



GALAXY
D I G I T A L

Galaxy Digital Holdings Ltd.
(formerly Bradmer Pharmaceuticals Inc.)

Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

(Expressed in US Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Galaxy Digital Holdings Ltd. (formerly Bradmer Pharmaceuticals Inc.)

Opinion

We have audited the accompanying consolidated financial statements of Galaxy Digital Holdings Ltd. (formerly Bradmer Pharmaceuticals Inc.) (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Galaxy Digital Holdings Ltd. (formerly Bradmer Pharmaceuticals Inc.) as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Digital Assets

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company holds an investment in Galaxy Digital Holdings LP (the "Partnership"), statements for which are filed concurrently with the Company's consolidated financial statements, who invests in digital assets that are subject to risks unique to the asset class and different from traditional financial assets. Additionally, certain of the Partnership's assets are held in crypto-currency exchanges that are limited in oversight by regulatory authorities. Our opinion is not modified in respect of this matter.

Other Matters

The consolidated financial statements of Galaxy Digital Holdings Ltd. (formerly Bradmer Pharmaceuticals Inc.) for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on April 3, 2018.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Grant P. Block.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

April 26, 2019

Galaxy Digital Holdings Ltd. (formerly Bradmer Pharmaceuticals Inc.)

Consolidated Statements of Financial Position
(Expressed in US Dollars)

	December 31, 2018	December 31, 2017
Assets		
Current assets		
Cash	\$ 169	\$ 318,879
Receivables	—	2,515
Prepaid expenses and other assets	—	1,259
	169	322,653
Investment in associate (Note 6)	204,581,926	—
Total assets	\$ 204,582,095	\$ 322,653
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ —	\$ 104,860
Total liabilities	—	104,860
Shareholders' equity		
Share capital (Note 8)	236,953,554	1,830,372
Reserves (Note 8)	7,807,423	2,022,618
Accumulated other comprehensive income	791,444	662,594
Deficit	(40,970,326)	(4,297,791)
Total shareholders' equity	204,582,095	217,793
Total liabilities and shareholders' equity	\$ 204,582,095	\$ 322,653
Nature and continuance of operations (Note 1)		
Commitments and contingencies (Note 10)		

Approved and authorized for issuance by the Board of Directors of Galaxy Digital Holdings Ltd. on April 26, 2019.

"Bill Koutsouras" Director

"Michael Novogratz" Director

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

Galaxy Digital Holdings Ltd. (formerly Bradmer Pharmaceuticals Inc.)

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in US Dollars)

	Year ended December 31, 2018	Year ended December 31, 2017
Operating expenses		
Professional fees (Note 7)	\$ 597,613	\$ 81,972
Directors fees (Note 7)	265,000	—
Consulting fees (Note 7)	35,170	59,140
Insurance	20,809	9,730
General and administrative	39,225	9,257
Recoveries from associate (Note 7)	(742,566)	—
	(215,251)	(160,099)
Interest income	854,917	113
Equity loss from associate (Note 6)	(37,317,313)	—
Foreign exchange gain (loss)	5,112	(24,304)
	(36,457,284)	(24,191)
Loss for the year	(36,672,535)	(184,290)
Other comprehensive income (loss)		
Foreign currency translation adjustment	128,850	(232,738)
Comprehensive loss for the year	\$ (36,543,685)	\$ (417,028)
Basic and diluted loss per share (Note 9)	\$ (1.37)	\$ (1.18)
Weighted average number of shares outstanding - basic and diluted	26,673,246	155,560

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

Galaxy Digital Holdings Ltd. (formerly Bradmer Pharmaceuticals Inc.)

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in US Dollars)

	Share Capital		Reserves	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
	Number	Amount				
Balance at January 1, 2017	155,560	\$ 1,710,138	\$ 1,889,755	\$ 895,332	\$ (4,113,501)	\$ 381,724
Foreign currency translation adjustment	—	120,234	132,863	(232,738)	—	20,359
Loss for the year	—	—	—	—	(184,290)	(184,290)
Balance at December 31, 2017	155,560	\$ 1,830,372	\$ 2,022,618	\$ 662,594	\$ (4,297,791)	\$ 217,793
Cancellation of common stock	(14,108)	(54,079)	—	—	—	(54,079)
Issuance of common stock - Private Placement	60,969,746	238,357,218	—	—	—	238,357,218
Share issuance costs	—	(10,332,346)	387,003	—	—	(9,945,343)
Equity based compensation - investment in associate	—	—	6,871,918	—	—	6,871,918
Issuance of common stock - other	4,006,107	7,217,267	(1,402,424)	—	—	5,814,843
Foreign currency translation adjustment	—	(64,878)	(71,692)	128,850	—	(7,720)
Loss for the year	—	—	—	—	(36,672,535)	(36,672,535)
Balance at December 31, 2018	65,117,305	\$236,953,554	\$ 7,807,423	\$ 791,444	\$ (40,970,326)	\$ 204,582,095

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

Galaxy Digital Holdings Ltd. (formerly Bradmer Pharmaceuticals Inc.)

