



GALAXY
D I G I T A L

Galaxy Digital Holdings Ltd.

Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

(Expressed in US Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Galaxy Digital Holdings Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Galaxy Digital Holdings Ltd. (the “Company”), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders’ equity and cash flows for the years 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 the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (“IFRS”).

Basis for Opinion

We conducted our audits 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 audits 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 of Galaxy Digital Holdings LP (the “Partnership”) which are filed concurrently with the Company’s consolidated financial statements. The Partnership invests in digital assets that are subject to risks unique to the asset class and different from traditional financial assets. Additionally, certain assets are held on cryptocurrency exchanges that are limited in oversight by regulatory authorities. Our opinion is not modified in respect of this matter.

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 7, 2020

Galaxy Digital Holdings Ltd.

Consolidated Statements of Financial Position
(Expressed in US Dollars)

	December 31, 2019	December 31, 2018
Assets		
Current assets		
Cash	\$ —	\$ 169
	—	169
Investment in associate (Note 6)	81,040,806	204,581,926
Total assets	\$ 81,040,806	\$ 204,582,095
Shareholders' equity		
Share capital (Note 8)	\$ 240,637,540	\$ 236,953,554
Reserves (Note 8)	13,101,410	7,807,423
Accumulated other comprehensive income	791,444	791,444
Deficit	(173,489,588)	(40,970,326)
Total shareholders' equity	\$ 81,040,806	\$ 204,582,095
Nature and continuance of operations (Note 1)		
Commitments and contingencies (Note 10)		
Subsequent event (Note 14)		

Approved and authorized for issuance by the Board of Directors of Galaxy Digital Holdings Ltd. on April 6, 2020.

"Bill Koutsouras" Director

"Michael Novogratz" Director

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

Galaxy Digital Holdings Ltd.

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

	Year ended December 31, 2019	Year ended December 31, 2018
Operating expenses		
Directors fees (Note 7)	\$ 530,000	\$ 265,000
Professional fees (Note 7)	428,046	597,613
General and administrative (Note 7)	333,307	95,204
Recoveries from associate (Note 7)	(1,291,184)	(742,566)
	(169)	(215,251)
Interest income	—	854,917
Equity income (loss) from associate (Note 6)	5,846,146	(37,317,313)
Impairment on investment in associate (Note 6)	(138,365,239)	—
Foreign exchange gain	—	5,112
	(132,519,093)	(36,457,284)
Loss for the year	(132,519,262)	(36,672,535)
Other comprehensive income		
Foreign currency translation adjustment	—	128,850
Comprehensive loss for the year	\$ (132,519,262)	\$ (36,543,685)
Basic and diluted loss per share (Note 9)	\$ (2.00)	\$ (1.37)
Weighted average number of common shares outstanding - basic and diluted	66,378,053	26,673,246

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

Galaxy Digital Holdings Ltd.

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

	Share Capital		Reserves	Accumulated Other Comprehensive Income	Deficit	Total
	Number	Amount				
Balance at January 1, 2018	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)
Issuance of common stock - other	4,006,107	7,217,267	(1,402,424)	—	—	5,814,843
Equity based compensation from investment in associate (Note 6, 8)	—	—	6,871,918	—	—	6,871,918
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
Issuance of common stock (Note 6, 8)	2,834,669	3,669,451	—	—	—	3,669,451
Repurchase of common stock	(1,315,434)	(1,224,760)	—	—	—	(1,224,760)
Equity based compensation from investment in associate (Note 6, 8)	—	1,239,295	5,293,987	—	—	6,533,282
Loss for the year	—	—	—	—	(132,519,262)	(132,519,262)
Balance at December 31, 2019	66,636,540	\$ 240,637,540	\$ 13,101,410	\$ 791,444	\$ (173,489,588)	\$ 81,040,806

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

Galaxy Digital Holdings Ltd.

