

# **GALAXY**

D I G I T A L

**GALAXY DIGITAL HOLDINGS LTD.**  
**ANNUAL INFORMATION FORM**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

**December 16, 2019**

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## TERMS OF REFERENCE

In this annual information form, a reference to the “**Company**”, “**Galaxy**”, “**we**”, “**us**”, “**our**” and similar words refer to Galaxy Digital Holdings Ltd., its subsidiaries and affiliates, or any one of them, as the context requires.

All references to trade names and trade-marks of other companies, which trade names and trade-marks are the property of their respective owners.

C\$ means a dollar of lawful money of Canada. US\$ or \$ means a dollar of lawful money of the United States.

## CURRENCY AND EXCHANGE RATE INFORMATION

The following table sets forth for each period indicated: (i) the exchange rates in effect at the end of the period; (ii) the high and low exchange rates during such period; and (iii) the average exchange rates for such period, for the U.S. dollar, expressed in Canadian dollars, as quoted by the Bank of Canada.

	<u>Year Ended December 31</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
	<u>CAD\$</u>	<u>CAD \$</u>	<u>CAD \$</u>
Closing	1.3642	1.2545	1.3427
High	1.3642	1.3743	1.4589
Low	1.2288	1.2128	1.2544
Average	1.2957	1.2986	1.3248

	<u>Nine Months Ended September 30</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
	<u>CAD \$</u>	<u>CAD \$</u>	<u>CAD \$</u>
Closing	1.3243	1.2945	1.2480
High	1.3600	1.3310	1.3743
Low	1.3038	1.2288	1.2128
Average	1.3292	1.2876	1.3074

On December 16, 2019, the daily exchange rate as quoted by the Bank of Canada was US\$1.00 = CAD \$1.3142.

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS AND RISK FACTORS

Certain statements and other information contained in this annual information form (“AIF”) constitute forward-looking information under Canadian Securities Laws (collectively “**forward-looking statements**”). These forward-looking statements relate to future events or future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe”, “future”, “continue” or similar expressions or the negatives thereof.

By their very nature, forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this AIF should not be unduly relied upon. These statements speak only as of the date of this AIF.

The forward-looking statements in this document are based on what the Company currently believes are reasonable assumptions, including the material assumptions set out in the management discussion and analysis (“**MD&A**”) and press releases of the Company (such documents are available under the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com)). Other material factors or assumptions that were applied in formulating the forward-looking statements contained herein include or relate to the following: the business and economic conditions affecting the Company’s operations in their current state, including, general levels of economic activity, regulations, taxes and interest rates; Galaxy Digital Holdings LP’s (“**GDH LP**”) ability to profitably manage its digital assets, comprised of cryptocurrencies and blockchain-based assets, inventory as required; historical prices of digital assets; the emerging cryptocurrency and blockchain markets and sectors; the absence of adverse regulation or law; and that there will be no material changes in the legislative, regulatory or operating framework for GDH LP’s existing and anticipated business.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company’s ability to predict or control. Some of the risks that could cause outcomes and results to differ materially from those expressed in the forward-looking statements include:

- Galaxy is a common equity holder in GDH LP. Galaxy’s business is conducted through GDH LP and its subsidiaries. All risks of GDH LP are risks of Galaxy.
- The market price and trading volume of Galaxy’s Ordinary Shares may be volatile.
- Changes in law could cause the Ordinary Shares to be de-listed or Galaxy to undergo costly restructuring, liquidation or sale.
- Galaxy may need or want to raise additional capital, but there are many reasons why it might be unable to do so.
- Holders of Ordinary Shares may be subject to downward pressure on the share price from exchanges of B Units or from additional issuances of Ordinary Shares.
- Galaxy will be required to pay former partners of GDH LP for certain tax benefits that Galaxy may claim, and the amounts that Galaxy may pay could be material.
- Holders of Ordinary Shares will generally not benefit from protections of investment company statutes in various jurisdictions, and may suffer from the restrictions that such statutes place on the liquidity of Ordinary Shares and on Galaxy’s fundraising, businesses or other activities.
- Holders of Ordinary Shares may be prevented from exercising voting power commensurate with their economic interests in Galaxy.
- Galaxy and GDH LP are required to indemnify directors and certain officers or other agents against a wide range of potential liabilities. These indemnification obligations could be material.
- The holding of, or trading in, Ordinary Shares may be, or become, illegal in certain countries or other jurisdictions.
- Ordinary Shares are generally not permitted to be acquired by U.S. Benefit Plan Investors, which could reduce Ordinary Shares’ liquidity. Conversely, if U.S. Benefit Plan Investors were to acquire sufficient numbers of Ordinary Shares notwithstanding and in contravention of this limitation, Galaxy could be materially and adversely affected.

- GDH LP has limited operating history. Its business lines are nascent, unproven and subject to material legal, regulatory, operational, reputational, tax and other risks in every jurisdiction and are not assured to be profitable.
- GDH LP's businesses may require regulatory licenses and qualifications that GDH LP does not currently have and that may be costly and time-consuming to obtain and, if obtained, may subsequently be revoked.
- Changes in law or regulation could subject GDH LP to further material, costly and constraining regulation, registration, licensing and other requirements.
- GDH LP is highly dependent on Michael Novogratz, which exposes Shareholders to material and unpredictable "key man" risk.
- GDH LP is controlled by Mr. Novogratz, whose interests may be different from those of Shareholders.
- Mr. Novogratz could engage in activities outside of GDH LP or could quit GDH LP in favor of other pursuits.
- Mr. Novogratz's public profile makes it more likely that Galaxy or GDH LP will attract material regulatory scrutiny, which would be costly and distracting regardless of whether Galaxy or GDH LP has engaged in any unlawful conduct.
- If GDH LP is unable to successfully identify, hire and retain qualified professionals, it will not be able to implement its growth strategy successfully.
- GDH LP or its subsidiaries and affiliates, face substantial litigation and regulatory risks.
- GDH LP's use of technology, proprietary and non-proprietary software, data and intellectual property may be subject to substantial risk.
- GDH LP's businesses rely on third-party service providers.
- Cybersecurity incidents and other systems and technology problems may materially and adversely affect GDH LP.
- Operational risk may materially and adversely affect GDH LP's performance and results.
- GDH LP may not be effective in mitigating risk.
- Managing different business lines could present conflicts of interest.
- GDH LP incurs increased costs as a result of supporting Galaxy and funding the requirements applicable to Galaxy as a public company.
- Force majeure events may materially and adversely affect the business continuity of GDH LP.
- Changes in the value levels of the assets may cause GDH LP's assets under management ("AUM"), revenue and earnings to decline.
- There are material risks and uncertainties associated with custodians of digital assets.
- The asset management business is highly regulated and regulators may apply or interpret these regulations with respect to digital assets in novel and unexpected ways.
- Increased competition may cause GDH LP's AUM, revenue and earnings to decline.
- The success of GDH LP's advisory services business will depend on generating and maintaining ongoing, profitable client demand for its services and solutions, and the failure of that demand to materialize or any future significant reduction in such demand or an inability to respond to the evolving technological environment could materially negatively affect GDH LP's advisory services business.
- The success of GDH LP's advisory services business could materially suffer if it is unable to obtain favorable pricing for services and solutions or if GDH LP is unable to remain competitive.
- GDH LP's co-investments with third parties may be subject to substantial risk.
- GDH LP is subject to risks in connection with its lending business.
- The continuing development and acceptance of digital assets and distributed ledger technology are subject to a variety of risks.
- A decline in the adoption and use of digital assets would materially and adversely affect the performance of GDH LP.
- The prices of digital assets are extraordinarily volatile.
- Political or economic crises may motivate large-scale sales of digital assets, which would result in a reduction in values and materially and adversely affect GDH LP.
- The regulation of digital assets continues to evolve in every jurisdiction, and regulatory changes or actions may restrict the use of digital assets, the operation of distributed ledger technologies that support such digital assets and platforms that facilitate the trading of such assets.

- The loss or destruction of a private key required to access certain cryptocurrencies or digital assets may be irreversible. GDH LP's loss of access to its private keys or its experience of a data loss relating to its cryptocurrency or digital asset investments could adversely affect GDH LP.
- The need to adopt technology in response to changing security threats poses a challenge to the safekeeping of GDH LP's digital asset holdings.
- Due to the unregulated nature and lack of transparency surrounding the operations of exchanges, they may experience fraud, security failures or operational problems, which may adversely affect the value of digital assets traded on those exchanges and, consequently, GDH LP's investments and Galaxy's Ordinary Shares.
- Short sales of digital assets may be especially risky.
- Lending of digital assets may be especially risky.
- Blockchain networks, digital assets and the exchanges on which these assets are traded are dependent on internet infrastructure and susceptible to system failures, security risks and rapid technological change.
- Malicious actors could manipulate the blockchain networks and smart contract technology upon which digital assets rely and increase the vulnerability of the blockchain networks.
- The network contributors for certain digital assets could propose amendments to the network protocols and software for these digital assets that, if accepted and authorized by the network for these digital assets, could adversely affect an investment in GDH LP or Galaxy
- Intellectual property rights claims may adversely affect the operation of portfolio companies and digital asset networks.
- Banks or other third-party services providers may decline to provide services to companies engaged in digital asset-related businesses, including GDH LP.
- Investments in initial coin offerings have declined and have been, and continue to be, subject to regulatory challenges.
- GDH LP may fail to develop and execute successful investment strategies.
- GDH LP is exposed to a concentration of assets in a particular asset class, which could increase volatility, investment and market risk.
- There may not be an active and liquid trading market for some of GDH LP's digital assets.
- GDH LP's investments in other investment vehicles may be subject to substantial risk.
- GDH LP's investments in options may be subject to substantial risk.
- GDH LP's investments in derivatives may be subject to substantial risk.
- GDH LP's investments in currencies may be subject to substantial risk.
- GDH LP's investments in exchange-traded futures contracts expose it to the risks of a clearing broker.
- GDH LP's investments and trading transactions may be subject to credit risk.
- GDH LP's investments in restricted securities may be subject to substantial risk.
- GDH LP is not obligated to hedge its exposures, and, if it does, hedging transactions may be ineffective or reduce GDH LP's overall performance.
- GDH LP may make, or otherwise be subject to, trade errors.
- GDH LP's trading orders may not be timely executed.
- Unexpected market disruptions may cause major losses for GDH LP.
- GDH LP is exposed to losses due to lack of perfect information.
- Valuation involves significant risks and uncertainties, including the fact that methodologies involve subjective judgments.
- Changes in, or the development of guidance relating to, accounting standards governing the preparation of Galaxy or GDH LP's financial statements and future events could have a material impact on our reported financial condition, results of operations, cash flows and other financial data.
- The tax treatment of digital assets is unclear.
- Galaxy may be treated as a U.S. corporation or "surrogate foreign corporation" for U.S. federal income tax purposes.
- The current structure of Galaxy and GDH LP is based in part on current U.S. tax law, which is subject to change, possibly on a retroactive basis.

Some of the risks that could cause results to differ materially from those expressed in the forward-looking statements are further described under the heading titled "*Risk Factors*" in this AIF.

The forward-looking statements contained in this AIF are expressly qualified by this cautionary statement. Except as required by law, the Company does not undertake any obligation to publicly update or revise any forward-looking statements.

## CORPORATE STRUCTURE

The Company, formerly Bradmer Pharmaceuticals Inc. (“**Bradmer**”), was originally formed under the Ontario Business Corporations Act (“**OBCA**”) on February 10, 2006 by the amalgamation of a private company, Blue Devil Pharmaceuticals Inc., and a predecessor company also named Bradmer Pharmaceuticals Inc. By the end of 2009 and up to the date of the closing of the plan of arrangement on July 31, 2018 (the “**Arrangement**”), all significant business activities and operations of Bradmer had been terminated.

Upon completion of the Arrangement (i) the Company changed its name from “Bradmer Pharmaceuticals Inc.” to “Galaxy Digital Holdings Ltd.”, (ii) the Company continued out of the Province of Ontario to become a company existing under the laws of the Cayman Islands and (iii) the Company’s constating documents were amended and restated by the articles of association (the “**Articles of Association**”). For more information on the Arrangement, see “*General Development of the Business – The Arrangement*” below.

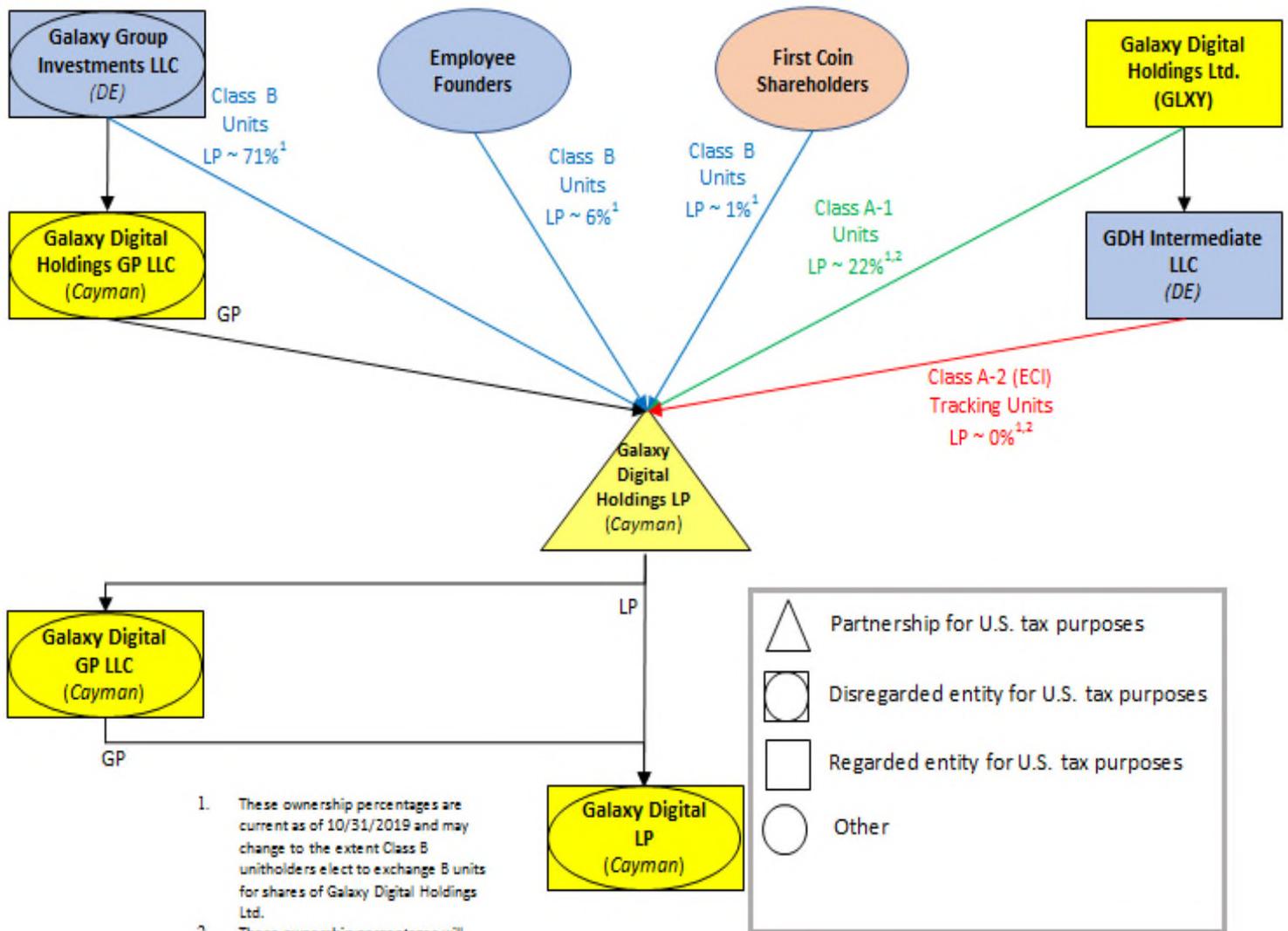
The Company’s head office address is 107 Grand Street, 8th Floor, New York, New York, 10013. The Company’s registered office is PO Box 309, Uglan House, Grand Cayman, KY1-1104.