Consolidated Statements of Cash Flows
(Expressed in US Dollars)

	Year ended December 31, 2018	Year ended December 31, 2017
Operating activities		
Loss for the year	\$ (36,672,535)	\$ (184,290)
Adjustments for:		
Equity loss from associate	37,317,313	—
Interest income	(854,917)	—
Foreign currency translation adjustment	(7,720)	(5,829)
Changes in operating assets and liabilities:		
Receivables	2,515	898
Prepaid expenses and other assets	1,259	(83)
Accounts payable and accrued liabilities	(104,860)	68,101
Net cash used in operating activities	(318,945)	(121,203)
Investing activities		
Investment in associate	(229,212,647)	—
Distributions from associate	169	—
Net cash used in investing activities	(229,212,478)	—
Financing activities		
Issuance of common stock for cash	238,357,218	—
Share issuance costs	(9,945,343)	—
Cash paid for cancellation of shares	(54,079)	—
Interest income on financing proceeds held in escrow	854,917	—
Net cash provided by financing activities	229,212,713	—
Effect of exchange rate fluctuations on cash held	—	26,188
Net decrease in cash	(318,710)	(95,015)
Cash, beginning of year	318,879	413,894
Cash, end of year	\$ 169	\$ 318,879
Supplemental disclosure of cash flow information and non-cash financing activities:		
Issuance of stock options- share issuance fee (Note 8)	\$ 387,003	\$ —

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

Galaxy Digital Holdings Ltd. (formerly Bradmer Pharmaceuticals Inc.)

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2018 and 2017
(Expressed in US Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Galaxy Digital Holdings Ltd. ("GDH Ltd." or, together with its subsidiary, the "Company"), formerly Bradmer Pharmaceuticals Inc. ("Bradmer"), was originally formed and incorporated under the Business Corporations Act (Ontario) on February 10, 2006 and on July 31, 2018, continued out of the Province of Ontario to become a company existing under the laws of the Cayman Islands. The Company's principal address is 107 Grand Street, 8th Floor, New York, New York, 10013.

GDH Ltd.'s ordinary shares are publicly listed on the Toronto Stock Exchange's Venture Exchange (the "TSX-V") under the symbol "GLXY" (formerly "BMR" on the NEX Board of the TSX-V) and on the Frankfurt Stock Exchange under the symbol "7LX".

The Company has a minority interest in Galaxy Digital Holdings LP ("GDH LP" or the "Partnership"). The Partnership is building a full-service merchant banking business in the cryptocurrency and blockchain space, and intends to capitalize on market opportunities made possible by the ongoing evolution of the digital assets space through four primary business lines: trading, principal investing, asset management, and advisory services. GDH LP's cryptocurrency related assets may be subject to significant fluctuations in value. Refer to GDH LP's consolidated financial statements for the year ended December 31, 2018 for risks associated with these asset classes.

Corporate Transaction

On July 31, 2018, the Company completed a transaction (Note 5) pursuant to which it acquired a minority interest in GDH LP. GDH LP is an operating partnership which was formed on May 11, 2018 and effective July 31, 2018, Galaxy Digital LP ("Galaxy LP") and First Coin Capital Corp. ("First Coin") combined to become its wholly-owned subsidiaries. GDH LP is managed by the board of managers and officers of the Partnership's general partner, who are also the principals of Galaxy LP. Galaxy Digital Holdings GP LLC ("GDH GP" or the "General Partner"), is a limited liability company incorporated under the laws of the Cayman Islands on July 26, 2018 and serves as the general partner of GDH LP. The sole LLC member of the General Partner is Galaxy Group Investments LLC ("GGI"), which is controlled by the Chief Executive Officer ("CEO") of the Company.

In connection with the transaction, the Company consolidated its share capital on the basis of 1 post consolidated common share for every 126.38 pre-consolidated common shares. All common share and per common share amounts, including options, in these consolidated financial statements have been adjusted to give retroactive effect to the share consolidation.

These consolidated financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are to manage its minority interest in GDH LP and are dependent on financial support from GDH LP, who has the obligation to reimburse the Company for all reasonable operational expenses (Note 5). At December 31, 2018, the Company had total equity of \$204.6 million. Management estimates that, based on the financial support from GDH LP, the Company has the ability to maintain its operations and activities for the upcoming year.

GDH LP invests in digital assets that are subject to risks unique to the asset class and different from traditional financial assets (Note 13). Additionally, certain of the Partnership's assets are held in cryptocurrency exchanges that are limited in oversight by regulatory authorities.

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were approved by the Company's Board of Directors and authorized for issuance on April 26, 2019.

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value.

In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow disclosure.

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Functional and Presentation Currency

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency determination was conducted through an analysis of the consideration factors identified in International Accounting Standard (“IAS”) 21. The functional currency for the Company and its subsidiary is the United States dollar (“US dollar”). The presentation currency for the Company is US dollars.

The Company changed its functional currency from the Canadian dollar (“C\$”) to the US dollar effective July 31, 2018. After completion of the corporate transaction (Note 5), the Company's only significant asset is a minority interest in GDH LP. GDH LP's primary economic environment is the US, as its activities are driven mainly by the competitive forces and regulation in the US.

Prior to the completion of the corporate transaction, as the functional currency was different from the presentation currency, the statement of financial position accounts including share capital and reserves were translated using the exchange rate on the reporting date, except for deficit which was translated at the historical rate and income and expenses which were translated at exchange rates at the dates of the transactions. Resulting exchange differences were recognized in other comprehensive income (loss).

