account held with one major bank in the United States so there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The Company believes no impairment is necessary in respect of amounts receivable, promissory note receivable and loan receivable as balances are monitored on a regular basis with the result that exposure to bad debt is insignificant.

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16. Financial instruments and risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining cash balances to ensure that it is able to meet its short term and long-term obligations as and when they fall due. The Company manages cash projections and regularly updates projections for changes in business and fluctuations cause in digital currency prices and exchange rates.

The following table summarizes the expected maturity of the Corporation's significant financial liabilities based on the remaining period from the balance sheet date to the contractual maturity date:

As at March 31, 2022	Payments by period				Total	Carrying Value
	Less than 1 year	1-3 years	4-5 years	More than 5 years		
Accounts payable and accrued liabilities	\$ 2,076,260	\$ -	\$ -	\$ -	\$ 2,076,260	\$ 2,076,260
Amount owing - Miner Lease Agreement	1,370,674	-	-	-	1,370,674	1,370,674
Deposit payable	-	139,041	-	-	139,041	139,041
	\$ 3,446,934	\$ 139,041	\$ -	\$ -	\$ 3,585,975	\$ 3,585,975

As at December 31, 2021	Payments by period				Total	Carrying Value
	Less than 1 year	1-3 years	4-5 years	More than 5 years		
Accounts payable and accrued liabilities	\$ 2,272,850	\$ -	\$ -	\$ -	\$ 2,272,850	\$ 2,272,850
Amount owing - Miner Lease Agreement	2,940,412	-	-	-	2,940,412	2,940,412
Deposit payable	-	1,788,500	-	-	1,788,500	1,788,500
	\$ 5,213,262	\$1,788,500	\$ -	\$ -	\$ 7,001,762	\$ 7,001,762

Foreign currency risk

Currency risk relates to the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign exchange rates. Exchange rate fluctuations affect the costs that the Company incurs in its operations.

The Company's functional and presentation currency is the US dollar. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than an entity's functional currency. The fluctuation of the Canadian dollar in relation to the US dollar will consequently impact the profitability of the Company and may also affect the value of the Company's assets and liabilities and the amount of shareholders' equity. As at March 31, 2022 and December 31, 2021, the foreign currency risk was considered minimal.

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16. Financial instruments and risk management (continued)

Digital currency risk

Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Company is directly related to the current and future market price of digital currencies; in addition, the Company may not be able liquidate its holdings of digital currencies at its desired price if required. A decline in the market prices for digital currencies could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its sales of digital currencies.

Digital currencies have a limited history and the fair value historically has been very volatile. Historical performance of digital currencies is not indicative of their future price performance. The Company's digital currencies currently consist of Bitcoin and Ethereum.

At March 31, 2022, had the market price of the Company's holdings of Bitcoin and Ethereum increased or decreased by 10% with all other variables held constant, the corresponding asset value increase or decrease respectively would amount to \$3,953,689 (December 31, 2021 - \$3,055,157).

17. Capital management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity comprised of issued share capital, reserves and loans payable. The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the period ended March 31, 2022.