GDH LP’s head office address is 107 Grand Street, 8<sup>th</sup> Floor, New York, New York, 10013. GDH LP also has offices in Tokyo, Japan, London, England, Hong Kong, San Francisco, California, Jersey City, New Jersey and the Cayman Islands (registered office).

The Company’s ordinary shares (the “**Ordinary Shares**”) are publicly listed on the TSX Venture Exchange (the “**TSXV**”) under the symbol “GLXY” (formerly “BMR” on the NEX Board of the TSXV) and, as of October 16, 2018, are dual-listed on the Frankfurt Stock Exchange under the symbol “7LX”.

## Intercorporate Relationships

The activities of the Company are conducted through its subsidiaries and affiliates. The following diagram illustrates the structure of the Company and its interest in GDH LP. As described below, GDH LP holds all of the issued and outstanding limited partnership interests of Galaxy Digital LP, an exempted limited partnership formed under the laws of the Cayman Island (“Galaxy LP”) and the Company’s four primary business lines: trading, principal investments, asset management, and advisory services are conducted through subsidiaries of Galaxy Digital LP.



1. These ownership percentages are current as of 10/31/2019 and may change to the extent Class B unitholders elect to exchange B units for shares of Galaxy Digital Holdings Ltd.
2. These ownership percentages will change once Galaxy Digital Holdings LP allocates effectively connected income to GDH Intermediate LLC.

### Galaxy Digital Holdings LP

GDH LP is constituted as a Cayman Islands exempted limited partnership under the Exempted Limited Partnership Law (2018 Revision) of the Cayman Islands (the “**ELP Law**”). A Cayman Islands exempted limited partnership is constituted by the signing of the relevant partnership agreement and its registration with the Registrar of Exempted Limited Partnerships in the Cayman Islands.

Notwithstanding registration, an exempted limited partnership is not a separate legal person distinct from its partners. Under Cayman Islands law, any rights or property of an exempted limited partnership (whether held in that partnership’s name or by any one or more of its general partners) shall be held or deemed to be held by the general partner, and if more than one then by the general partners jointly, in trust as an asset of the exempted limited partnership in accordance with the terms of the partnership agreement. Any debts or obligations incurred by Galaxy Digital Holdings GP (“**GDH GP**”), the general partner of GDH LP following the Arrangement, in the conduct of GDH LP’s business are the debts and obligations of GDH LP. Registration under the ELP Law entails that GDH LP becomes subject to, and holders of units of GDH LP (“**GDH LP Units**” and “**GDH LP Unitholders**”, respectively) therein are afforded the limited liability (subject to the partnership agreement) and other benefits of, the ELP Law.

Subject to the limitations and considerations described below, the business of GDH LP will be conducted by GDH GP, who will be liable for all debts and obligations of GDH LP to the extent that GDH LP has insufficient assets. As a general matter, a limited partner of an exempted limited partnership, such as GDH LP, will not be liable for the debts and obligations of the exempted limited partnership save: (i) as provided in the partnership agreement; (ii) if such limited partner becomes involved in the conduct of the partnership’s business and holds itself out as a general partner to third parties; or (iii) if such limited partner is obliged pursuant to the ELP Law to return a distribution made to it where the exempted limited partnership was insolvent and the limited partner had actual knowledge of such insolvency at that time.

GDH LP, has two classes of units representing limited partner interests:

1. Class A units (the “**A Units**”), having such terms, rights and restrictions as set out in the third amended and restated limited partnership agreement of Galaxy Digital Holdings dated November 27, 2018 (“**GDH LPA**”), which are subdivided into Class “A-1” limited partnership units (“**A-1 Units**”), all of which are held by the Company and Class “A-2” limited partnership units (“**A-2 Units**”), all of which are held by GDH Intermediate LLC, a wholly owned subsidiary of the Company established as a tax-efficient blocker corporation or similar entity for U.S. tax purposes (the “**U.S. Blocker Subsidiary**”); and
2. Class B units (the “**B Units**”), having such terms, rights and restrictions as set out in the GDH LPA, which are held by Galaxy Group Investments LLC, a limited liability company existing under the laws of Delaware (“**Galaxy Group**”), employee founders of GDH LP as part of the B Units issuable pursuant to the equity-based compensation arrangements of GDH LP and certain former shareholders (“**First Coin Shareholders**”) of First Coin Capital Corp. (“**First Coin**”). B Units of GDH LP do not entitle the holder the right to vote in meetings of the securityholders of the Company, but are, pursuant to the GDH LPA and subject to certain limitations, exchangeable for Ordinary Shares on a one-for-one basis subject to customary adjustments for stock splits, stock dividends and reclassifications and other similar transactions. For more information regarding the classes of GDH LP Units, see “*Capital Structure – B Units*”.

### GDH GP

GDH GP, a limited liability company formed under the laws of the Cayman Islands and a wholly owned subsidiary of Galaxy Group, is the general partner of GDH LP.

### Galaxy Digital LP

GDH LP holds all of the issued and outstanding limited partnership interests of Galaxy LP, with Galaxy Digital GP LLC (“**Galaxy GP**”) as its sole general partner. Galaxy GP, a limited liability company existing under laws of the Cayman Islands, is a wholly owned Subsidiary of GDH LP.

The table below lists the principal subsidiaries of Galaxy LP as at September 30, 2019.

<b>Name</b>	<b>Jurisdiction</b>	<b>Business Line</b>
Galaxy Digital Trading Cayman LLC	Cayman	Trading
Galaxy Digital Ventures LLC	United States	Principal Investments
Galaxy Digital Labs LLC	United States	Advisory
Galaxy Digital Advisors LLC	United States	Advisory
Galaxy Digital Capital Management LP	Cayman	Asset Management
Galaxy Digital Services LLC	United States	Administrative

The Company and GDH LP have other subsidiaries, but the assets and revenues of such subsidiaries individually did not exceed 10%, and in the aggregate did not exceed 20%, of the Company's or GDH LP's consolidated assets or consolidated revenues as at and for the year ended December 31, 2018 or the nine months ended September 30, 2019. The table above also includes subsidiaries and affiliates that represent the Company's business lines.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

### **Three Year History**

From inception until the third quarter of 2009, Bradmer was focused on developing proprietary drugs to treat cancer. By the end of 2009, all significant business activities and operations of the Company had been terminated.

Until the commencement of negotiations regarding the Arrangement, the Company continued to seek out new opportunities considered to be in the best interests of the Company and its stakeholders, including various discussions with parties interested in completing a reverse take-over or other form of going-public transaction with the Company.

### **The Arrangement**

On January 9, 2018, Galaxy LP entered into the Letter of Intent with Bradmer and First Coin to form a leading new enterprise in the blockchain, digital asset and cryptocurrency space. The series of transactions contemplated by the Letter of Intent were intended to result in Galaxy LP and First Coin combining to form GDH LP, an operating partnership that would be managed by Galaxy LP's principals.

Galaxy LP, the personal investing business of Michael Novogratz, the CEO of the Company, undertook the transaction in order to raise primary capital towards building a best-in-class, full service, institutional-quality merchant banking business in the cryptocurrency and blockchain space. This corporate development was viewed as an important step in the evolution of Galaxy LP's lifecycle, which would provide Galaxy LP with a strong foundation from which to build and expand its platform, network, and brand. As such, on January 9, 2018, Mr. Novogratz contributed his portfolio of digital assets and related investments, previously held through Galaxy Group, to Galaxy LP. The assets had a fair market value on the date of contribution of approximately \$302 million (the "**Asset Contribution**").

On February 14, 2018, Galaxy LP entered into the Arrangement Agreement among Galaxy LP, Bradmer and First Coin, to be completed by way of a plan of arrangement under the provisions of the OBCA. In connection with the Arrangement, among other steps set out in the Arrangement Agreement, Galaxy LP and First Coin combined to form GDH LP, an operating partnership that is managed by the board of managers and officers of its general partner, who are also the principals of Galaxy LP.

Also, on February 14, 2018, Bradmer closed an offering of approximately 61.0 million Subscription Receipts (the “Offering”) at a price of C\$5.00 per Subscription Receipt for gross proceeds of approximately C\$305 million. GMP Securities LP acted as sole agent on the Offering. The net proceeds of the Offering, were used by Bradmer to acquire a minority equity interest in GDH LP, providing growth capital to continue building an institutional merchant banking business in the digital asset, cryptocurrency and blockchain sectors.

Upon closing of the Arrangement, shareholders of Bradmer (including investors under the Offering) held an indirect interest of approximately 19.6% in the operating partnership (through the Company), with Galaxy LP and its employees holding approximately 78.6% and First Coin shareholders holding approximately 1.8%, which interests are exchangeable into an equivalent interest in the Company.

Since completion of the Offering on February 14, 2018, Galaxy made progress towards building an institutional merchant banking business focused on the digital assets, cryptocurrency and blockchain sectors. Key developments, included:

- The Bloomberg Galaxy Crypto Index (the “BGCIF”), launched in May 2018. The index is owned and administered by Bloomberg Index Services Limited and is co-branded with Galaxy Digital Capital Management LP. The BGCIF facilitates diversified exposure, performance benchmarking and the opportunity to build institutional fund products utilizing the index.
- On May 18, 2018, Galaxy Digital Capital Management LP (“GDCM”) launched the Galaxy Benchmark Crypto Index Fund LP, a passively managed fund designed to track the performance of the BGCIF (the “BGCIF”). The Fund is designed to provide institutional investors with exposure to the largest, most liquid portion of the cryptocurrency market. Constituents and weightings of the Fund are based on index rules set forth by Bloomberg.
- On June 5, 2018, Galaxy Digital Capital Management LP launched, a \$325.0 million venture capital strategy, focused on investing in companies building on the EOS.IO blockchain protocol.
- Galaxy Digital has continued deployment of principal capital across attractive strategic investment opportunities. Galaxy Digital had made new and add-on investments since completion of the Offering, including investments in a diversified financial institution, a leading market share blockchain technology and equipment developer, a regulatory focused information service provider, and a number of emerging blockchain projects.
- Since the beginning of 2018, Galaxy Digital has hired professionals into each of its business areas with significant experience in asset management, principal investments, trading and financial advisory, as well as, in the legal, compliance, finance and operations areas of the firm.

On June 11, 2018, the Arrangement was approved at an annual general and special meeting of the shareholders of the Company.

By July 25, 2018 the Company had achieved further milestones, including: Galaxy Digital’s Trading business opened an office in Tokyo and committed resources to its execution, operations and technology to expand execution of all trading strategies to 24 hours a day.

On completion of the Arrangement on July 31, 2018:

- Galaxy Group, the sole limited partner of Galaxy LP, transferred its full limited partnership interest in Galaxy LP and its ownership interest in Galaxy GP, the general partner of Galaxy LP, to GDH LP in exchange for 213,696,000 B Units. The B Units are subject to certain escrow conditions. The first releases occurred in 25% increments on July 31, 2018, January 31, 2019, and July 31, 2019 with the final release taking place January 31, 2020. Galaxy LP and First Coin became wholly owned subsidiaries of GDH LP.

- Bradmer acquired a minority equity interest in GDH LP. The funds used to purchase the interest were raised through the Offering completed by Bradmer on February 14, 2018 of 60,969,746 Subscription Receipts at a price of C\$5.00 per Subscription Receipt. As mentioned above, the Offering 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 C\$122,968,453.05 and US\$135,092,132.20 were released from escrow in exchange for the issuance of A Units in GDH LP.
- As a condition to the completion of the Arrangement, Bradmer completed a consolidation of its common shares on a basis of 126.38 pre-consolidated common shares for one post-consolidated common share 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 the ticker GLXY.
- The Company appointed new members to its Board to manage its minority investment in the operating partnership on an ongoing basis.
- GDH LP, GDH GP, the Company, GDH Intermediate LLC entered into a second amended and restated limited partnership agreement.

After completion of the Arrangement, the shares of the Company began trading on the TSXV on August 1, 2018 under the symbol "GLXY." The Company continued to focus on expanding its team with experienced industry executives with deep institutional expertise spanning technology, investing, advisory, asset management and trading. On October 16, 2018 Galaxy's shares became dual-listed on the Frankfurt Stock Exchange.

GDH LP's Trading business ("**GDT**") further bolstered its institutional presence through the expansion of its OTC counterparty network and sustained activity across a spectrum of liquid assets. The effective management of principal risk and trading strategies continues to differentiate GDT from its competitors. Additionally, GDT's in-house, quantitative development team continues to build and expand its proprietary infrastructure. The business leverages deep trading and technology expertise to create a suite of market neutral trading strategies across a variety of crypto assets and exchanges. GDT has significantly increased the number of its onboarded counterparties.

On November 9, 2018 the Company made some operational and organizational changes, including a switch in the Advisory business to focus on and serve larger, institutional clients. This shift in focus involved shutting down the Company's Vancouver office and adding to its New York-based team.