Foreign currency transactions are translated into the functional currency of the respective entity or division, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognized in profit or loss. Non-monetary items that are not re-translated at period end are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value, which are translated using the exchange rates as at the date when fair value was determined. Gains and losses are recorded in profit or loss.

Basis of Consolidation

The consolidated financial statements include the financial statements of GDH Ltd. and its wholly-owned consolidated subsidiary, GDH Intermediate LLC, which is controlled by GDH Ltd. The reporting period, as well as the accounting policies, of the financial statements are consistent across the entities included in the consolidation. All inter-company transactions, balances, income and expenses and unrealized gains and losses, if any, are eliminated in full upon consolidation.

Use of estimates and judgments

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from those estimates.

Significant judgments in applying accounting policies

The critical judgments that the Company has made in the process of applying the Company's accounting policies, aside from those involving estimations, that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

Functional currency

The Company's functional currency has been assessed by management with consideration given to the currency and economic factors that mainly influence the Company's business and its investment in GDH LP. Specifically, the Company considers the currency in which its investment is denominated, the currencies in which its expenses are settled by the Company, as well as the currency in which the Company may receive or raise financing. Changes to these factors may have an impact on the judgment applied in the determination of the Company's functional currency. The Company has determined that its functional currency is the US dollar.

Investment in associate

Classification of investments requires judgment on whether the Company controls, has joint control or significant influence over the strategic financial and operating decisions relating to the activity of the investee. In assessing the level of control or influence that the Company has over an investment, management considers ownership percentages, board representation as well as other relevant provisions in shareholder agreements. If an investor holds 20% or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor

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holds less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated.

The Company has classified its investment in GDH LP as an associate based on management's judgment that the Company has significant influence but not control.

Significant estimates

Deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods. The Company has not recorded any deferred tax assets.

Investment in associate

The underlying values of the equity investment includes valuations of digital assets and investments in private companies.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to all periods presented in these consolidated financial statements, unless otherwise indicated.

Cash

Cash and cash equivalents may include cash on hand, demand deposits and short-term highly liquid investments that are readily convertible into known amounts of cash, with maturities of 90 days or less when acquired. As of December 31, 2018 and 2017, the Company did not classify any balances as cash equivalents.

Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI, are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Receivables is measured at amortized cost with subsequent impairment recognized in profit or loss. Cash is classified as FVTPL.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment

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at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) FVTPL; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities is classified as other financial liabilities and carried on the statement of financial position at amortized cost.

Investment in associate

The Company accounts for its investment in its associate using the equity method. Under the equity method, the Company's investment in associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of earnings and losses of the associate and for impairment losses after the initial recognition date. The Company's share of an associate's losses that are in excess of its investment in the associate are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of earnings and losses of associates are recognized through profit or loss during the period. Distributions received from an associate are accounted for as a reduction in the carrying amount of the Company's investment in the associate.

Intercompany transactions between the Company and its associates are recognized only to the extent of unrelated investors' interests in the associate.

At the end of each reporting period, the Company assesses whether there is any objective evidence that an investment in an associate is impaired. Objective evidence includes observable data indicating that there is a measurable decrease in the estimated future cash flows of the associate's operations. When there is objective evidence that an investment in an associate is impaired, the carrying amount of such investment is compared to its recoverable amount, being the higher of its fair value less cost to sell, and value in use (i.e. present value of its future cash flows). If the recoverable amount of an investment in associate is less than its carrying amount then an impairment loss is recognized in that period. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in associate is increased to the revised estimate of the recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized through profit or loss in the period that the reversal occurs.

Equity based compensation

The Company has a stock option plan to grant options to employees, officers, directors and consultants of the Company and its affiliates (inclusive of GDH LP). All options granted subsequent to the completion of the Arrangement, have been granted by GDH LP after receiving approval by the Board of Directors of GDH Ltd., therefore the fair value of these stock options has been recorded as a charge to operations and a credit to reserves in GDH LP. GDH Ltd. recognizes a portion through equity accounting of its investment in GDH LP.

The fair value of stock options is measured at the grant date using the Black-Scholes option pricing model. The fair value of stock options which vest immediately is recorded at the grant date. For stock options which vest in the future, the fair value of stock options, as adjusted for the expected level of vesting of the stock options and the number of stock options which ultimately vest, is recognized over the vesting period. Stock options granted to non-employees are measured at the fair value of goods or services rendered or at the fair value of the instruments issued, if it is determined that the fair value of the goods or services received cannot be reliably measured. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Warrants issued to brokers are measured at their fair value on the vesting date and are recognized as a deduction from equity and credited to contributed surplus. The fair value of stock options and warrants issued to brokers are estimated using the Black-Scholes option pricing model. Any consideration received on the exercise of stock options and/or warrants, together with the related portion of contributed surplus, is credited to share capital.

Earnings (Loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) (the numerator) by the weighted average number of outstanding common shares for the period (denominator). When diluted earnings per share is calculated, only those outstanding

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share options and warrants and other convertible instruments with exercise prices below the average trading price of the Company's common shares for the period will be dilutive.

In the periods when the Company reports a net loss, the effect of potential issuances of shares under share options and other convertible instruments is anti-dilutive. Therefore basic and diluted loss per share is the same.