Consolidated Statements of Cash Flows
(Expressed in US Dollars)

	Year ended December 31, 2019	Year ended December 31, 2018
Operating activities		
Loss for the year	\$ (132,519,262)	\$ (36,672,535)
Adjustments for:		
Equity (income) loss from associate	(5,846,146)	37,317,313
Impairment on investment in associate	138,365,239	—
Interest income	—	(854,917)
Foreign currency translation adjustment	—	(7,720)
Changes in operating assets and liabilities:		
Receivables	—	2,515
Prepaid expenses and other assets	—	1,259
Accounts payable and accrued liabilities	—	(104,860)
Net cash used in operating activities	(169)	(318,945)
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
Net decrease in cash	(169)	(318,710)
Cash, beginning of year	169	318,879
Cash, end of year	\$ —	\$ 169
Supplemental disclosure of cash flow information and non-cash financing activities:		
Issuance of stock options- share issuance fees (Note 8)	\$ —	\$ 387,003

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

Galaxy Digital Holdings Ltd.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2019 and 2018
(Expressed in US Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Galaxy Digital Holdings Ltd. ("GDH Ltd." or, together with its subsidiary, the "Company"), 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" 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 and are subject to risks unique to the asset class and different from traditional financial assets. Refer to GDH LP's consolidated financial statements for the years ended December 31, 2019 and 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 (the "Arrangement"). 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.

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, 2019, the Company had total equity of \$81.0 million (2018 - \$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's digital assets may be subject to significant fluctuations in value and risks unique to the asset class and different from traditional financial assets. Additionally, certain 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 6, 2020.

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, the 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 the US dollar.

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 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

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is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor 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. Digital assets may be subject to significant fluctuations in value and when the fair value of the investments in private companies cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair value and this value may not be indicative of recoverable value.

Furthermore, the Company consistently assesses the overall carrying value of its investment in associate to ensure that it is carried at no more than its recoverable amount, being the higher of its fair value less cost to dispose and value in use. Judgement is required to establish these amounts which may not be indicative of the recoverable value. At December 31, 2019, the Company recognized an impairment with regards to its investment in associate (Note 6).

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, 2019 and 2018, 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.

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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. 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 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

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, as applicable, are classified as 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 dispose ("FVLCD"), and value in use (i.e. present value of its future cash flows) ("VIU"), which, in the Company's case, is usually the FVLCD. 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

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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 reserves. 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 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.

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4. NEW ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

New accounting policies

Effective January 1, 2019, the Company adopted the following accounting standard:

IFRS 16, *Leases* (“IFRS 16”)

In January 2016, the IASB issued IFRS 16, *Leases*, which would 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 adopted this standard on January 1, 2019, the date of initial application. The adoption of IFRS 16 did not 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 Pharmaceuticals Inc. ("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 the 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"), 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 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.

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-
- 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 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 the 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 acquire, 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, after accounting for any withholding obligation if applicable.
- *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.
- *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. In addition, if GDH Ltd. owns more than 40%, but not more than 50%, of the outstanding Units, GDH Ltd. will have the right to appoint another person to the board of the general partner.

6. INVESTMENT IN ASSOCIATE

The Company holds a 23.3% interest in GDH LP as of December 31, 2019 (23.2% at 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.

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As of December 31, 2019, the carrying value of the investment in GDH LP, after accounting for impairment, was \$81,040,806 (2018 - \$204,581,926).

Summarized financial information for GDH LP

Summarized Statements of Financial Position	December 31, 2019	December 31, 2018
Current assets		
Cash	\$ 106,262,780	\$ 66,488,012
Other current assets	287,275,686	263,320,691
	393,538,466	329,808,703
Non-current assets	9,240,655	20,115,572
Total assets	\$ 402,779,121	\$ 349,924,275
Liabilities	\$ 47,674,556	\$ 44,236,106
Non-controlling interests	7,319,484	4,167,578
	\$ 54,994,040	\$ 48,403,684
Net Assets	\$ 347,785,081	\$ 301,520,591
The Company's share of net assets - 23.3% (December 31, 2018 - 23.2%)	\$ 81,040,806	\$ 69,952,777