On December 3, 2018, Ian Taylor joined the Company as Head of Advisory Services. In this role, Mr. Taylor became responsible for further developing and building out an institutional-quality advisory team spanning general corporate advisory, capital raising services and mergers and acquisitions.

On April 18, 2019 GDH LP accepted a tender offer in the ordinary shares of Block.one, and on May 20, 2019, the transaction closed and GDH LP received \$71.2 million for the tendered shares, representing a majority of the Company's position and a 123% return on the realized investment. Following the transaction, GDH LP's remaining ordinary shares in Block.one no longer represented a material investment position.

At the annual general and special meeting of holders of Ordinary Shares of the Company (collectively, the "**Shareholders**") on June 24, 2019 (the "**Meeting**"), in addition to the re-election of directors Michael Novogratz, Bill Koutsouras, Nereida Flannery, Theagenis Iliadis, Jack Lee and Pierre Lagrange, the Shareholders approved an amended and restated stock option plan (the "**Option Plan**") and the repricing of certain outstanding stock options, all as described in the Company's most recent management information circular dated April 30, 2019 (the "**Circular**") and available under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com). Additionally, Christopher Ferraro was appointed the President of the Company and GDH LP. Chris assumed responsibility and oversight for corporate operations.

The Company made progress on a number of regulatory licenses to support its businesses:

- In July 2019, FINRA granted the business expansion of GDH LP's broker dealer, Galaxy Digital Advisors LLC. The approval permits Galaxy Digital Advisors LLC ("**GDA**") to act as an underwriter to registered public offerings of equity, debt or other corporate securities in the United States.
- In July 2019, GDCM was granted registered investment adviser status by the U.S. Securities and Exchange Commission ("**SEC**").
- In August 2019, Galaxy Digital UK Limited was approved by the Financial Conduct Authority as an Appointed Representative.

On September 3, 2019 the Company submitted notice to the TSXV to commence a normal course issuer bid (the "**Bid**") to purchase up to approximately 7.3% of the Company's issued and outstanding Common Shares and 10% of the Company's public float. The Bid will terminate on the earlier of the date determined by the Company and September 3, 2020.

On September 30, 2019 Ashwin Prithipaul was appointed the CFO of the Company. Mr. Prithipaul took over the role from Donna Milia, who assumed the role of senior advisor at the Company.

On November 12, 2019, the Company announced that GDA served as a co-manager in the initial public offering of Silvergate Capital Corporation.

On November 19, 2019, the Company announced that GDCM launched the Galaxy Bitcoin Fund and the Galaxy Institutional Bitcoin Fund. Both funds are passively managed vehicles that offer institutional and accredited investors low-fee, institutionally wrapped bitcoin exposure supported by vetted service providers.

On December 10, 2019, the Company announced that GDA served as joint bookrunner on Canaan Inc.'s initial public offering of 10,000,000 American depositary shares.

## **DESCRIPTION OF THE BUSINESS**

### **General**

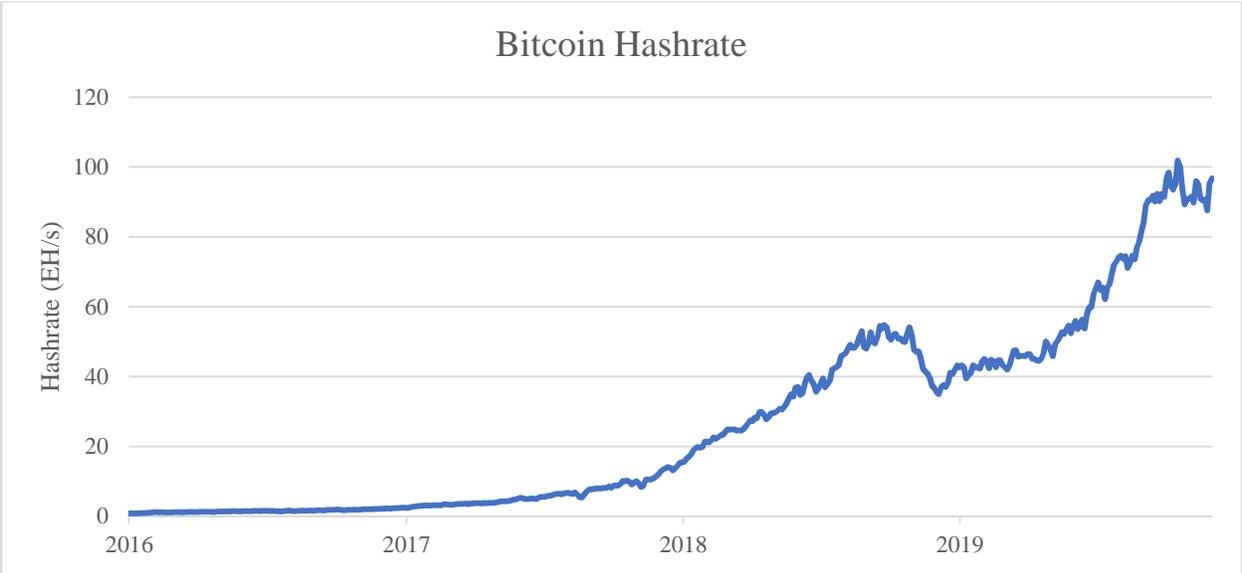
The Company's only significant asset is a minority interest in GDH LP. GDH LP is building a diversified financial services platform in the digital asset, cryptocurrency and blockchain technology sector with the mission of capitalizing on market opportunities made possible by the ongoing evolution of the digital assets space through four primary business lines: trading, asset management, advisory services and principal investments. As we describe our business, we believe it's important to first understand the industry's origins and development and how that influences our businesses and strategy.

### **Industry Origins**

The digital asset industry emerged in 2008 with the debut of bitcoin by a pseudonymous person or organization known as Satoshi Nakamoto. Satoshi Nakamoto sought to create a new digital currency, one that was public, global, and could not be controlled by any single authority – the "people's currency". Bitcoin remains the oldest continuous public blockchain protocol. The original goal of bitcoin, as outlined by the seminal white paper Bitcoin: A Peer-to-Peer Electronic Cash System, was to create a purely peer-to-peer electronic system without going through a financial institution through the use of a distributed ledger, an ongoing hash-based timestamp mechanism, and cryptographic digital signatures. Bitcoin addressed issues of achieving decentralized consensus (otherwise known as the Byzantine Generals Problem or a potential issue when a network must agree on decisions despite the presence of imperfect information) and the double-spend problem (a flaw of pre-existing digital cash systems, including the traditional banking system, in which the same asset can be spent more than once). Although bitcoin was the first established cryptocurrency, there had been previous attempts at creating online currencies with ledgers secured by encryption, like B-Money and Bit Gold, which were formulated but never fully developed.

Transactions with bitcoin must be confirmed by the Bitcoin network. Transactions are broadcast to the network by participants, who seek to transfer bitcoin or messages, and are batched together in “blocks.” The Bitcoin network is a network of computers, with each computer individually referred to as a node. Nodes on the Bitcoin network that seek to confirm transactions, sometimes referred to as “miners”, approve these blocks by using computing power and electricity to solve a difficult, electronic puzzle. Once a solution to the puzzle has been found (usually every 10 minutes or so), the block and the transactions within them are confirmed by the network and the block is added to bitcoin’s ongoing ledger. The blocks can be seen as being chained together chronologically, which gave rise to the term “blockchain.”

The consensus process by which miners expend electricity is also known as “proof-of-work.” Miners who solve blocks and confirm transactions are rewarded with bitcoin and the transaction fees from the block. Nakamoto designed Bitcoin to have a maximum supply of 21 million coins. The race among miners to add processing power is a feature of bitcoin that keeps the Bitcoin network secure. The protocol underlying Bitcoin operates safely so long as no miner gains control of more than 50 percent of the mining processing power, and the addition of mining processing power makes it continuously more difficult and expensive for a nefarious miner to gain control of more than 50 percent of the processing power of the network. Since 2016, the collective processing power of the network, known as hashrate, has increased from less than 1 exahash/second (EH/s) to over 95 EH/s; the growth in network hashrate indicates a significant increase in network security and the continued development of the infrastructure that underpins Bitcoin.



Source: *Blockchain.com*

The Bitcoin blockchain is a distributed database where anyone can independently verify the chain of ownership of any and every bitcoin amount, the holdings and historic transactions of all wallets, and the contents of the historical database (albeit on a pseudonymous basis). Each Bitcoin network node stores its own copy of the blockchain, which prevents a bad actor from manipulating the network and maintains the integrity of the network. The Bitcoin ledger has been developed to be tamper-proof and immutable, as transaction data or balances cannot be changed.

**Emergence of Blockchain**

Bitcoin and other digital assets were only the first application of the more general blockchain phenomenon. Though Galaxy Digital believes that the use of digital assets, including bitcoin, as a store of value (i.e., “digital gold”) is the first “killer application” of blockchain technologies, other demonstrable examples of blockchain technology implementation across a variety of use cases and industry sectors have already emerged.

Blockchain technology allows a network of computers to agree at regular intervals on the state of a distributed ledger. Such ledgers can contain different types of shared data, such as transaction records, attributes of transactions, credentials, or other pieces of information. The ledger is often secured through a mix of cryptography and game theory and does not require trusted nodes like traditional networks. This is what allows Bitcoin to transfer value across the globe without resorting to traditional intermediaries such as banks.

On a blockchain, changes to the database (i.e., transactions) are recorded chronologically, forming an immutable chain and can be more or less private or anonymous depending on how the technology is implemented. The ledger is distributed across many participants in the network — it doesn't exist in one place. Instead, copies exist and are simultaneously updated with every fully participating node in the ecosystem. A block could represent transactions and data of many types — currency, digital rights, intellectual property, identity, or property titles, to name a few. The types of databases that could be implemented on the blockchain are broad and include, among others, databases similar to a bank ledger that record statements of accounts or transactions, or any other digital record of asset ownership, an identity system, land registry or even the rights and obligations defined in a contract. Blockchain-focused applications in usage and under development include asset title transfer, secure timestamping, counterfeit and fraud detection systems, secure document and contract signing, distributed cloud storage and identity management.

Blockchain innovation addresses two key costs affected by the technology: the cost of verification and the cost of networking. The cost of verification relates to cheaply verifying the data of a transaction. The cost of networking is the ability to launch and operate a marketplace without the need for an intermediary. A blockchain allows a decentralized network of economic participants to achieve consensus about the true state of shared data. The shared data can represent exchanges of value, intellectual property, equity, contracts, information, or other types of digital assets. Blockchains are a general-purpose technology that can create novel types of digital platforms. The resulting marketplaces are characterized by increased competition, lower barriers to entry, innovation, higher transparency, and reduced censorship risk. Participants within the ecosystem can invest to support and operate shared infrastructure without assigning market power to a platform operator. Blockchain also challenges the existing revenue models and accumulated knowledge and resources of incumbents, while opening opportunities for startup fundraising, the provision of public goods and software protocols, data ownership and licensing, auctions and reputation systems. Galaxy's business logic is clustered around three central theses:

(1) *Bitcoin.* Bitcoin's programmatic scarcity makes it an attractive monetary store of value over the long term. Bitcoin offers the only verifiably scarce, immutable, and capped supply asset in the world as we understand it today. Moreover, Bitcoin has a price-inelastic supply, where bitcoin's value cannot change its supply issuance: bitcoin's supply issuance is strictly bound and algorithmically hard-coded (transaction validation difficulty of the bitcoin network modulates supply creation). In addition, its decentralized and disintermediated nature eliminates the need to rely on trusted third parties for holders to interact and exchange value.

(2) *Open Money.* The open money or payments application has the potential to disrupt many of the legacy payment systems and rails that rely on outdated, expensive, and error-prone analog technology, and applies to both the domestic and cross-border transaction markets. Payments networks based on distributed technology can create a seamless and near frictionless layer for both retail and institutional capital movement. This thesis can manifest itself in technologies that improve the current state of payment rails, new stable money launched by corporations, or a generalized widely accepted stable money, which furthers the digitization, efficiency, and interconnectivity of commerce and payments.

(3) *Web 3.0 and Digitization.* Blockchains have the potential to usher in a new decentralized paradigm in the digital Internet. Open networks and public maintenance of state information solve many of the key issues that today's Internet faces, such as the monetization of the client/server model through data harvesting and targeted advertising. Shared public databases and protocols can provide efficient information creation and sharing among participants, while offering guarantees about data security. The creation and governance of the open networks of the last decade followed a similar blueprint that focused on various aspects of our Internet, ranging from digitally enforceable agreements through smart contracts, the representation, transfer, and consumption of digitally scarce resources, and trustless applications. The world is digitizing at a far greater rate than most realize and blockchain technology has increasingly been recognized as a foundational piece of this global trend that is a fully digitized

world. Digitization, or “tokenization” in certain contexts, is simply the process of wrapping real-world value or information and enabling digitally enforceable agreements, automated functions, and true provenance.

In conjunction with these theses, Galaxy today is pursuing four primary business lines.

### Trading

The trading business, Galaxy Digital Trading (“**GDT**”), engages in a number of activities, on a principal basis, involved in and around the buying, selling, lending and borrowing of cryptocurrencies and other digital assets, including: voice and electronic over-the-counter block trading (“**OTC**” and “**e-OTC**”, respectively), on-exchange market-making, OTC derivative trading, borrowing and lending, and proprietary quantitative, arbitrage, and macro trading strategies. The in-house engineering team has built and continues to develop a proprietary trading platform that hosts and facilitates these activities, which we believe differentiates Galaxy from the rest of the market, including traditional financial institutions that operate in significantly larger scale with expensive, legacy technology stacks. GDT maintains strong relationships with a large number of spot and futures exchanges, digital asset exchanges and custodians, and fiat banking partners, which enables it to move capital and assets around efficiently in order to provide competitively priced liquidity and achieve cross-market opportunities. GDT has consistently added to its onboarded and active counterparties list; these new counterparties are becoming increasingly institutional in terms of size and sophistication, including a diverse and strategic group of proprietary trading companies, cryptocurrency and digital asset exchange operators, the largest crypto and venture capital investment funds, digital asset mining companies, family offices, and high and ultra-high net worth individuals.

GDT is firmly committed to compliance with all laws and regulations currently in existence and strives to be a thought leader in providing information and assistance to global regulators as the industry. GDT has adopted policies, procedures and controls that are designed to prevent and detect money laundering and any activity that facilitates money laundering, the funding of terrorist activities, or violations of regulations promulgated by applicable government agencies.