Comprehensive income (loss)

Total comprehensive income (loss) comprises all components of profit or loss and other comprehensive income (loss). Other comprehensive income (loss) includes gains and losses from translating the financial statements of an entity's whose functional currency differs from the presentation currency.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded to provide for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of assets or liabilities that do not effect either accounting or taxable loss or those differences relating to investments in subsidiaries to the extent that they are not probable to reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statements of the financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it is not recorded.

4. NEW ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

New accounting policies

Effective January 1, 2018, the Company adopted the following accounting standards:

IFRS 9, *Financial Instruments* ("IFRS 9")

IFRS 9 was issued by the IASB in July 2014 and has replaced IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes significant changes to hedge accounting. The Company adopted the standard retrospectively. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities.

The following summarizes the significant changes in IFRS 9 compared to the current standard:

- IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. The change did not impact the carrying amounts of any of the Company's financial assets on the transition date. Prior periods were not restated and no material changes resulted from adopting this new standard.
- The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had no impact on the carrying amounts of financial assets on the transition date.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15")

In May 2014 the IASB approved IFRS 15, *Revenue from Contracts with Customers*, which specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and a number of revenue related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers, except for leases, financial instruments and insurance contracts. The adoption of IFRS 15 on the Company's consolidated financial statements did not have a material impact.

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Accounting pronouncements adopted on January 1, 2019

IFRS 16, *Leases* (“IFRS 16”)

In January 2016, the IASB issued IFRS 16, *Leases*, which will replace IAS 17, *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company will adopt this standard on January 1, 2019, the date of initial application. The adoption of IFRS 16 is not expected to have an impact on the Company's consolidated financial statements.

5. CORPORATE TRANSACTION

On February 14, 2018, the Arrangement was entered into between Galaxy LP, First Coin and Bradmer, in respect of a proposed transaction which was to be completed by way of a plan of arrangement under the provisions of the Business Corporations Act (Ontario). In connection with the Arrangement, Galaxy LP and First Coin would combine to form GDH LP, an operating partnership that would be managed by the board of managers and officers of its general partner, who are also the principals of Galaxy LP. Bradmer would acquire and hold a minority investment in the operating partnership, and, upon completion of the Arrangement, would change its name to Galaxy Digital Holdings Ltd. and resume an active public listing on the TSX-V.

Bradmer was formed on February 10, 2006 by the amalgamation of a private company, Blue Devil Pharmaceuticals Inc., and a predecessor company also named Bradmer Pharmaceuticals Inc. Bradmer's shares were listed and traded on the NEX Board of the TSX-V under the symbol “BMR”.

On completion of the Arrangement on July 31, 2018:

- Galaxy LP and First Coin became wholly owned subsidiaries of GDH LP.
 - GGI, the sole limited partner of Galaxy LP, transferred its full limited partnership interest in Galaxy LP and its ownership interest in Galaxy Digital GP LLC (“Galaxy GP”) shares, the general partner of Galaxy LP, to GDH LP in exchange for 213,696,000 Class B Units. The Class B Units are subject to certain escrow conditions and will be released 25% commencing on July 31, 2018 and each six-month period thereafter.
 - GDH LP acquired 100% of the issued share capital of First Coin. The transaction met the definition of a business combination between the entities.
- Bradmer acquired a minority equity interest in GDH LP. The funds used to purchase the interest were raised through a partially-brokered private placement offering completed by Bradmer on February 14, 2018 of 60,969,746 subscription receipts at a price of C\$5.00 per subscription receipt. The private placement was considered an arm's length financing and raised an aggregate of approximately C\$305 million of proceeds. On completion of the Arrangement, the net proceeds plus accrued interest of \$229,212,647 was released from escrow in exchange for the issuance of Class A Units in GDH LP. The amount represents net proceeds of \$228.4 million and approximately \$0.8 million of interest earned on placement proceeds in escrow.
- As a condition to the completion of the Arrangement, Bradmer had completed a consolidation of its common shares (Note 1) in advance and, on completion of the Arrangement, continued out of the Province of Ontario to become a company existing under the laws of the Cayman Islands. Furthermore, pursuant to policies of the TSX-V, the Arrangement resulted in the reactivation of the listing of Bradmer, which was an NEX-listed issuer, under the name Galaxy Digital Holdings Ltd. and ticker GLXY.
- GDH Ltd. appointed new members to its board of directors to manage its minority investment in the operating partnership on an ongoing basis.
- GDH LP, GDH GP, GDH Ltd., GDH Intermediate LLC (a wholly owned subsidiary of GDH Ltd. established as a tax-efficient blocker corporation or similar entity for US tax purposes) entered into a second amended and restated limited partnership agreement (as amended from time to time, the "LPA").

Following the completion of the Arrangement: (i) the principals and owners of Galaxy LP and First Coin held direct controlling equity interests in GDH LP through the ownership of Class B Units, which are generally economically equivalent to Class A Units

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held by GDH Ltd. but are exchangeable, from time to time, into ordinary shares of GDH Ltd., and (ii) GDH Ltd. became a holding company, as its only significant asset is its minority equity interest in GDH LP.