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	Year ended December 31, 2019	Year ended December 31, 2018
Income (loss)	\$ 132,342,962	\$ (94,755,720)
Operating expenses	(82,204,177)	(88,362,610)
Net unrealized loss on digital assets	(11,973,090)	(75,494,453)
Net unrealized loss on investments	(12,521,148)	(8,459,854)
Unrealized foreign currency gain	147,986	35,196
Realized foreign currency gain (loss)	(197,065)	612,407
Goodwill impairment	—	(6,216,914)
	(24,543,317)	(89,523,618)
Income (loss) for the year	\$ 25,595,468	\$ (272,641,948)
Income (loss) attributed to:		
Unit holders of the Partnership	\$ 25,770,304	\$ (267,930,435)
Non-controlling interest	(174,836)	(4,711,513)
	\$ 25,595,468	\$ (272,641,948)
Foreign currency translation adjustment	254,448	(35,766)
Comprehensive income (loss) for the year	\$ 25,849,916	\$ (272,677,714)
The Company's share of comprehensive income (loss)	\$ 5,846,146	\$ (37,317,313)

Impairment of investment in associate

As at December 31, 2019, the Company considered certain indications to determine whether its investment in GDH LP is impaired. Amongst others, the Company noted the following:

- the carrying amount of its investment in GDH LP is more than its market capitalization;
- the carrying amount of its investment in GDH LP is more than the Company's share of the net assets of GDH LP.

As a result, the Company performed a review of the recoverable amount of its investment in GDH LP. The recoverable amount is the higher of FVLCD and VIU. The FVLCD is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, less cost to dispose. The VIU is the present value of the future cash flows expected to be derived from the investment. The Company believes that its share of the net asset value of GDH LP is a reasonable approximation of its FVLCD as GDH LP's most significant assets (digital assets and investments) are fair valued at each reporting period. Given that GDH LP is a start up with a limited history of its performance and is still building its business in an evolving sector, the Company expects the FVLCD to be higher than its VIU. Therefore, the Company has used FVLCD as the recoverable amount.

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Impairment amount

	As of December 31, 2019
Investment in GDH LP before impairment	\$ 219,406,045
Company's share of the net assets of GDH LP (recoverable amount estimate)	81,040,806
Impairment amount	\$ 138,365,239

Reconciliation to carrying amount of investment in GDH LP:

	Year ended December 31, 2019	Year ended December 31, 2018
Balance, beginning of year	\$ 204,581,926	\$ —
Initial contribution	—	229,212,647
Equity based compensation allocation	6,533,282	6,871,918
Increase in ownership interest as a result of GDH LP Class B Unit exchanges (Note 8)	3,669,451	5,814,843
Cancellation of Class A Common Stock repurchased	(1,224,760)	—
Return of investment	—	(169)
Allocation of comprehensive income (loss)	5,846,146	(37,317,313)
Impairment of investment	(138,365,239)	—
Balance, end of year	\$ 81,040,806	\$ 204,581,926

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, 2019 and 2018 is as follows:

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	Year ended December 31, 2019	Year ended December 31, 2018
Directors fees	\$ 530,000	\$ 265,000

Other

During the year ended December 31, 2019, the Company paid or accrued legal fees, included in professional fees, of \$nil (2018 - \$135,258) 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, 2019 and 2018, there was \$nil included in accounts payable and accrued liabilities that was due to WD.

During the year ended December 31, 2019, the Company paid or accrued financial and administrative services, included in general and administrative expense, of \$nil (2018 - \$32,581) 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, at which time WCM ceased to be a related party. As at December 31, 2019 and 2018, there was \$nil included in accounts payable and accrued liabilities that was due to WCM.

During the years ended December 31, 2019 and 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.

The CEO of GDH Ltd. served as a director of a cryptocurrency mining and blockchain infrastructure company. During May 2019, the CEO of GDH Ltd. did not stand for re-election and, effective May 13, 2019, the Company is no longer considered a related party. As of December 31, 2018, the GDH LP held an investment in the company, which was valued at \$6.9 million. In addition, GDH LP extended a loan to the company and the loan had a carrying value of \$15.7 million as of December 31, 2018. GDH LP also completes OTC trades with the company.

In addition, the CEO of GDH Ltd. was a member of the advisory board for another company, resulting in GDH Ltd. and that company being related parties. As of December 31, 2019, GDH LP had an investment in the company valued at \$9.0 million (2018 - \$5.6 million).

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, 2019, GDH LP paid \$1,291,184 (2018 - \$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, 2019, the Company issued 2,834,669 (2018 - 3,966,107) common shares recorded at \$3,669,451 (2018 - \$5,814,843) on exchange of Class B Units of GDH LP.