As described, GDT’s trading strategies include trading, on a principal basis, coins/tokens and/or physical cryptocurrencies, bitcoin futures and other digital asset futures and derivatives. Such trading takes place on digital exchanges and with other OTC counterparties. As to exchanges, GDT does not trade on any decentralized exchanges. GDT maintains a list of centralized exchanges that are approved as trading counterparties and with whom our team spends extensive time, in advance, working to electronically integrate access and information flow. The approval of such exchanges is based on due diligence of such exchanges that takes into account whether the exchange conducts anti-money laundering and know-your-client due diligence, its regulatory jurisdiction and its cybersecurity measures. Additionally, GDT engages a service that continuously monitors the public website of the exchanges for observable data on compromised systems, security diligence, user behavior, and data breaches and computes a security rating on each exchange.

As it pertains to GDT’s trading counterparties, we require that any counterparty undergo screening under GDT’s anti-money laundering program, which includes:

- conducting due diligence to verify each potential counterparty identity to the extent reasonable and practicable;
- obtaining representations and warranties from such counterparty relating to the source of funds being transacted, compliance with all applicable legal requirements, and any other representations and warranties as GDT’s anti-money laundering Compliance Officer may deem appropriate;
- conducting due diligence efforts to screen the names and addresses of counterparties and, where relevant, the beneficial owners of such counterparties against the List of Specially Designated Nationals and Blocked Persons maintained by the Office of Foreign Assets Control (“**OFAC**”) by the U.S. Department of the Treasury and refusing to transact with such counterparty or accept investments from any such listed persons;

- screening payments and transactions for those prohibited by U.S. law because they involve a person or entity that (i) is a citizen or resident of, (ii) has a place of business in, or is organized under the laws of, or (iii) is the government of, a country or territory subject to a U.S. trade embargo administered by OFAC;
- obtaining representations to confirm that a counterparty or an investor in a fund is not a “foreign shell bank,” which is generally defined as a foreign bank without a physical presence in any country; and
- carrying out such other procedures as may be necessary to assure GDT’s compliance with all applicable laws and regulations.

GDT has internal policies and procedures to address buying and selling of assets that might be deemed securities in order to ensure such trading complies with applicable laws. GDT continues to monitor the global regulatory environment and will amend its internal policies and procedures as regulatory guidance evolves.

### Asset Management

The asset management business, GDCM, manages capital on behalf of third parties in exchange for management fees and performance-based compensation. GDCM’s differentiating factors are its long-tenured institutional experience professionals managing third party capital across a variety of traditional asset classes (including macro hedge funds, long/short equity hedge funds, venture capital, and various structured credit and direct lending funds), its brand name, an acute and highly critical focus on risk management and compliance, strong relationships with key counterparties and a deep connectivity throughout the blockchain and cryptocurrency ecosystem. At this time, management fees generally earned by GDCM range from 0.5% to 2.5% of assets under management, and performance-based compensation or “carry” has been structured to be up to 20%.

Since the start of 2019, GDCM has capitalized on the improvement in and continued increase in awareness of the digital asset markets, generating inflows into the Galaxy Benchmark Crypto Index Fund LP (“**GBCIF**” or the “**Index Fund**”) and making meaningful progress towards future commitments. The investment team within GDCM focused on the Galaxy EOS VC Fund LP (the “**EOS Fund**”) have continued to opportunistically deploy committed capital under its mandate to invest in entrepreneurs and companies actively working to improve the EOS blockchain protocol ecosystem, with a more recent focus on emerging use cases in gaming and interactive media. In November of 2019, GDCM officially launched the Galaxy Institutional Bitcoin Fund LP and the Galaxy Bitcoin Fund LP (collectively, the “**Galaxy Bitcoin Funds**”) as a product meant to give institutional and accredited investors alike simple, low-cost access to owning bitcoin in a fund structure, secured via third-party custodians.

As of November 30, 2019, GDCM had assets under management (“**AUM**”) of \$360.7 million (consisting of approximately \$10.0 million in the Index Fund (as calculated per the terms of the fund’s partnership agreement), approximately \$25 million in the Galaxy Bitcoin Funds and the \$325.0 million of committed capital from the EOS Fund).

### Advisory Services

The advisory services business, GDA, maintains and continues to build on its systematic coverage of the highest quality businesses operating in and around the blockchain ecosystem, with the ultimate goal of cementing long-lasting and trusted relationships. GDA offers a full spectrum of advisory services, including, but not limited to, general corporate, M&A, transaction, and restructuring advisory services, as well as equity, debt and project finance capital markets services. During 2019, GDA added key hires and has made significant progress, with several active mandates for clients across financing, mergers and acquisitions, and other strategic matters. On July 24, 2019 Galaxy announced that FINRA approved the business expansion of GDA. The approval permits GDA to act as an underwriter to registered public offerings of equity, debt or other corporate securities in the United States. In November, GDA completed its first two initial public offering (“**IPO**”) mandates, acting as a Co-Manager for Silvergate Capital Corporation’s NYSE-listing and as a Joint-Bookrunner for Canaan Inc.’s NASDAQ debut.

### Principal Investments

The principal investments team, Galaxy Digital Principal Investments (“**GDPI**”) manages a diverse portfolio of private and public principal investments across the digital asset, cryptocurrency, and blockchain technology sector, including early- and later-stage equity, secured lending, pre-initial coin offering contributions, and other structured alternative investments, which were both contributed to Galaxy LP in the Asset Contribution as well as subsequently originated and acquired by GDPI. GDPI’s mandate is to originate and execute upon investment opportunities that we believe are strategically important to the future business roadmap of GDH LP, including (without limitation): new investment strategy seeds, third-party manager seed investments, equity investments into customers, counterparties and vendors of GDH LP, and early-stage equity investments into emerging technologies and platforms that we believe could be strategically relevant to the Company in the future. GDPI executes on this mandate by utilizing a robust, institutional-quality investment process that relies on organization, prioritization and deep-dive due diligence. Galaxy LP continues to make selective principal investments across the ecosystem using capital raised from the Offering, as well as recycling capital from existing investments upon realization. Galaxy Digital Lending LLC, and its affiliate, Galaxy Digital Lending Services LLC (collectively, “**GD Lending**” and both subsidiaries of Galaxy LP) lends through the use of both balance sheet and third-party capital. GD Lending may also service loans, the majority of which will be loans that GD Lending will originate either directly or through one of its asset management funds; in addition, GD Lending intends to provide loan servicing to syndicates of co-investors that purchase loans and/ or bonds originated by the GD Lending team.

In addition to its existing focus on blockchain and digital assets, GDH LP intends to strategically expand its mandate to advise, trade, manage client assets and invest in businesses (and securities of those businesses) that are involved in the broader emerging technology sectors (including, blockchain and digital assets, payments, financial technology, data centers, cyber security, artificial intelligence and machine learnings, amongst others). GDH LP believes the linkage and correlation between these sectors will continue to grow stronger over time, and as a result the scope of GDH LP’s activities and expertise (as well as the market opportunity) will need to grow accordingly

### **Market Size, Scope, and Competition**

After the launch of bitcoin in 2009, other cryptocurrencies have emerged in the past decade. As bitcoin increased in popularity and the idea of decentralized and encrypted currencies spread, the first alternative cryptocurrencies began to appear. These “altcoins” generally tried to improve on the original Bitcoin design by offering greater speed, anonymity, or some other advantage. Among the first to emerge were Namecoin and Litecoin. Cryptocurrency usage expanded beyond just the peer-to-peer currency transfer abilities that Bitcoin solved, but also sought to build in other functionalities, such as global decentralized computing or smart contracts infrastructure.

The second largest public blockchain protocol, Ethereum, debuted in 2015 and became the first large scale network for decentralized computing and smart contract functionality. The Ethereum network and its native cryptocurrency Ether present technological improvements over Bitcoin, including the ability to build applications and code actionable smart contracts directly into a public blockchain via a Turing- complete virtual machine. The market for cryptocurrencies has been growing at a considerable pace; as of late 2019, Bitcoin, Ethereum, XRP, Bitcoin Cash, Litecoin, and EOS are among some of the largest competing protocols, each offering different features, consensus mechanisms, speed, and functionality.

*Trading.* Cryptocurrencies are a global market that trade on over 1,000 exchanges in various jurisdictions and geographic locations. General trading strategies include macro, long/short, event driven, quantitative/systematic, and arbitrage similar to traditional financial markets. Exchange, trading, data, and derivative infrastructure is nascent, but continues to develop each year and with increased investment and technical expertise. OTC or block trading of spot digital assets is generally accomplished via bilateral agreements on a principal-to-principal basis. All risks and issues of credit are between the parties directly involved in the transaction. The OTC market provides a relatively flexible market in terms of quotes, price, size, and other factors similar to block trades in other markets. Parties engaging in OTC transactions will agree upon a price and then one of the two parties would then initiate the transaction. Transaction costs in the OTC market are negotiable between the parties and therefore vary with some participants willing to offer competitive prices for larger volumes, although this will vary according to market conditions. Cost indicators can be obtained from various information service providers, such as the bitcoin price indices and bitcoin exchanges. OTC trading tends to be in large blocks of bitcoin and between institutions. Certain U.S. platforms and non-U.S. based bitcoin exchanges offer derivative products on bitcoin such as options, swaps and

futures. Our trading business competes with an international group of spot and derivative OTC providers and exchanges.

*Asset Management.* Given our theses, we believe institutional investors including endowments, pension funds, family offices, and capital allocators will continue to gain interest in the blockchain and cryptocurrency industry. Bitcoin and other cryptocurrencies are, today, uncorrelated assets that could improve the Sharpe profile of a portfolio. GDCM division positions itself to act as a bridge for existing institutions to get access to Bitcoin, other crypto assets, and exposure to the industry by providing structured products that ease the access, custodial, technical, and regulatory obstacles that would otherwise bar institutions from participating in the market. GDCM competes against other asset managers that provide passive and active exposure to digital assets and infrastructure companies in the ecosystem.

*Advisory.* Market participants in the cryptocurrency and blockchain industries include miners, investors and speculators, retail users transacting in cryptocurrencies, and service companies that provide a variety of services including buying, selling, payment processing and storing of cryptocurrencies. A tremendous number of new, complex businesses have also emerged to support the wider blockchain industry. In addition, more traditional businesses have arisen at the periphery of the blockchain networks as ecosystem support, including custody businesses, spot, derivative and futures exchanges, analytics and data services, and infrastructure providers. These businesses have the dual need for traditional banking services like loan underwriting, capital raising, M&A, and so on while requiring specialist knowledge about the inner workings of the cryptocurrency and blockchain technology industry. Our Advisory group competes with traditional bulge bracket and other niche advisory service companies.

*Principal Investments.* Due to our core beliefs in Bitcoin as an emergent monetary store of value and in the proliferation of payments mechanisms that transfer value and utility tokens that distribute computational resources, Galaxy maintains several pools of capital, including a macro portfolio that establishes short, medium, and long-term positions in the most liquid digital assets and a venture portfolio specifically focused on investing in businesses within the ecosystem, where more traditional business models have been able to demonstrate reliable revenues. Each of these pools of capital compete against an international set of competitors that include institutional investors, venture funds, and hedge funds.

### **Employees, Specialized Skill and Knowledge**

GDH LP has hired professionals with significant experience in each of its businesses and its operations. As of October 31, 2019, GDH LP has approximately 86 employees.

There are approximately thirty-two employees in the trading business with prior experience trading in traditional markets at financial institutions, including trading operations and technology development of investment banks, hedge funds, proprietary trading firms and broker-dealers, that have joined GDT to build out its proprietary trading systems and business.

There are approximately fourteen employees in the asset management business with experience across portfolio management, trading, sales, operations, and client service from buy-side, sell-side, public and private financial institutions, and experience supporting the asset management operations. The asset management business manages capital on behalf of external clients across two distinct strategies today: Venture Capital and Passive Fund Management.

There are approximately eight employees in the advisory business with prior experience in leading private placements of securities as a placement agent, providing advice on mergers and acquisitions and acting as underwriter for registered public offerings of equity, debt or other corporate securities in the United States, and supporting the advisory operations.

There are approximately seven employees in the principal investments business with significant prior experience in sourcing, researching, negotiating, and executing on early- and later-stage direct private debt and equity investments that have joined GDPI from a variety of top-tier hedge funds, asset managers and investment banking institutions.

The principal investments team is focused on proactive origination of strategically relevant private investment opportunities for GDH LP across the blockchain and digital asset verticals and is expected to implement and follow institutional quality due diligence processes in making such investments.

GDH LP has two employees that focus on research. GDH LP has also hired experienced professionals in its legal, finance, technology, administrative support and operations areas that support the businesses. There are approximately twenty-three employees dedicated to corporate activities that support the businesses.

### **Intangible Properties**

GDH LP has applied for trademark registration from the United States Patent and Trademark Office (“USPTO”) for the word mark “Galaxy Digital”, the composite mark GALAXY DIGITAL & Design, and a corresponding logo, and is in the process of petitioning to cancel a third-party registration that was cited by the USPTO against the word mark and composite mark applications.

### **Lending**

Galaxy’s lending business seeks to organize, consolidate and leverage its liquid digital assets and to capture market share in the digital asset lending ecosystem. Digital asset lending offers a diversified revenue stream that can have an inverse correlation with market prices. Galaxy’s counterparty interaction and vast network of digital asset lending participants offer a critical platform through which Galaxy can optimize and monetize its balance sheet through commercial loans to trusted counterparties. The loan structures include digital asset-to-digital asset loans, USD-to-digital asset loans and eventually, digital asset-to-USD loans.