Certain key terms of the LPA include the following:

- *Units* - there are two classes of partnership interests ("Units"): Class A Units, which are held by GDH Ltd., and Class B Units, which are held by GGI and other Class B limited partners.
- *Issuance of Additional Units* - the General Partner will not cause the Partnership to issue any additional Class B Units unless (i) the General Partner determines there is a bona fide business or strategic reason to raise equity capital through the issuance of Class B Units, provided that the aggregate amount of Class B Units that may be issued is less than or equal to 70,000,000 or GDH Ltd. board of directors approves such issuance.
- *Allocations of Income, Gain, Loss, Deduction and Credit* - each item of income, gain, loss, deduction and credit will generally be allocated pro-rata between Class A Units and Class B Units.
- *Issuances and redemptions of common stock of GDH Ltd.* - If GDH Ltd. issues any of its ordinary shares, the General Partner will, only if either (i) the General Partner has consented to such issuance or (ii) the issuance receives approval by the limited partners holding the majority of Units, cause the Partnership to issue to GDH Ltd., in exchange for GDH Ltd. promptly contributing the net cash proceeds of the issuance to the Partnership, a number of Class A Units equal to the number of ordinary shares issued. Upon the redemption, repurchase, or other acquisition of ordinary shares by GDH Ltd., the Partnership will, at substantially the same time as the redemption, repurchase or acquisition, redeem or cancel Class A Units equal to the number of ordinary shares redeemed, repurchased or acquired for an amount equal to the net cash amount paid by the GDH Ltd. for such redemption, repurchase, or other acquisition.
- *Exchanges of Class B Units* - A Class B limited partner may exchange vested Class B Units for ordinary shares of GDH Ltd. On exchange, GDH Ltd. will issue ordinary shares and the General Partner will cancel the Class B Units exchanged and issue Class A Units to GDH Ltd. equal to the number of Class B Units being surrendered.
- *Removal of General Partner* - The General Partner may generally be removed by the limited partners holding at least 66 2/3% of the outstanding Units.
- *Reimbursable Expenses* - All expenses reasonably incurred by GDH Ltd. in the conduct of its business, including fees related to professional advisors, required or advisable licenses and filings, and meetings and compensation of directors, will be reimbursable by GDH LP. For the year ended December 31, 2018, GDH LP paid \$0.7 million on behalf of GDH Ltd. which has been recorded as recoveries from associate in profit or loss.
- *General Partner Board* - As long as GDH Ltd. owns more than 10% of the outstanding Units of GDH LP, GDH Ltd. will have the right to appoint one person to the board of the general partner. If GDH Ltd. owns more than 40%, but not more than 50%, of the total outstanding Units, GDH Ltd. will have the right to appoint a second person to the board of the general partner.

6. INVESTMENT IN ASSOCIATE

The Company has a 23.2% interest in GDH LP as of December 31, 2018. GDH LP is a Cayman Islands exempted limited partnership formed on May 11, 2018. GDH LP was formed following the combination of Galaxy LP and First Coin according to a definitive agreement (Note 5).

Per the LPA, as long as the Company owns more than 10% of GDH LP, the Company has the right to appoint one person to the general partner board of directors. In addition, through the LPA, the Company participates in all significant financial and operating decisions of GDH LP, is generally required to acquire additional GDH LP units with all of the proceeds raised in financings, and is to receive reimbursements from GDH LP for the Company's reasonable operating costs. Therefore, the Company has determined that it has significant influence over GDH LP.

The carrying value of the investment in GDH LP was \$204,581,926 as of December 31, 2018.

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Summarized financial information for GDH LP

Summarized Statements of Financial Position	December 31, 2018	December 31, 2017
Current assets		
Cash	\$ 66,488,012	\$ 32,098,217
Other current assets	263,320,691	22,650,240
	329,808,703	54,748,457
Non-current assets	20,115,572	—
Total assets	\$ 349,924,275	\$ 54,748,457
Current liabilities	\$ 44,236,106	\$ 53,006,648
Non-controlling interests	4,167,578	—
	\$ 48,403,684	\$ 53,006,648
Net Assets	\$ 301,520,591	\$ 1,741,809
The Company's share of net assets - 23.2% (December 31, 2017 - 0%)	\$ 69,952,777	\$ —

Summarized Statements of Comprehensive Income (Loss)	Year ended December 31, 2018	Year ended December 31, 2017
Income (loss)	\$ (94,755,720)	\$ 1,495,597
Operating expenses	(88,362,610)	(1,228,909)
Net unrealized gain (loss) on digital assets	(75,494,453)	1,475,121
Net unrealized loss on investments	(8,459,854)	—
Unrealized foreign currency gain	35,196	—
Realized foreign currency gain	612,407	—
Goodwill impairment	(6,216,914)	—
	(89,523,618)	1,475,121
Income (loss) for the year	\$ (272,641,948)	\$ 1,741,809
Foreign currency translation adjustment	(35,766)	—
Income (loss) and comprehensive income (loss) for the year	\$ (272,677,714)	\$ 1,741,809
The Company's share of comprehensive income (loss)	\$ (37,317,313)	\$ —

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Reconciliation to carrying amount of investment in GDH LP:

	Year ended December 31, 2018
Balance, beginning of year	\$ —
Initial contribution	229,212,647
Equity based compensation allocation	6,871,918
Increase in ownership interest as a result of GDH LP Class B Unit exchanges (Note 10)	5,814,843
Return of investment	(169)
Allocation of comprehensive loss	(37,317,313)
Balance, end of year	<u>\$ 204,581,926</u>

Accounting for the investment by GDH Ltd.