Canceled

During the year ended December 31, 2018, 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.

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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, 2019, the following options were outstanding:

- 11,869 options at a weighted average exercise price of C\$12.64 and which expire on July 21, 2021.

In addition to the above, 3,561 options, that were outstanding as of December 31, 2018 and that were granted at a weighted average exercise price of C\$20.22, expired unexercised on June 25, 2019.

No options were granted, exercised or forfeited during the years ended December 31, 2019 or 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 were exercisable into one common share of GDH Ltd. at an exercise price of C\$5.00 per option until July 31, 2019 (expired unexercised). 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	2019	2018
Share price ¹	—	\$2.75
Exercise price	—	\$5.00
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 GDH 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.

The 710,517 options were not exercised before their expiry on July 31, 2019.

Refer to Note 10 for share options granted under the Company's stock option plan to employees, officers, directors and consultants of the Company and its affiliates.

Equity based compensation

During the year ended December 31, 2019, the Company recognized equity based compensation of \$6,533,282 (2018 - \$6,871,918) from its investment in associate (Note 6).

Ordinary Share Repurchase

In September 2019, the Company received approval from its Board of Directors and TSX-V to purchase up to approximately 7.3% of its issued and outstanding ordinary shares and 10% of its public float ("Share Repurchase Program"). The Share Repurchase Program will terminate on the earlier of the date determined by the Company and September 3, 2020. All shares will be purchased for cancellation. The number of shares expected to be repurchased as part of the Share Repurchase Program is approximately 5 million.

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GDH Ltd. began repurchasing shares on October 2, 2019 and, through December 31, 2019, repurchased a total of 1,315,434 shares for a total cost of C\$1.6 million. Share repurchases through April 6, 2020 were 4,392,530 for a total cost of C\$5.0 million. All repurchased shares of GDH Ltd. and the equivalent number of Class A Units in the Partnership were cancelled.

9. LOSS PER SHARE

The table below presents basic and diluted net loss per share of common stock for the years ended December 31, 2019 and 2018, respectively:

	Year ended December 31, 2019	Year ended December 31, 2018
Basic loss per share	\$ (2.00)	\$ (1.37)
Diluted loss per share	\$ (2.00)	\$ (1.37)

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, 2019	Year ended December 31, 2018
Net loss used in the calculation of basic loss per share	\$ (132,519,262)	\$ (36,672,535)
Weighted average number of ordinary shares for the purposes of basic loss per share	66,378,053	26,673,246

Diluted loss per share

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

	Year ended December 31, 2019	Year ended December 31, 2018
Net loss used in the calculation of diluted loss per share	\$ (132,519,262)	\$ (36,672,535)
Weighted average number of ordinary shares for the purposes of diluted loss per share	66,378,053	26,673,246

For the years ended December 31, 2019 and 2018, the calculation was antidilutive.

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; 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).

On January 30, 2019, GDH LP transferred 5,280,695 Class B Units of GDH LP to certain officers and employees as compensation. The Class B Units transferred are comprised of 1,521,558 Standard Units and 3,759,137 Profit Interest Units.

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

Class B Units issued in 2018:

- 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. 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.

Class B Units transferred in 2019:

- Standard Units - 1,233,422 of the Standard Units vest 50% on each of February 1, 2019 and September 1, 2019. For 288,136 of the Standard Units, 250,000 vest on September 1, 2019 and 38,136 vest on September 1, 2020.
- Profit Interest Units - 3,047,273 of the Profit Interest Units vest 50% on each of September 1, 2020 and September 1, 2021. For 711,864 of the Profit Interest Units, 211,864 vest on September 1, 2020, while 250,000 vest on each of September 1, 2021 and September 1, 2022.

As of December 31, 2019, after accounting for exchanges (Note 8) and forfeitures, there were 232,895,180 (2018 - 243,355,662) Class B Units issued, of which 219,332,907 (2018 - 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 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. Up to the date of the Plan amendment on June 24, 2019, the maximum number of shares reserved for issuance under the Plan was not to exceed 10% of the issued share capital of the Company on a fully exchanged basis.