## **UNDERSTANDING THE COMPANY’S FINANCIAL INFORMATION AND THE ITEMS THAT IMPACT SUCH INFORMATION**

### Separate Financial Disclosure

As a reporting issuer, the Company complies with NI 51-102 (as defined below) and files financial statements and MD&A, as required for each quarter and fiscal year. GDH LP is not a reporting issuer and is not required to comply with NI 51-102. However, in connection with the Arrangement, the Company sought exemptive relief from the Ontario Securities Commission from certain financial statement requirements. As a condition to granting the exemptive relief the Ontario Securities Commission required the following condition (among others):

*“in complying with its reporting issuer obligations, the [Company] will treat GDH LP as a subsidiary of the [Company]; however, if generally accepted accounting principles (“GAAP”) used by the [Company] prohibit the consolidation of financial information of GDH LP and the [Company], then for as long as GDH LP (including any of its significant business interests) represents a significant asset of the [Company], the [Company] will provide separate audited annual financial statements and interim financial reports, prepared in accordance with the same GAAP as the [Company’s] financial statements, and related MD&A, prepared in accordance with NI 51-102 or its successor, for GDH LP (including information about any of its significant business interests)”*

To determine whether the results of the Company would be consolidated with the results of GDH LP, the Company performed an analysis to determine whether the Company controlled GDH LP. If the Company was determined to control GDH LP, then the results of GDH LP would be consolidated. Based on the analysis, the general partner of GDH LP and the majority owner of GDH LP were determined to have control over GDH LP. In addition, the inverse analysis was performed to determine whether GDH LP controlled the Company, in which case the results could also be consolidated pursuant to GAAP. Based on the analysis, it was determined that GDH LP did not control the Company. As a result of the foregoing, the Company and GDH LP are each required to file their own audited annual financial statements, interim financial statements and MD&A in order to comply with the exemptive relief conditions of the Ontario Securities Commission.

### Significance of Investments and Digital Assets

GDH LP currently has significant holdings of investments and digital assets. As of September 30, 2019, GDH LP held investments at a carrying value of \$156.5 million and digital assets at a carrying value of \$124.7 million, with a net total equity of \$382.7 million. Changes in investments and digital assets will generally have a significant impact on GDH LP's results.

The Company accounts for its investment in GDH LP under the equity method of accounting. Under this method, its investment in GDH LP is initially recorded at cost and is subsequently adjusted for its share of the profit or loss of GDH LP. As the investment in GDH LP is the Company's only major asset, the results of GDH LP significantly impact the results of the Company.

Given the current materiality of GDH LP's investments and digital assets, the following information is reported in GDH LP's MD&A and is also referenced in the Company's MD&A:

- Investments by Industry
- Material Investment Positions
  - Any investments or digital assets that are deemed material to GDH LP and the reasons for that materiality assessment
- Select Investments Holdings
  - The largest investment holdings totaling approximately 90% of the entire investment portfolio, on a fair value basis, with cost and fair value information, and descriptions of those investments
  - The significant drivers of the changes in the quarter and year to date
- Select Digital Assets Holdings
  - The composition of the portfolio between digital assets with a greater than \$1 billion market cap and those with a less than \$1 billion market cap
  - The top digital asset holdings, including the quantity, cost and fair value
- Digital Assets and Investments Risk
  - Risks regarding digital assets and the effect of a +/- 10% change in those assets
  - Risks regarding investments and the effect of a +/- 10% change in those assets
  - This risk section is supplemental to the extensive risk factors sections included in the MD&A for the year-ended December 31, 2018 and herein.

In the event that either of the control tests set out above are met, the Company's reporting of its results and those of GDH LP may change as it moves to reporting results on a consolidated basis, in accordance with GAAP. The Company also anticipates that as its business grows, the principal investments business may become less significant to its overall operations and as a result the impact and materiality of its results from those operations may become less significant. The Company expects to revisit its disclosure as its business develops.

### **DIVIDEND POLICY**

The Company has not, since its inception, declared or paid any dividends on the Ordinary Shares. The declaration of dividends on the Ordinary Shares is within the discretion of the board of directors (the "**Board**") and will depend on the assessment of, among other factors, capital requirements, earnings, and the operating and financial condition of the Company. At the present time, the Company's anticipated capital requirements are such that the Company follows a policy of retaining all available funds and any future earnings in order to finance business development and corporate growth. The Company does not intend to declare or pay cash dividends on its Ordinary Shares within the foreseeable future.

### **CAPITAL STRUCTURE**

#### **Overview**

As of the date of this AIF, the authorized capital of the Company consisted of 2,000,000,000 Ordinary Shares of C\$0.001 par value each. As of the date of this AIF, the Company had 66,916,574 Ordinary Shares issued and

outstanding. As of the date of this AIF, there are 233,063,062 B Units of GDH LP issued and outstanding, which are exchangeable for Ordinary Shares on a one-for-one basis, pursuant to the GDH LPA.

As of the date of this AIF, the Company has granted an aggregate of 17,684,300 stock options to acquire Ordinary Shares (each, an “**Option**”) to certain officers and employees of the Company pursuant to the Option Plan. As of the date of this AIF, the number of shares remaining available for issuance under the Option Plan is 27,881,439.

## **Ordinary Shares**

### Authorized Capital

The Company’s authorized share capital is C\$2,000,000 divided into 2,000,000,000 Ordinary Shares, each with a par value of C\$0.001.

Subject to certain limitations on the redemption and purchase of the Ordinary Shares, and relevant stock exchange approvals, the directors have general and unconditional authority to allot (with or without confirming rights of renunciation), grant options over or otherwise deal with any unissued Ordinary Shares to such persons, at such times and on such terms and conditions as they may decide.

### Voting

Each Ordinary Share entitles the holder thereof to one vote at any meeting of Shareholders, subject to the Certification Process Adjustment, described below.

### Certification Process Adjustment

The Articles of Association provide for a “certification process adjustment” (the “**Certification Process Adjustment**”) whereby, in connection with any resolution of the Shareholders (“**Shareholder Resolution**”) passed, each Shareholder shall be provided a certification as to its status, and the status of any person for whom the Shareholder holds beneficially, as a U.S. resident. In connection with the Certification Process Adjustment, in respect of any Shareholder Resolution in general meeting or in writing, each Shareholder shall be required to certify that, at the time of the general meeting (or any adjournment thereof) at which the resolution is tabled, or in the case of the resolution being proposed as a written resolution, at the time of signifying its agreement to the proposed written resolution: (a) it is not a U.S. resident; and (b) to the extent it holds Ordinary Shares for the account or benefit of any other person, such person is not a U.S. resident (each Shareholder not making such certification, a “**Non-Certifying Shareholder**”). This Certification Process Adjustment is intended to preserve the Company’s status as a “foreign private issuer” within the meaning of Rule 405 under the U.S. Securities Act and Rule 3b-4 under the 1934 Act by ensuring that the aggregate total number of votes that Non-Certifying Shareholders are entitled to cast may never exceed 49% of the total number of votes that all Shareholders are entitled to cast (pursuant to the adjustment that is described in the following paragraphs).

For the purposes of calculating the number of votes which Non-Certifying Shareholders are entitled to cast on a Shareholder Resolution, if and to the extent that, in the absence of the Certification Process Adjustment:

“A” > (49 ÷ 100) × “B”,

then “A” shall be reduced so that “D” is the whole number nearest to but not exceeding:

“C” × (49 ÷ 51).

Where the aggregate number of votes actually cast by Non-Certifying Shareholders (whether on a poll or on a written resolution) “for” and “against” the relevant Shareholder Resolution when added to the number of votes withheld by Non-Certifying Shareholders in respect of such resolution, exceeds “D”, then the number of: (a) votes cast “for”; (b) votes cast “against”; and (c) votes withheld in respect of, such resolution by Non-Certifying Shareholders, will each be reduced pro rata until the aggregate number of votes “for”, votes “against” and votes

withheld in respect of such resolution by Non-Certifying Shareholders, is the whole number nearest to but not exceeding “D”. Where the aggregate number of votes actually cast (whether on a poll or on a written resolution) and votes withheld, in each case by Non-Certifying Shareholders, is equal to or less than “D”, then each of such votes or votes withheld (as applicable) shall be counted and no reduction shall occur.

For the purposes of the foregoing:

“A” = the aggregate total of votes which all Non-Certifying Shareholders, whether or not actually voting, are entitled to cast, whether on a poll or on a written resolution, on the resolution prior to the operation of the Certification Process Adjustment;

“B” = “A” + “C”;

“C” = the aggregate total of votes which all holders of the Ordinary Shares who are not Non-Certifying Shareholders, whether or not actually voting, are entitled to cast, whether on a poll or on a written resolution, on the resolution; and

“D” = the aggregate total of votes all Non-Certifying Shareholders, whether or not actually voting, are entitled to cast, whether on a poll or on a written resolution, on the resolution, following the operation of the Certification Process Adjustment.

The directors may specify such other requirements or vary the requirements of the Certification Process Adjustment as they in their discretion consider necessary or appropriate to give effect to these restrictions.

#### Share Ownership Limitations

The Articles of Association provide the directors with the discretion to decline to register any person as a holder of a Share of the Company unless that person provides a declaration (and supporting evidence, if requested) showing that it is not a Disqualified Holder. “**Disqualified Holders**” include:

1. any investor that uses the assets of certain employee benefit plans subject to the Employee Retirement Income Security Act of 1974 (“**ERISA**”) or certain plans subject to the Internal Revenue Code (the “**Code**”), other than one all of whose holdings of Ordinary Shares were purchased from the Company (or result from conversion or exercise of securities purchased from the Company) after complete and correct disclosure by that investor to the Company with respect to its status as such;
2. any initial subscriber or subsequent transferee that is a U.S. person that is not an “accredited investor” as defined in Rule 501(a) of Regulation D under the Securities Act of 1933 (the “**U.S. Securities Act**”) and a “qualified purchaser” as defined in Section 2(a)(51) of the Investment Company Act of 1940 (the “**1940 Act**”); and
3. any person that the directors determine to whom a sale or transfer of Ordinary Shares, or in relation to whom the holding of Ordinary Shares: (i) would or could be in breach of the laws or requirements of any jurisdiction or governmental authority or in circumstances (whether directly or indirectly affecting such person, and whether taken alone or in conjunction with other persons, connected or not, or any other circumstances) appearing to the directors to be relevant; or (ii) might result in the Company incurring a liability to taxation or suffering a pecuniary, fiscal, legal, administrative or regulatory disadvantage, including the Company’s being required to register as an “investment company” under the 1940 Act, the Company’s no longer being a “foreign private issuer” for purposes of the Securities Exchange Act of 1934 (the “**1934 Act**”), the assets of the Company being deemed to be plan assets of a U.S. Benefit Plan Investor, the Company’s becoming subject to regulation as a depositary institution holding company subsidiary or otherwise subject to banking law or the Company’s otherwise not being in compliance with the 1940 Act, ERISA, the Code or any other provision of U.S. federal or state law or non-U.S. law.

Investment in the Company by the above-referenced types of benefit plan investors is prohibited so that the assets of the Company will not be deemed to constitute “plan assets” of the investor. Similarly, the additional restrictions are to avoid subjecting the Company to the regulatory restrictions under both U.S. and non-U.S. laws, including under applicable U.S. securities laws.

In light of these restrictions, the directors may at any time give notice in writing to the holder of an Ordinary Share of the Company requiring that holder within such reasonable period show whether or not a Disqualified Holder is interested in such Ordinary Share of the Company. If within 14 days (or any extended or shortened time considered reasonable by the directors) the directors are not satisfied, the directors may declare that a Disqualified Holder is interested in such Ordinary Share of the Company.

With respect to any Ordinary Shares declared to be held directly or beneficially by any Disqualified Holder (such Ordinary Shares, “**Disqualifiable Shares**”), the directors shall serve written notice (a “**Transfer Notice**”) on a registered holder of Disqualifiable Shares and on any other person who is a Disqualified Holder in relation to those Disqualifiable Shares requiring the Disqualifiable Shares to be transferred or otherwise disposed of to a person that is not a Disqualified Holder within 14 days of the service of the Transfer Notice. If the Disqualified Holder fails to comply with the Transfer Notice, the directors may arrange for sale or disposal to be made.

Notwithstanding any of these requirements, the directors shall, so long as they act reasonably and in good faith, be under no liability to the Company or to any other person for failing to treat any Ordinary Share as a Disqualifiable Share or any person as a Disqualified Holder and neither shall the directors be liable to the Company or any other person if, having acted reasonably and in good faith, they determine erroneously that any Ordinary Share or other security of the Company is a Disqualifiable Share, or any person is a Disqualified Holder, or on the basis of such determination or any other determination or resolution of the directors, they perform or exercise (or purport to perform or exercise) their duties, powers, rights or discretions described above in relation to such Ordinary Share.

#### Dividends and Other Rights

The holders of Ordinary Shares are entitled to receive if, as and when declared by the Board, dividends in such amounts as shall be determined by the Board.

The Ordinary Shares do not carry any pre-emptive, subscription, redemption, retraction, surrender or conversion or exchange rights, nor do they contain any sinking or purchase fund provisions.

#### **Stock Options**

As of the date of this AIF, the Company has granted an aggregate of 17,684,300 Options to acquire Ordinary Shares pursuant to the terms and conditions of the Option Plan. As of the date of this AIF, the number of shares remaining available for issuance under the Option Plan is 27,881,439. The terms and conditions of the Option Plan are summarized in the Circular available under the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

#### **GDH B Units**

B Units of GDH LP do not entitle the holder the right to vote at meetings of Shareholders, but are, subject to certain limitations, including vesting conditions, exchangeable for Ordinary Shares on a one-for-one basis subject to customary adjustments for stock splits, stock dividends and reclassifications and other similar transactions. As of the date of this AIF, there are 233,063,062 B Units of GDH LP issued and outstanding.

#### Exchange Rights

B Units are, pursuant to their terms under the GDH LPA and subject to certain limitations, exchangeable for Ordinary Shares on a one-for-one basis subject to customary adjustments for stock splits, stock dividends and reclassifications and other similar transactions or, at the election of GDH LP, GDH LP may deliver an amount of cash in lieu of Ordinary Shares to an exchanging B Unit holder. Holders of B Units will be permitted to exchange their B Units in accordance with the terms of the GDH LPA subject to the limitations set forth in the exchange terms

of the GDH LPA (“**Exchange Terms**”). To the extent GDH LP determines to exchange Ordinary Shares for surrendered B Units, the Company and/or an affiliate of the Company will receive a number of A-1 Units and A-2 Units equal to the number of Ordinary Shares that the Company issues, and the corresponding number of B Units that were surrendered will be cancelled.

#### Pre-Emptive Rights of B Units Holders

For so long as the B Unit holders own at least 10% of the total outstanding GDH LP Units, if either the Company or GDH LP offers any equity securities or securities convertible into equity (“**Participating Interests**”), the B Unit holders may purchase additional Participating Interests, but only to the extent necessary to maintain their respective proportional direct or indirect interests in GDH LP. Any such participation by B Unit holders will be on price and other terms that are no more favorable in any material respect than those applicable to other purchasers of participating interests, excluding commissions or other transaction expenses paid by the Company or GDH LP. These pre-emptive rights will be subject to certain customary carve-outs for circumstances relating to, among others, equity compensation plans, dividend or distribution reinvestment plans, and the acquisitions of businesses by the Company or GDH LP, as well as a carve-out for any exchange of B Units pursuant to the Exchange Terms.