GDH Ltd. is deemed to have significant influence over GDH LP as it owns more than 20% of GDH LP and it has representation on the board of the general partner of the Partnership. As a result, the Company has accounted for its investment in the Partnership under the equity method.

If and when Class B units of the Partnership are exchanged into ordinary shares of the Company, the Company receives Class A Units of the Partnership. As the Company's interest in GDH LP increases through the ownership of the Class A Units, it will be performing an ongoing assessment to determine when it obtains control of GDH LP based on the criteria. Under IFRS accounting guidance, an investor controls an investee if and only if the investor has all of the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

While there are many factors that need to be considered for the evaluation of control, an important factor would be when GDH Ltd. obtains the ability to impact the Partnership's governance and decision making, including its ability to replace the general partner.

7. RELATED PARTY TRANSACTIONS

Compensation to key management personnel

The Company's related parties include its subsidiary, associates over which it exercises significant influence, and key management personnel. Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers, directors, companies controlled by officers and directors and companies with common directors of the Company. Compensation provided to key management personnel for the years ended December 31, 2018 and 2017 is as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Directors fees	\$ 265,000	\$ —

Other

The Company paid or accrued legal fees, included in professional fees of \$135,258 and \$72,000 during the years ended December 31, 2018 and 2017, respectively, to a law firm, Wildeboer Dellelce LLP (“WD”), a partnership in which one of the partners was a director of the Company until July 2013 and had continued as a consultant to the Company until the date of the completion of the Arrangement. As of December 31, 2018, there was \$nil (2017 - \$47,300) included in accounts payable and accrued liabilities that was due to WD.

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The Company paid or accrued financial and administrative services, included in consulting fees, of \$32,581, and \$55,400 during the years ended December 31, 2018 and 2017, respectively, to WD Capital Markets Inc. (“WCM”). WCM is a related company of WD by virtue of the partners of WD also being beneficial shareholders of WCM. On completion of the Arrangement, the Company issued WCM 40,000 ordinary shares (Note 8), at which time WCM ceased to be a related party. As at December 31, 2018, there was \$nil (2017 - \$28,700) included in accounts payable and accrued liabilities that was due to WCM.

During the year ended December 31, 2018, certain key management personnel invested in a fund that GDH LP manages. In addition, some members of key management serve as board members for companies in which GDH LP or the fund it manages holds investments.

As of December 31, 2018, the Company’s CEO served as a director of a cryptocurrency mining and blockchain infrastructure company to which GDH LP held an investment in, had extended a loan to and completes over-the-counter trades with. Furthermore, the CEO was a member of the advisory board for another company in which GDH LP holds an investment in. The CEO of the Company is also, beneficially, the majority owner of GDH LP.

In accordance with the LPA (Note 5), GDH LP will reimburse or pay for all reimbursable expenses of the Company. For the year ended December 31, 2018, GDH LP paid \$742,566 on behalf of GDH Ltd.

8. SHARE CAPITAL AND RESERVES

Authorized

The authorized share capital of the Company is C\$2,000,000, divided into 2,000,000,000 ordinary shares of C\$0.001 par value each.

Issued

On July 31, 2018, in connection with the closing of the Arrangement (Note 5), the outstanding subscription receipts automatically converted into 60,969,746 common shares.

On August 1, 2018 the Company issued 40,000 common shares to WCM to settle the obligations of the terms of a financial advisory agreement entered into between the parties (Note 7).

During the year ended December 31, 2018, the Company issued 3,966,107 common shares on exchange of Class B Units of GDH LP.

There were no share capital transactions during the year ended December 31, 2017.

Canceled

In connection with the Arrangement (Note 5), certain non-participating shareholders received total cash payments of \$54,079 in return for cancellation of 14,108 shares.

Reserves

Up to the date of the closing of the Arrangement, the Company had its own stock option plan, which provided employees, directors, officers and consultants of the Company with the opportunity to acquire common shares of the Company through the exercise of stock options. Stock options granted under the plan were limited to a maximum term of ten years and limited to 10% of the Company's outstanding common shares. As of December 31, 2018 and 2017, 15,430 options were outstanding as follows:

- 11,869 options at a weighted average exercise price of C\$12.64 and which expire on July 21, 2021;
- 3,561 options at a weighted average exercise price of C\$20.22 and which expires on June 25, 2019.

No options were granted, exercised or forfeited during the year ended December 31, 2017, and the above noted options remain outstanding as of December 31, 2018.

Options for share issuance cost compensation

During the year ended December 31, 2018, the Company issued 710,517 share options to the agent of its share offering as partial compensation for the agent's services in connection with the issue and sale of the subscription receipts (Note 5). The value of the share options granted was \$387,003 (or fair value of approximately \$0.54 per option). The options granted are exercisable into

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one common share of GDH Ltd. at an exercise price of C\$5.00 per option for a period of one year. On the grant date of July 31, 2018, the options were fully vested.