Modification of Equity Plan

Effective June 24, 2019, the shareholders of the Company approved an amendment to the Plan (Amended and Restated Stock Option Plan). The Plan was previously a rolling equity plan which reserved for issuance a number of shares of the the Company up to a maximum of 10% of the issued share capital on a fully exchanged basis. The Plan was amended to a fixed equity plan reserving for issuance 45,565,739 shares of the Company (15% of the issued share capital, as of April 30, 2019, on a fully exchanged basis). None of the other aforementioned terms were changed under the Amended and Restated Stock Option Plan.

Modification of stock options previously granted

On June 24, 2019, the shareholders of the Company approved a resolution to reprice outstanding options that were granted with an exercise price of C\$5.00 (C\$5.00 options) by reducing the number of option grants by 30% and reducing the exercise price to the higher of C\$3.00 and the then prevailing market price. On June 24, 2019, there were 19,170,000 options, subject to the repricing, and employees holding 19,044,000 of options voluntarily agreed to the repricing. As a result, on June 25, 2019 (the repricing date), the C\$5.00 options granted were reduced by 5,713,200 options to 13,330,800 options and the exercise price was reduced to C\$3.00 (C\$3.00 options). There was no incremental value associated with the modification.

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A summary of stock options outstanding as at December 31, 2019 is as follows:

Grant Date	Number Outstanding	Number Exercisable	Exercise Price (C\$)	Expiry Date
Employees and Officers:				
July 31, 2018	12,737,200	3,184,300	3.00	July 23, 2023
July 31, 2018	126,000	31,500	5.00	July 23, 2023
September 10, 2018	103,600	25,900	3.00	July 23, 2023
December 3, 2018	750,000	187,500	1.15	December 3, 2023
June 25, 2019	3,285,000	821,250	2.15	June 25, 2024
September 4, 2019	682,500	—	1.95	September 4, 2024
Total	17,684,300	4,250,450		

A summary of the stock options outstanding as at December 31, 2018 is as follows:

Grant Date	Number Outstanding	Number Exercisable	Exercise Price (C\$)	Expiry Date
Employees and Officers:				
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
	21,536,000	—		
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
	155,035	50,366		
Total	21,691,035	50,366		

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, 2019 and 2018, 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 the Company's financial position, results of operations or cash flows.

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11. INCOME TAX

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

	2019	2018
Loss for the year	\$ (132,519,262)	\$ (36,672,535)
Expected income tax (recovery)	\$ (30,925,258)	\$ —
Change in statutory, foreign tax, foreign exchange rates and other	(3,290,539)	(5,000)
Expiry of non-capital losses	—	7,430,000
Change in unrecognized deductible temporary differences	34,215,797	(7,425,000)
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:

	2019	Expiry Date Range	2018	Expiry Date Range
Temporary Differences				
Investment in GDH LP	\$ 140,765,000	No expiry date	\$ —	N/A
Non-capital losses available for future periods	\$ 18,012,000	No expiry date	\$ 12,157,828	No expiry date
Canada	\$ —	N/A	\$ —	N/A
USA	\$ 18,012,000	No expiry date	\$ —	N/A

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.

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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, 2019 and 2018, the Company did not have a liability associated with the TRA.

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

Cash is classified as fair value through profit or loss and is measured using level 1 inputs of the fair value hierarchy.

Risk Management

The Company is directly 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, if applicable. 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, 2019, 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.

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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. The Company seeks to minimize potential adverse effects of these risks on performance by ensuring that the risk management at GDH LP appropriately addresses these risks by, for example, employing experienced personnel, daily monitoring of the Partnership's investments and digital assets and review of the Partnership's investment objectives. Refer to GDH LP's consolidated financial statements for the years ended December 31, 2019 and 2018 for risks associated with these asset classes.

14. SUBSEQUENT EVENT

In March 2020, the World Health Organization declared COVID-19 (Coronavirus) a global pandemic. The COVID-19 pandemic has caused global economic uncertainty and has adversely affected workforces, economies and financial markets globally. Given the economic uncertainty, it is not possible for the Company to accurately predict the duration or magnitude of the adverse results of the outbreak and its effect on its investment in associate at this time.