#### Qualifications and Listing

Subject to the other provisions of the GDH LPA (including the Exchange Terms incorporated therein), if any Ordinary Shares to be issued and delivered pursuant to an exchange of B Units require registration or qualification with or approval of or the filing of any document, including any prospectus or similar document, or the taking of any proceeding with or the obtaining of any order, ruling or consent from any governmental authority in Canada under applicable laws or the fulfilment of any other Canadian federal or provincial legal requirement before such Ordinary Shares may be issued and delivered by or on behalf of the Company to the holder thereof (other than certain “control person” and other restrictions), the Company will take all actions and do all things necessary to cause these Ordinary Shares to comply with those requirements.

The Company also will agree that it will make such filings and take such other reasonable steps as may be necessary in order: that the Ordinary Shares issued in an exchange of B Units (other than any restricted Ordinary Shares) will be approved for listing and posted for trading on the TSXV or any stock exchange or marketplace on which the Ordinary Shares then trade; and to preserve the listing on the TSXV or any other relevant stock exchange or marketplace of all outstanding Ordinary Shares (other than restricted shares).

#### Tag/Drag Rights

The GDH LPA provides that if the holders of B Unit own at least 10% of the total outstanding GDH LP Units, and if Mr. Novogratz so requests, the Company will cause, in respect of GDH LP, a purchaser (other than the Company or an affiliate of the Company) of securities of GDH LP owned by Company (or any permitted assignee) to purchase a pro rata portion of the securities of GDH LP held by the holders of B Units, on the same terms and subject to the same conditions as are applicable to the purchase of securities of GDH LP by the purchaser. If the holders of B Units or any permitted assignee holds in aggregate less than 10% of the Ordinary Shares (on a fully exchanged basis), the Company will be entitled, in connection with the direct or indirect sale of all of its interest in GDH LP, to require the holders of B Units or any permitted assignee to sell its securities in GDH LP on the same conditions as are applicable to the Company’s direct or indirect sale of its interest in GDH LP, and upon the Company making such request and completing such sale, the holders of B Units or their permitted assignees will have no further interest in GDH LP.

#### Tax Receivable Agreement

The Company has entered into a tax receivable agreement with Galaxy Group, certain former First Coin Shareholders and certain GDH LP employees (the “**Tax Receivable Agreement**”), as contemplated by the Arrangement, that provides for the payment by the Company to those GDH LP Unitholders of a material percentage (for example, 85%) of the amount of cash savings, if any, in U.S. federal, state and local and foreign income tax or franchise tax that the Company actually realizes as a result of any increase in tax basis in GDH LP’s assets resulting

from exchanges by those holders of B Units for Ordinary Shares in accordance with the terms of the B Units, as and when such tax benefits are realized.

The actual increase in tax basis, as well as the amount and timing of any payments under the Tax Receivable Agreement, will vary depending upon a number of factors, including the timing of exchanges by the GDH LP Unitholders, the price of the Ordinary Shares at the time of the exchange, the extent to which such exchanges are taxable, the amount and timing of the taxable income that the Company generates in the future, the tax rate then applicable and the portion of the Company's payments under the Tax Receivable Agreement that constitute imputed interest.

## **GDH A Units**

The A Units are subdivided into A-1 Units, all of which are held by the Company, and A-2 Units, which are held indirectly by the Company, through the U.S. Blocker Subsidiary. The A-2 Units have no voting or governance rights under the GDH LPA. The number of A-1 Units and A-2 Units issued and outstanding, at any given time, will each be equal to the number of Ordinary Shares issued and outstanding. Any income of GDH LP that is effectively connected with a U.S. trade or business, as determined by GDH GP in its sole discretion, will be allocated in respect of the A-2 Units.

### *Governance Rights Granted by GDH LP to Certain Limited Partners*

Generally, the GDH LPA will grant GDH GP the power to operate and manage GDH LP in accordance with the ELP Law.

Managers of the board of GDH GP (the "**GDH GP Board**") are elected by the vote of the GDH LP Unitholders, provided that, (a) initially, for so long as the Company owns more than 10% but no more than 50% of the outstanding GDH LP Units, the Company will have the right to appoint one manager to the GDH GP Board; (b) if at any time the Company owns more than 40% but no more than 50% of the outstanding GDH LP Units, it shall have the right to appoint a second manager to the GDH GP Board; and (c) for as long as Mr. Novogratz (A) owns directly or indirectly an amount of B Units that is greater than 25% of the total outstanding GDH LP Units and (B) owns directly or indirectly a number of B Units that is greater than (x) the number of B Units owned by any other person and (y) the number of Ordinary Shares owned by any other person, Mr. Novogratz will have the right to appoint the minimum number of managers that is greater than 50% of the number of managers on the GDH GP Board.

Generally, when the Company issues Ordinary Shares, the Company will contribute the net proceeds of that issuance to GDH LP in exchange for one A-1 Unit and one A-2 Unit for each Ordinary Share so issued and the Company will be prohibited from investing the proceeds of its issuance in any other manner. However, the GDH LPA will include certain limitations with respect to these offerings. In the event that GDH LP determines to raise equity capital, it will raise such capital through the Company, unless the GDH GP Board determines that there is a bona fide business or strategic reason to raise equity capital through the issuance of equity by GDH LP directly and then it may only do so in an aggregate amount up to 70,000,000 B Units (the "**Pre-Approved Amount**"). Any issuance of GDH LP Units that exceeds the Pre-Approved Amount must be approved by the Board. Any increase to the Pre-Approved Amount will be subject to approval by the Board and the Shareholders of the Company. Such issuances will remain at all times subject to any approvals required under corporate or applicable stock exchange rules. In the event that the Company undertakes a financing for any reason other than at the request of GDH LP, GDH LP shall not be obligated to issue additional A Units to the Company, unless such financing has been approved by holders of a majority of GDH LP Units.

In addition, the Company will have the following consent rights (exercised either by vote of the Board or by vote of the Shareholders):

1. In addition to the requisite approval of GDH GP and the GDH LP Unitholders, (i) any issuance of B Units, in a transaction or series of related transactions, in an aggregate amount greater than 25% of the GDH LP Units outstanding as of immediately before the transaction or series of related transactions and (ii) the

authorization of award units in excess of the amount most recently approved by the Shareholders will require approval by the Board and by ordinary Shareholder Resolution.

2. In addition, any bona fide sale of all or substantially all of the businesses or assets of GDH LP will require approval by GDH GP, by the GDH LP Unitholders and by special Shareholder Resolution.
3. In addition to the requisite approval of GDH GP, any amendment to the GDH LPA that could reasonably be expected to be materially adverse to the Company will require approval by the Board and by special Shareholder Resolution.
4. In addition to the approval of GDH GP, (i) any change in the auditors, and (ii) any issuance of B Units for less than a value calculated in accordance with the rules of the stock exchange on which the Ordinary Shares are listed (less any permissible discounts), will require approval by the Board.

In addition, any material related party transactions involving GDH LP will require approval by the following parties (not including any constituents therein that are interested in relevant transaction): (i) the managers of GDH GP, (ii) the GDH LP Unitholders, (iii) the Board and (iv) the Shareholders. Such approvals are in addition to, and not replacement of, any approvals required by applicable law or exchange requirements.

It is important for Shareholders to note that the Company will have no right, and GDH GP will have no obligation, to cause GDH LP to make distributions to GDH LP Unitholders or withdrawals from GDH LP, including the Company. See “*Dividends*” above.

A full description of the terms of the GDH LP Units is contained in the GDH LPA. A copy of the GDH LPA is available under the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

#### **MARKET FOR SECURITIES**

The Company’s Ordinary Shares trade on the TSXV under the symbol “GLXY”.

The following table sets forth, for the Company’s financial year ended December 31, 2018 and subsequent period, the reported high and low prices and volume traded on the TSXV.

<b>Month</b>	<b>Monthly High Price (C\$)</b>	<b>Monthly Low Price (C\$)</b>	<b>Monthly Volume</b>
August 2018 <sup>(1)</sup>	3.180	1.910	6,001,165
September 2018	2.490	1.810	2,546,966
October 2018	2.400	1.870	2,257,740
November 2018	2.060	0.900	3,934,718
December 2018	1.360	0.890	6,662,766
January 2019	1.760	1.070	2,215,454
February 2019	2.200	1.380	2,843,970
March 2019	2.620	1.920	2,488,731
April 2019	2.910	1.840	2,473,674

<b>Month</b>	<b>Monthly High Price (C\$)</b>	<b>Monthly Low Price (C\$)</b>	<b>Monthly Volume</b>
May 2019	2.600	1.830	2,631,964
June 2019	2.590	1.910	5,519,430
July 2019	2.440	1.710	2,319,648
August 2019	2.190	1.680	1,602,244
September 2019	2.010	1.500	967,539
October 2019	1.630	1.210	1,458,856
November 2019	1.420	1.000	2,625,000
December 1-16, 2019	1.25	1.05	614,847

Notes:

- (1) The Ordinary Shares were listed for trading on the TSXV on August 1, 2018. Prior to this time, the Company's shares were halted and listed on the NEX Board of the TSXV.

### **PRIOR SALES**

The following tables summarize details of each class of securities of Galaxy or GDH LP that are outstanding but not listed or quoted on a marketplace issued by Galaxy or GDH LP during the period beginning January 1, 2018 and ending October 31, 2019:

#### **Options**

<b>Date of Issuance/Grant</b>	<b>Type of Security</b>	<b>Number of Securities Issued</b>	<b>Issue/Exercise Price</b>
July 31, 2018	Options <sup>(1)</sup>	12,737,200	C\$3.00
July 31, 2018	Options <sup>(1)</sup>	126,000	C\$5.00
September 10, 2018	Options	103,600	C\$3.00
December 3, 2018	Options	750,000	C\$1.15
June 25, 2019	Options	3,285,000	C\$2.15
September 4, 2019	Options	682,500	C\$1.95

Notes:

- (1) As described in the Circular, the amendment and restatement of the Company's original stock option plan was approved by Shareholders at the Meeting. The Shareholders also approved the repricing of certain Options, as described in the Circular. The numbers in the table above reflect the Options as repriced for those employees who accepted the repricing terms. For more information on the terms following the repricing, see the Circular available under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

#### **GDH LP Units**

<b>Date of Issuance/Grant</b>	<b>Type of Security<sup>(1)</sup></b>	<b>Number of Securities Issued</b>	<b>Issue/Exercise Price</b>
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<b>Date of Issuance/Grant</b>	<b>Type of Security<sup>(1)</sup></b>	<b>Number of Securities Issued</b>	<b>Issue/Exercise Price</b>
July 30, 2018	B Units	5,204,084	-- <sup>(2)</sup>
July 31, 2018	B Units	244,681,534	-- <sup>(2)</sup>

Notes:

- (1) In connection with each exchange of B Units for Ordinary Shares, GDH LP issues a number of A Units to Galaxy equal to the number of Ordinary Shares issued in such exchange. Galaxy subsequently contributes the A-2 Units to the U.S. Blocker Subsidiary.
- (2) Issued in connection with the Arrangement.

### **ESCROW SECURITIES**

The following sets out the securities of Galaxy that, to the knowledge of Galaxy, were held in escrow or are subject to contractual restrictions on transfer as of November 30, 2019:

<b>Designation of class</b>	<b>Number of securities held in escrow</b>	<b>Percentage of class</b>
Ordinary Shares	438,056	0.65%
B Units	60,175,777	25.82%

Notes:

- <sup>(1)</sup> Held in escrow pursuant to the Escrow Agreement, as described below.

### **The Escrow Agreement**

On July 31, 2018, in connection with the RTO and as required by the TSXV, the Company, TSX Trust and certain Shareholders entered into an escrow agreement (the “**Escrow Agreement**”). TSX Trust agreed to act as escrow agent (the “**Escrow Agent**”). Pursuant to the Escrow Agreement, 248,946,554 B Units and 13,104,000 Options were deposited into escrow with the Escrow Agent (the “**Escrowed Securities**”). The Escrowed Securities release schedule is as follows:

<b>Release Date</b>	<b>Percentage of Escrowed Securities Released</b>	<b>Total Number of Escrowed Securities to be Released</b>
July 30, 2018	25%	62,236,639 B Units 3,276,000 Options
January 30, 2019	25%	62,236,639 B Units 3,276,000 Options
July 30, 2019	25%	62,236,638 B Units 3,276,000 Options
January 30, 2020	25%	62,236,638 B Units 3,276,000 Options

## EXECUTIVE OFFICERS AND DIRECTORS

### Identifying Information and Holdings

The following sets forth the names and province or state and country of residence of our directors and executive officers, the offices held by them in the Company and GDH LP, and their principal occupations during the last five years as at the date of this AIF and at December 31, 2018.