The fair value of the options granted was measured using the Black-Scholes option pricing model with the following inputs:

Inputs to the Black-Scholes Model	2018	2017
Share price ¹	C\$2.75	—
Exercise price	C\$5	—
Expected annual volatility ²	110%	—
Expected term (years)	1.00	—
Dividend yield	0%	—
Risk-free interest rate ³	1.83%	—
Forfeiture rate	0%	—

(1) Opening price of GDH Ltd. shares on August 1, 2018.

(2) Volatility was selected based on the holdings of Galaxy Digital Holdings LP and a review of the historical volatilities of digital assets and venture equity.

(3) The risk-free interest rate was calculated by interpolating Government of Canada bond yields.

Refer to Note 10 for share options granted under the Company's stock option plan, effective on closing of the Arrangement, to employees, officers, directors and consultants of the Company's affiliate.

9. LOSS PER SHARE

The table below presents basic and diluted net loss per share of common stock for the years ended December 31, 2018 and 2017, respectively:

	Year ended December 31, 2018	Year ended December 31, 2017
Basic and diluted loss per share	\$ (1.37)	\$ (1.18)

Basic loss per share

The net loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Net loss used in the calculation of basic loss per share	\$ (36,672,535)	\$ (184,290)
Weighted average number of ordinary shares for the purposes of basic loss per share	26,673,246	155,560

The weighted average number of ordinary shares is the same for both basic and diluted loss per share as the diluted amount excludes the potential conversion of GDH LP Class B Units and GDH LP stock options (Note 10), as if converted, the impact would be antidilutive.

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10. COMMITMENTS AND CONTINGENCIES

GDH LP Class B Units

GDH LP has two classes of ownership interests: Class A Units and Class B Units. The units rank equally in all material respects, including from an economic and voting perspective, however under the terms of the LPA (Note 5), Class B Units will, subject to certain limitations, be exchangeable for GDH Ltd. shares on a one-for-one basis.

During the year ended December 31, 2018 GDH LP issued the following Class B Units:

- 213,696,000 Class B Units to GGI (Note 5);
- 5,319,618 Class B Units to First Coin shareholders (Note 5); and
- 30,870,000 Class B Units under a GDH LP equity compensation plan. These Class B Unit awards are comprised of 50% of subtype R units (Standard Units) and 50% of subtype P units (Profit Interest Units).

The vesting schedule of the Class B Units are as follows:

- Standard Units - vest 50% on each of February 1, 2019 and September 1, 2019. Once vested, each Standard Unit can be exchanged for one share of GDH Ltd. for no additional consideration.
- Profit Interest Units - vest 50% on each of September 1, 2020 and September 1, 2021. The Profit Interest Units are subject to a catch up period, whereby the capital accounts balance of a Profit Interest Unit must equal the capital account of a Standard Unit. Initially, the Profit Interest Units will have a capital balance of \$nil and will be adjusted upon certain events that trigger a mark-to-market of GDH LP's assets and pick-ups of income until the capital account of the Profit Interest Units equals C\$5. Once the Profit Interest Unit is fully caught up, each Profit Interest Unit can be exchanged for one share of GDH Ltd. for no additional consideration.

As at December 31, 2018, after accounting for exchanges (Note 8) and forfeitures, there were 243,355,662 Class B Units issued of which 215,713,955 were outstanding and exercisable into ordinary shares of GDH Ltd.

Stock Option Plan

The Company has a stock option plan (the "Plan") to grant options, which are exercisable into an equivalent amount of the Company's common shares, to employees, officers, directors and consultants of the Company and its affiliates (inclusive of GDH LP). The maximum number of shares reserved for issuance under the Plan shall not exceed 10% of the issued share capital of GDH Ltd. on a fully diluted basis. The number of stock options granted to any person within a one-year period will not exceed 5% and the number granted to those individuals considered consultants or providing investor relations services may not exceed 2% in a one-year period, in each case on a fully diluted basis. Under the Plan, the exercise price of each option may not be less than the market price of the Company's shares at the date of grant. Options granted under the Plan will have a term not to exceed 5 years and be subject to vesting provisions as determined by the Board of Directors of the Company who administer the Plan. On exercise of an option, the holder will receive one common share in the Company and GDH LP will issue one Class A Unit to the Company.

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A summary of the stock options outstanding, in addition to those disclosed in Note 8, as at December 31, 2018 is as follows:

Grant Date	Number outstanding	Number exercisable	Exercise Price (C\$)	Expiry Date
Employees and Officers of GDH LP:				
July 31, 2018	19,938,000	—	5.00	July 23, 2023
September 4, 2018	700,000	—	5.00	July 23, 2023
September 10, 2018	148,000	—	5.00	July 23, 2023
December 3, 2018	750,000	—	1.15	December 3, 2023
	<u>21,536,000</u>	<u>—</u>		
First Coin Replacement Options:				
November 3, 2017	105,109	35,037	4.64	November 3, 2022
November 14, 2017	21,022	7,007	4.64	November 14, 2022
November 27, 2017	13,138	4,380	4.64	November 27, 2022
January 22, 2018	15,766	3,942	4.64	January 22, 2023
	<u>155,035</u>	<u>50,366</u>		
Total	<u><u>21,691,035</u></u>	<u><u>50,366</u></u>		

Other

The Company has provided standard representations for agreements and customary indemnification for claims and legal proceedings. Insurance has been purchased to mitigate certain of these risks. Generally, there are no stated or notional amounts included in these indemnifications and the contingencies triggering the obligation for indemnification are not expected to occur. Furthermore, often counterparties to these transactions provide comparable indemnifications. The Company is unable to develop an estimate of the maximum payout under these indemnifications for several reasons. In addition to the lack of a stated or notional amount in a majority of such indemnifications, it is not possible to predict the nature of events that would trigger indemnification or the level of indemnification for a certain event. The Company believes, however, that the possibility of making any material payments for these indemnifications is remote. As of December 31, 2018 and 2017, there was no liability accrued under these arrangements.