Name, Place of Residence and Position	Director <sup>(1)</sup> /Officer Since	Position and Principal Occupation in the Past Five Years	Ordinary Shares beneficially owned or controlled/directed
Michael Novogratz New York, USA Chairman and Chief Executive Officer	July 31, 2018	Chief Executive Officer of the Company and Galaxy Digital LP (November 2017 to Present)  Private Investor (January 2016 to November 2017)  Partner, Fortress Investment Group (Since at least November 2014 to January 2016)	10,091,945 <sup>(4)</sup>
Jack Lee <sup>(2)</sup> Beijing, China Director	July 31, 2018	Founding Managing Partner, HCM Capital of Foxconn Technology Group (since at least November 2014)	4,537,080 <sup>(5)</sup>
Pierre Lagrange <sup>(3)</sup> London, United Kingdom Director	July 31, 2018	Investor (since at least November 2014 to Present)	378,090
Theagenis Iliadis <sup>(2)(3)</sup> Athens, Greece Director	July 31, 2018	Real Estate Developer and Investor (since at least November 2014 to Present)	Nil
Nereida Flannery <sup>(3)</sup> Hong Kong, China Director	July 31, 2018	Cross-border M&A Advisor (May 2019 to Present)  Managing Partner, GMP Securities Asia (since at least November 2014 to 2019)	Nil
Bill Koutsouras <sup>(2)</sup> Camana Bay, Cayman Islands Lead Director	July 31, 2018	Principal, Kouts Capital (since at least November 2014 to Present)	Nil
Ashwin Prithipaul New York, USA Chief Financial Officer	September 30, 2019	Chief Financial Officer of Galaxy Digital Holdings Ltd. (September 2019 to Present)  Chief Accounting Officer of Galaxy Digital Holdings Ltd. (August 2018 to September	Nil

<b>Name, Place of Residence and Position</b>	<b>Director<sup>(1)</sup>/Officer Since</b>	<b>Position and Principal Occupation in the Past Five Years</b>	<b>Ordinary Shares beneficially owned or controlled/directed</b>
		2019) Director of Financial Reporting, Assured Guaranty (Since at least November 2014 to August 2018)	
Donna Milia <sup>(6)</sup> New York, USA Former Chief Financial Officer	July 31, 2018	Chief Financial Officer (July 2018 to September 2019) CFO and Treasurer of BlackRock Capital Investment Corporation (August 2015 to December 2017) Managing Director, BlackRock Capital Investment Corporation/BlackRock Kelso Capital Advisors LLC (Since at least November 2014 to August 2015)	126,795
Julie Coin <sup>(7)</sup> New York, USA Former Chief Operating Officer	September 4, 2018	Chief Operating Officer (September 2018 to August 2019) Independent Consultant (December 2016 to August 2018) Chief Operating Officer of E*Trade Retail Services and other positions (since at least November 2014 to September 2016)	Nil
Sam Englebardt New York, USA Head of Galaxy Interactive	July 31, 2018	Head of Galaxy Interactive (November 2019 to Present) Co-head of Principal Investments (July 2018 to November 2019) Head of Strategic Partnerships, Galaxy Digital (June 2017 to July 2018) Founder/Investor, See Ventures (July 2015 to present) Partner and Managing Director, Lambert Media Group (since at least November 2014 to June 2016)	721,792
Christopher Ferraro New York, USA	July 31, 2018	President (July 2019 to Present)	159,900

<b>Name, Place of Residence and Position</b>	<b>Director<sup>(1)</sup>/Officer Since</b>	<b>Position and Principal Occupation in the Past Five Years</b>	<b>Ordinary Shares beneficially owned or controlled/directed</b>
President		<p>Chief Investment Officer of the Company and Galaxy Digital LP (January 2018 to July 2019)</p> <p>Chief Investment Officer, Galaxy Investment Partners, (June 2017 to January 2018)</p> <p>Managing Director, HPS Investments Partners (since at least November 2014 to June 2017)</p>	
Steve Kurz New York, USA <i>Head of Asset Management</i>	July 31, 2018	<p>Head of Asset Management of the Company and Galaxy Digital LP (December 2017 to Present)</p> <p>Co-Founder of Outer Realm VR (March 2017 to December 2017)</p> <p>Head of Business Development, River Birch Capital (Since at least November 2014 to February 2017)</p>	5,000
Kim Pillemer New York, USA <i>Chief of Staff</i>	July 31, 2018	<p>Chief of Staff (August 2019 to Present)</p> <p>Co-head Merchant Bank (July 2018 to August 2019)</p> <p>General Counsel of the Company and Galaxy Digital LP (November 2017 to July 2018)</p> <p>President, multi-family office (since at least November 2014 to November 2017)</p>	25,000
Andrew Siegel New York, USA <i>General Counsel &amp; Chief Compliance Officer</i>	July 31, 2018	<p>General Counsel and Chief Compliance Officer (July 2018 to Present)</p> <p>Chief Compliance Officer, Galaxy Digital LP (December 2017 to July 2018)</p> <p>Variety of legal and compliance roles at Perella Weinberg Partners, including General Counsel, Chief Compliance Officer, and Chief Regulatory Officer (since at least November 2014 to December 2017)</p>	Nil

<b>Name, Place of Residence and Position</b>	<b>Director<sup>(1)</sup>/Officer Since</b>	<b>Position and Principal Occupation in the Past Five Years</b>	<b>Ordinary Shares beneficially owned or controlled/directed</b>
Ian Taylor New York, USA <i>Head of Advisory</i>	December 3, 2018	Head of Advisory (December 2018 to Present)  Managing Director, Goldman Sachs (since at least November 2014 to December 2018)	Nil
Greg Wasserman New York, USA <i>Head of Venture</i>	November 28, 2018	Head of Venture (November 2019 to Present)  Co-head Principal Investments of the Company and Galaxy Digital LP (February 2018 to November 2019)  Partner, Generation Investment Management (since at least November 2014 to February 2018)	25,000
Peter Wisniewski New York, USA <i>Head of Trading</i>	July 31, 2018	Head of Trading (July 2018 to Present)  Principal at Del Mar Asset Fund (since at least November 2014 to July 2018)	117,895
Francesca Don Angelo, New York, USA <i>Corporate Secretary</i>	July 31, 2018	Counsel and Corporate Secretary of the Company and Galaxy Digital LP (March 2018 to Present)  Managing Director, Managing Counsel and Assistant Corporate Secretary of The Bank of New York Mellon Corporation (since at least November 2014 to March 2018)	Nil
Richard Tavoso New York, USA <i>Manager of GDH GP (Cayman)</i>	July 31, 2018	Investor, January 2019 to Present  President of the Company and Galaxy Digital LP (October 2017 to December 2018)  Investor (March 2015 to October 2017)  Managing Director at RBC Capital Markets, Head of the Global Arbitrage & Trading Division, and a member of the Capital Markets Operating Committee (since at least	1,494,904

<b>Name, Place of Residence and Position</b>	<b>Director<sup>(1)</sup>/Officer Since</b>	<b>Position and Principal Occupation in the Past Five Years</b>	<b>Ordinary Shares beneficially owned or controlled/directed</b>
		November 2014 to February 2015)	
Dominic Docherty Dubai, United Arab Emirates <i>Manager of GDH GP (Cayman)</i>	July 31, 2018	Entrepreneur and founder BIOS Middle East, CloudHPT.com, Capital Assured (since at least November 2014 to Present)	Nil

**Notes:**

- (1) All of the directors' appointments expire at the next annual meeting of the Shareholders.
- (2) Member of the Audit Committee.
- (3) Member of the Compensation, Corporate Governance, Nominating Committee.
- (4) In addition to the Ordinary Shares listed in the table above, Mr. Novogratz holds 213,696,000 B Units that are exchangeable into 213,696,000 Ordinary Shares.
- (5) Mr. Lee is the Founding Managing Partner, HCM International Company of Foxconn Technology Group, an investor in the Company. As a result, Mr. Lee may be said to have control or direction over 4,537,080 Ordinary Shares.
- (6) Ms. Milia stepped down as CFO of the Company on September 30, 2019. She assumed the role of senior advisor of the Company.
- (7) Ms. Coin left the Company on August 15, 2019.

**Share Ownership by Directors and Executive Officers**

As of the date of this AIF, as a group, the Company's and GDH LP's directors and executive officers beneficially owned, directly or indirectly, or exercised control over 17,556,606 Ordinary Shares, representing 26.24% of the issued and outstanding Ordinary Shares of the Company.

As of the date of this AIF, as a group, the Company's and GDH LP's directors and executive officers also beneficially owned, directly or indirectly, or exercised control over 233,053,800 B Units and 10,709,000 Options.

On a fully diluted, fully exchanged basis, the Company's and GDH LP's directors and executive officers beneficially own, directly or indirectly, or exercise control over 261,319,406 Ordinary Shares, representing 82.26% of the issued and outstanding Ordinary Shares on a fully diluted and fully exchanged basis (and assuming options were "in the money").

**CORPORATE CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES AND SANCTIONS**

No director or executive officer of Galaxy or GDH LP is, as at the date of this annual information form, or was within 10 years before the date of this annual information form, a director, chief executive officer or chief financial officer of any company (including Galaxy and GDH LP), that was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days:

1. that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
2. that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Except as disclosed below, no director or executive officer of Galaxy or GDH LP, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of Galaxy or GDH LP:

1. is, as at the date of this annual information form, or has been within the 10 years before the date of this annual information form, a director or executive officer of any company (including Galaxy and GDH LP)

that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact; or

2. has, within the 10 years before the date of this annual information form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of Galaxy or GDH LP, or a shareholder holding a sufficient number of securities of Galaxy or GDH LP to affect materially the control of Galaxy or GDH LP, has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### CONFLICTS OF INTEREST

Other than as disclosed herein, none of our directors, officers or principal shareholders and no associates or affiliates of any of them, have or have had any material interest in any transaction which materially affects us. There are potential conflicts of interest to which our directors and officers will be subject in connection with our operations. In particular, certain of our directors are involved in managerial and/or director positions with other companies whose operations may, from time to time, be in direct competition with our operations or with entities which may, from time to time, provide financing to, or make equity investments in, our competitors. See *“Risk Factors– Managing different business lines could present conflicts of interest”*.

Some of the individuals acting as directors, managers or officers of the Company or GDH GP, as applicable, are also directors, officers and/or promoters of other reporting and non-reporting issuers. As of the date of this AIF and to the knowledge of the directors and officers of the Company and GDH GP, there are no existing conflicts of interest between the Company, GDH GP or a subsidiary or affiliate of the Company and a proposed director, officer or promoter of the Company, GDH GP or a subsidiary or affiliate of the Company, as applicable.

As a diversified financial services business, GDH LP intends to engage in a broad spectrum of activities, and it is possible that situations could arise in which the activities of GDH LP or its affiliates or their partners, members, directors, officers and employees conflict with the interests of the GDH LP’s clients and investors.

In order to address potential conflicts of interest, personal investment holdings and certain transactions by, and outside business activities of GDH LP, or its affiliates or their partners, members, directors, officers and employees (collectively, **“Related Parties”**), the Company adopted the Global Code of Conduct (the **“Code”**). The Compensation, Corporate Governance and Nominating Committee’s Charter indicates that it will monitor conflicts of interest (real or perceived) of members of the Board and management in accordance with the Code and report to the Board on compliance with, material departures from, and investigations and any resolutions of complaints received under, the Code and approve waivers from the Code as the Committee considers appropriate, and where necessary recommend changes to the Board for approval. GDH LP has also adopted an Ethics Code, comprised of policies and procedures set out in the GDH LP’s Code of Business Ethics and Conduct and GDH LP’s Personal Trading Accounts Policy, which are designed to mitigate business conflicts of interest. Pursuant to the Ethics Code, personal investment holdings, including in digital assets, and outside business activities of Related Parties must be disclosed to, and certain transactions and outside activities are subject to pre-clearance by, GDH LP’s Legal and Compliance group. With respect to matters subject to pre-clearance, it is expected that GDH LP generally will not approve a Related Party’s transaction or activity if it is subject to an internal restriction (such as those related to the receipt of material, non-public information), or competes or conflicts with GDH LP’s or its affiliates activities or a client’s transaction, or violates GDH LP’s internal policies or any fiduciary duties of GDH LP or its affiliates to any client, or creates the appearance of impropriety.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

In the ordinary course of business, the Company, GDH LP and its subsidiaries may be threatened with, named as defendants in, or made parties to pending and potential legal actions. We do 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.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed herein, in the Circular and in the Financial Disclosure (as defined below), no informed person, as such term is defined in National Instrument 51-102 – Continuous Disclosure Obligations (“**NI 51-102**”), of the Company, no proposed director of the Company, and no associate or affiliate of any informed person or proposed director has had any material interest, direct or indirect, in any transaction since January 1, 2018 or in any proposed transaction which has materially affected or would materially affect the Company.

## AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditor of the Company is Davidson & Company LLP (“**Davidson**”) at its offices located at 1200 – 609 Granville Street, Vancouver, BC V7Y 1G6.

The transfer agent and registrar of the Company is TSX Trust Company (“**TSX Trust**”), at its offices located at 200 University Avenue, Suite 300, Toronto, Ontario M5H 4H1.

## MATERIAL CONTRACTS

Galaxy is a party to the following material contracts as defined in National Instrument 51-102 – *Continuous Disclosure Obligations*.

1. The Third Amended and Restated Limited Partnership Agreement of GDH LP dated November 27, 2018, following from the Second Amended and Restated Limited Partnership Agreement of GDH LP dated July 31, 2018 and the initial form of the limited partnership agreement of GDH LP entered into on May 10, 2018, in connection with the Arrangement.

As noted above, the Company’s only significant asset is its minority ownership interest in GDH LP in the form of A-1 Units and A-2 Units. However, there are certain rights granted to the Company in the GDH LPA in exchange for certain agreements on the Company’s part (see *Corporate Structure – Intercorporate Relationships*).

A copy of the GDH LPA is available under the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

2. The Limited Liability Company Agreement of GDH GP dated July 26, 2018 (“**GP LLC Agreement**”) of GDH GP, in connection with the Arrangement. GDH GP was formed and registered pursuant to the ELP Law and in accordance with the GP LLC Agreement and the GDH LPA. The GP LLC Agreement established that the management of GDH GP, vested exclusively in the appointed managers, appointed or replaced in accordance with the provisions of the GDH LPA and the GP LLC Agreement.
3. The Agency Agreement dated February 14, 2018 among GMP Securities LP, as agent (the “**Agent**”), Bradmer, Galaxy Digital LP, by its general partner, Galaxy Digital GP LLC and First Coin Capital Corp. (the “**Agency Agreement**”), in connection with the Arrangement.

The Offering was conducted on a “best efforts” agency basis pursuant to the terms of the Agency Agreement. The Agent acted as sole agent and bookrunner for the Offering. As consideration for its services rendered, the Company paid the Agent an agency fee and an advisory fee and granted the Agent Compensation Options (as defined below).

Subject to certain conditions, the agency fee was a cash commission representing a percentage of the gross proceeds of the Offering. Approximately 50% of the agency fee in respect of any order allocated to retail investors, was paid to the Agent at the closing of the Offering. The balance of the agency fee not paid on the closing of the Offering and all further costs and out-of-pocket expenses of the Agent incurred up to and as of the escrow release date were to be paid on behalf of the Company to the Agent on the escrow release date from the escrowed funds.

On closing of the Offering, the Agent was granted 710,517 Options (the “**Agent Compensation Options**”) exercisable to acquire that number of Ordinary Shares. Conditional on the satisfaction of the escrow release conditions, each Agent Compensation Option is exercisable for one Ordinary Share. This option expired unexercised on July 31, 2019.

4. The Arrangement Agreement dated February 14, 2018 among Bradmer, First Coin, Galaxy Digital LP and Galaxy Digital GP LLC, together with the Amending Agreement dated May 14, 2018, in connection with Plan of Arrangement. See “*General Development of the Business – Three Year History – The Arrangement*”.
5. The Subscription Receipt Agreement dated February 14, 2018, together with the Amending Agreements dated June 1, 2018 and June 14, 2018, providing for the issue of 60,969,749 subscription receipts among Bradmer, Galaxy Digital LP, First Coin, GMP Securities LP and TSX Trust in connection with the Plan of Arrangement. See “*General Development of the Business – Three Year History – The Arrangement*”.