In the ordinary course of business, the Company and its subsidiary may be threatened with, named as defendants in, or made parties to pending and potential legal actions. The Company does not believe that the ultimate outcome of these and any outstanding matters will have a material effect upon our financial position, results of operations or cash flows.

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11. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2018	2017
Loss for the year	\$ (36,672,535)	\$ (184,290)
Expected income tax (recovery)	\$ —	\$ (48,000)
Change in statutory, foreign tax, foreign exchange rates and other	(5,000)	(529,000)
Expiry of non-capital losses	7,430,000	—
Change in unrecognized deductible temporary differences	(7,425,000)	577,000
Total income tax expense (recovery)	\$ —	\$ —
Current income tax	\$ —	\$ —
Deferred tax recovery	\$ —	\$ —

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2018	Expiry Date Range	2017	Expiry Date Range
Temporary Differences				
Property and equipment	\$ —	No expiry date	\$ 805,486	No expiry date
Non-capital losses available for future periods				
Canada	\$ —	N/A	\$ 29,657,361	2025 to 2037

Tax attributes are subject to review, and potential adjustment, by tax authorities.

Tax Receivable Agreement

In connection with the closing of the Arrangement, on July 31, 2018, the Company entered into a Tax Receivable Agreement ("TRA") with holders of Class B Units in GDH LP (each such person and any permitted transferee, a "TRA Holder" and together, the "TRA Holders"). The TRA generally provides for the payment by the Company of 85% of the net cash savings, if any, in U.S. federal, state, local, and non-US income tax that the Company actually realizes (or is deemed to realize in certain circumstances) in periods after the closing of the Arrangement as a result, as applicable to each TRA Holder, of (i) certain increases in tax basis that occur as a result of the Company's acquisition (or deemed acquisition for U.S. federal income tax purposes) of all or a portion of such TRA Holder's Class B Units in connection with the Arrangement and (ii) imputed interest deemed to be paid by the Company as a result of, and additional basis arising from, any payments the Company makes under the TRAs.

The term of each TRA commenced on July 31, 2018 and will continue until all such tax benefits that are subject to such TRA have been utilized or expired, unless the Company experiences a change of control or the TRAs are terminated early, and the Company makes the termination payments specified in such TRA.

The amounts payable, as well as the timing of any payments, under the TRAs are dependent upon significant future events and assumptions, including the timing of the redemptions of Class B Units, the price of the Company's ordinary stock at the time of each redemption, the extent to which such redemptions are taxable transactions, the amount of the redeeming unit holder's tax basis in its Class B Units at the time of the relevant redemption, the depreciation and amortization periods that apply to the increase in tax basis and the portion of the Company's payments under the TRAs that constitute imputed interest or give rise to depreciable or amortizable tax basis.

As of December 31, 2018, the Company did not have a liability associated with the TRA.

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12. CAPITAL MANAGEMENT

GDH Ltd.'s objectives when managing capital is to safeguard its ability to continue as a going concern, to meet the needs of its ongoing operations, and to maintain a flexible capital structure which optimizes the cost of capital. The Company considers the items included in shareholders' equity as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. The Company is not subject to externally imposed capital requirements, except as disclosed in Note 6.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- a. Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities
- b. Level 2 - inputs other than quoted prices that are observable for the asset or liability either directly or indirectly
- c. Level 3 - inputs that are not based on observable market data

The fair value of receivables and accounts payable and accrued liabilities approximates fair value due to the short term nature of the financial instruments. Cash is classified as fair value through profit or loss and is measured using level 1 inputs of the fair value hierarchy. Receivables and accounts payable and accrued liabilities are classified at amortized cost.

Risk Management

The Company is exposed to minimal financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

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 held in bank accounts. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. As at December 31, 2018, the Company is not exposed to credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and financial support from GDH LP. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. Furthermore, under the LPA, GDH LP is responsible for reimbursing the Company for all reasonable operating expenses. Therefore, the Company is not currently exposed to significant liquidity risk.

Interest rate risk

The Company is not currently exposed to significant interest rate risk.

Foreign exchange risk

The Company's functional currency and the reporting currency is the US dollar. Periodically the Company incurs charges on its operations for settlement in currencies other than its functional currency and any gain or loss arising on such transactions is recorded in operations for the period. The Company is not currently exposed to significant foreign exchange risk.

Digital assets and market risks

The Company's investment in associate is impacted by the associate's investments in digital assets as well as private companies, both of which may be subject to significant changes in value. Refer to GDH LP's consolidated financial statements for the year ended December 31, 2018 for risks associated with these asset classes.