#### **INTEREST OF EXPERTS**

The financial statements of GDH Ltd. for the fiscal year ended December 2018 were audited by Davidson; and the financial statements for the years ended December 31, 2017 and 2016 were audited by the GDH Ltd.’s former auditor, RSM Canada LLP (“**RSM**”). In addition, the financial statements of GDH LP for the fiscal year ended December 2018 and the period ended December 31, 2017 were audited by Davidson. The audited financial statements of First Coin for the fiscal years ended December 31, 2017 described or included in the Company’s management information circular dated May 14, 2018 were audited by MNP LLP, Chartered Professional Accountants.

Davidson has confirmed that they are independent from the Company within the meaning of the relevant rules and related interpretations prescribed in the relevant professional bodies in Canada and any applicable legislation or regulation.

RSM, has confirmed that they are independent with respect to the Company within the meaning of the relevant rules and related interpretations prescribed in the relevant professional bodies in Canada and any applicable legislation or regulation.

MNP LLP, has confirmed that they are independent with respect to First Coin within the meaning of the relevant rules and related interpretations prescribed in the relevant professional bodies in Canada and any applicable legislation or regulation.

#### **AUDIT COMMITTEE**

##### **Audit Committee Charter**

The Audit Committee of the Board operates under a written charter that sets out its responsibilities and composition requirements. The text of the Audit Committee charter is appended as Appendix “A” to this AIF.

##### **Composition of the Audit Committee**

The Audit Committee is comprised of Bill Koutsouras, Jack Lee and Theagenis Iliadis, all of whom are financially literate as such term is defined in NI 52-110. Messrs. Koutsouras, Lee and Iliadis are considered independent

pursuant to NI 52-110. A description of the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member may be found above under the heading “*Executive Officers and Directors – Identifying Information and Holdings*”.

### **Relevant Education and Experience**

See heading “*Executive Officers and Directors – Identifying Information and Holdings*” above for a description of the education and experience of each of the members of the Audit Committee that is relevant to their performance as an audit committee member, in particular, the education and experience that provides the members with:

1. an understanding of the accounting principles used by the issuer to prepare its financial statements;
2. the ability to assess the general application of those principles in connection with the accounting for estimates, accruals and provisions;
3. experience preparing, auditing, analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the issuer’s financial statements, or experience actively supervising individuals engaged in such activities; and
4. an understanding of internal controls and procedures for financial reporting.

Additional information is contained in the Company’s most recently filed Circular available under the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

### **Reliance on Certain Exemptions**

At no time since January 1, 2018 has the Company relied on the exemptions in section 2.4 of NI 52-110 (*De Minimis Non-audit Services*), subsection 3.2 of NI 52-110 (*Initial Public Offerings*), subsection 3.3(2) of NI 52-110 (*Controlled Companies*), subsection 3.4 of NI 52-110 (*Events Outside Control of Member*), subsection 3.5 (*Death, Incapacity or Resignation*), subsection 3.6 of NI 52-110 (*Temporary Exemption for Limited and Exceptional Circumstances*), subsection 3.8 of NI 52-110 (*Acquisition of Financial Literacy*) or an exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*) by a securities regulatory authority or regulator.

### **Audit Committee Oversight**

Since the commencement of the Company’s most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Company’s Board.

### **Pre-Approval Policies and Procedures**

The Audit Committee has authority and responsibility for pre-approval of all non-audit services to be provided to the Company or its subsidiary entities by the external auditors or the external auditors of the Company’s subsidiary entities, unless such pre-approval is otherwise appropriately delegated or if appropriate specific policies and procedures for the engagement of non-audit services have been adopted by the Audit Committee.

### **External Auditor Service Fees by Category**

The aggregate fees billed by the Company’s auditor in the last two financial years for services in each of the categories indicated are as follows:

<b>Financial Year Ending</b>	<b>Audit Fees</b> <sup>(1)</sup>	<b>Audit Related Fees</b> <sup>(2)</sup>	<b>Tax Fees</b> <sup>(3)</sup>	<b>All Other Fees</b> <sup>(4)</sup>
December 31, 2018	\$1,883,555	\$374,800	Nil	Nil

December 31, 2017 <sup>(5)</sup>	\$6,941	Nil	\$2,314	\$555
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- (1) Audit Fees consist of fees incurred for the annual audit of the Company's financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements.
- (2) Audit Related Fees consist of fees paid or accrued for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements that are not included under "Audit Fees" in the table above.
- (3) Tax Fees relate to fees paid or accrued for tax compliance, tax advice and tax planning services.
- (4) All Other Fees include fees for products and services other than the services reported in Audit Fees, Audit Related Fees and Tax Fees.
- (5) All external auditor service fees paid in 2017 were paid in C\$, but the amounts reflected in the table above are in US\$ for comparison purposes, based on an average 2017 exchange rate of C\$1 expressed as US\$0.7712.

## MARKET CONTROLS AND REGULATION

Below is a description of the regulation, requirements or regimes that are, or are expected to be, applicable to GDH LP's businesses by jurisdiction.

The worldwide regulation of investing and financial businesses is extremely complex; Digital Assets make up a relatively new and rapidly evolving space. GDH LP is expected to be guided in significant part by regulatory regimes that are not clear or are not yet developed. GDH LP intends to use its internal legal and compliance expertise, in consultation with its outside counsel, to determine how to engage in its business activities so as to obtain the appropriate licenses or to be able to rely on an exception or exemption from any relevant registration requirement. GDH LP will continue to monitor the laws and guidance issued in these jurisdictions that may be applicable to its business.

### United States

**CFTC Regulation** – The CFTC regulates markets in listed futures and various types of over-the-counter derivatives on commodities, when traded in, into or from the United States. The CFTC has taken the position that certain cryptocurrencies are commodities for purposes of the regulatory scheme of the Commodity Exchange Act of 1936 (the "CEA"). Generally speaking, trading in a principal capacity in "physical" commodities (that is, in the "spot" or "cash" markets) would not subject a person to a licensing or regulation requirement under the CEA. The CFTC does have jurisdiction over these activities with respect to its anti-fraud and anti-manipulation authority under the CEA. Derivative transactions with commodities may be subject to regulation by the CFTC as "swap" transactions. The definition of "swap" is broad, and the CFTC's swap regulation regime imposes requirements such as reporting and recordkeeping on swap counterparties, including market participants that are not registered with the CFTC.

**SEC Regulation** – The SEC, which regulates the offering, sale and trading of securities as well as various requirements applicable to public companies under U.S. federal securities laws, considers certain Digital Assets to be securities. GDH LP's contemplated businesses may relate to products that may be considered securities for purposes of U.S. federal securities laws and regulations. As a general matter, any transaction in securities, including purchases and sales for principal investment, would be subject to the SEC's anti-fraud and anti-manipulation authority under the U.S. Securities Act and the 1934 Act. In addition, offers and sales of securities may require registration under the Securities Act or, alternatively, compliance with various rules and regulations for exemptions from registration. The regulatory requirements of the Securities Act and the 1934 Act will require a careful facts and circumstances analysis of any involvement by GDH LP in initial coin offerings ("ICOs") as well as any resales of digital tokens initially issued in ICOs and is an important part of GDH LP's compliance framework. Additionally, GDH LP's activities with respect to securities may require registration with the SEC depending on their nature, particularly if GDH LP engages in customer-facing businesses such as brokerage or asset management. (See "Investment Adviser" for a description of the SEC Regulation applicable to aspects of our asset management business.)

**Broker Dealer** – The 1934 Act requires that any person who is a broker or a dealer must register with the SEC and defines a broker as "any person engaged in the business of effecting transactions in securities for the account of others." In order for the financial advisory business to advise clients interested in transactions that involve securities, GDH LP purchased a registered broker dealer, Galaxy Digital Advisors LLC. FINRA granted

GDA's business expansion, which permits it to act as an underwriter to registered public offerings of equity, debt or other corporate securities in the United States. This adds to its existing abilities to lead private placements of securities as a placement agent, and to provide advice on mergers and acquisitions. Among other things and depending on the scope of the broker-dealer license, broker-dealers registered with the SEC are subject to requirements relating to how to structure and complete transactions in securities, execute client orders, safeguard client assets and maintain the required levels of regulatory capital, among other things. In addition, broker-dealers are subject to anti-money laundering rules and requirements issued by the Financial Crimes Enforcement Network of the U.S. Department of the Treasury under the U.S. Bank Secrecy Act (collectively, the "Anti-Money Laundering Rules"). The regulatory framework for broker-dealers includes significant oversight from both the SEC and the FINRA. The broker dealer may also be subject to U.S. state registration requirements. GDA is registered as a broker dealer in 53 US states and territories.

**Investment Adviser** – The U.S. Investment Advisers Act of 1940 (the "Advisers Act") defines an investment adviser as "any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities." GDCM is an SEC registered investment adviser. To the extent that GDCM has discussions with potential investors, it intends to follow the applicable selling restrictions for each such jurisdiction. In addition, GDCM is subject to the Anti-Money Laundering Rules.

**Regulation of Money Transmission** – U.S. states have adopted a spectrum of approaches to the regulation of Digital Assets, ranging from a state applying its own money transmission licensing regime, which 49 of the states have done in some form, to adopting a separate regulatory regime for the oversight of Digital Assets, such as New York's BitLicense discussed below. In addition, the transmission of certain non-cryptocurrency Digital Assets, such as digital tokens, could also constitute a money services business, a federally regulated business. A subsidiary of GDH LP is registered as a money service business and is exploring the feasibility of receiving money transmitter licenses in a number of states in order to effect aspects of its trading business. As a money service business, the registered subsidiary of GDH LP is required to comply with the Anti-Money Laundering Rules. Furthermore, a number of U.S. states have adopted specific statutory provisions, or have issued guidance, regarding the treatment of virtual currencies under the money transmitter requirements of that U.S. state.

**Virtual Currency Business Activity in New York** – The New York State Department of Financial Services requires that any persons or entity engaging in virtual currency activity in New York obtain a BitLicense. Subject to certain exemptions, virtual currency business activity includes virtual currency transmission, custody, buying or selling as a customer business or controlling, administering or issuing virtual currency. GDH LP is exploring the feasibility of applying for a New York BitLicense in order to effect aspects of its trading business.

**Lending** – There is no U.S. federal law that governs lending activities. Some U.S. state laws may, under certain circumstances, require GDH LP to obtain a license from the relevant regulatory authority or authorities in a given state before conducting those lending activities. As a general matter, most state lending licensing laws focus their registration and regulatory requirements on small-dollar, consumer and household lending activities, not commercial lending activity. However, laws and licensing requirements related to lending activities vary from state to state. GDH LP is headquartered in the State of New York and will conduct its operations, including the lending activities, from the State of New York. One or more of the legal entities through which GDH LP will conduct such lending activities will be incorporated in the State of Delaware. Generally, GDH LP expects to engage in its lending activities that are above the New York State dollar threshold and do not involve consumer credit transactions for purposes of Delaware State law. GDH LP intends to obtain the appropriate licenses if required.

## **Canada**

GDH LP's diversified asset management firm dedicated to the digital currency and blockchain sectors intends, in the future, to register or file for a registration exemption in Canada to sell or distribute securities, or to advise with respect to investments in securities, or to act as an investment fund manager, if required.

GDH LP may from time to time make loans to Canadian companies. If GDH LP does make such loans, then it will be subject to a licensing requirement as a mortgage lender under applicable mortgage broker legislation in the

Provinces of British Columbia and Ontario. To the extent GDH LP engages in activities related to selling mortgages that it has originated then, in addition to British Columbia and Ontario, it would also be subject to a licensing requirement in the Provinces of Manitoba and Newfoundland and Labrador. Additional Canadian regulatory requirements would arise if loans are made in cryptocurrency instead of in cash, if loans were made to borrowers located in Saskatchewan and if GDH LP engaged in debt collection or mortgage broker activities for others. Under Canadian law, while there are no registration requirements that would apply to GDH LP if it were to engage in debt collection activities for its own loans, there are specific requirements and restrictions on interactions with debtors that it must comply with in connection with collecting or attempting to collect debts. There are also specific restrictions with respect to GDH LP referring to itself as a “bank”. GDH LP intends to comply with any such applicable requirements.

In March 2019, the Canadian Securities Administrators and the Investment Industry Regulatory Organization of Canada (“IIROC”) jointly published Consultation Paper 21-402 Proposed Framework for Crypto-Asset Trading Platforms, in which they proposed regulation of platforms that facilitate the buying, selling or transferring of crypto assets. The proposal contemplates platforms becoming registered as investment dealers and becoming both dealer and marketplace members of IIROC. The proposal addresses the risks and features of the platforms through a series of requirements to be further developed through consultation with the financial technology community, market participants, investors and other stakeholders. The framework is intended to apply both to platforms that operate in Canada and to those that have Canadian participants. The timing and impact of any final regulations remain uncertain.

### **Other Jurisdictions**

GDH LP may engage in activities relating to Digital Assets in other jurisdictions, including, among other places, Japan, the U.K. and Hong Kong.

**Japan** – The Japan Virtual Currency Act (the “VC Act”) of 2015 clarified that all virtual currency exchanges be registered or licensed. The VC Act covers: (i) the sale and purchase of virtual currency or exchange of a virtual currency into another virtual currency; (ii) an intermediary, brokerage or agency service for the sale, purchase or exchange of virtual currencies; and (iii) management (custody) of fiat currency or virtual currency on behalf of others in relation to the prior-described activities. Operators of a virtual currency exchange business have duties including customer identify verification, accountability, segregation of customers’ assets, bookkeeping, compliance and internal audit.

In March 2019, Japan’s Financial Services Agency (“FSA”) proposed a bill to the National Diet, the Japanese legislative body, which replaced the term “Virtual Currency” with “Crypto Assets” and is part of a wider effort to align current financial regulations with crypto regulations and address derivatives and securities token offerings. On May 31, 2019, the National Diet passed the bill and the amendments to the Payment Services Act (“PSA”) and the Financial Instruments and Exchange Act (“FIEA”) will come into effect in April 2020. Under the bill, responsibilities of exchanges have been broadened, most pointedly in areas of leverage and reserve funds (equal to clients’ deposits). The amendments to the PSA and FIEA include, among other things, the following changes: (i) certain types of crypto assets will constitute securities for purposes of Japanese securities regulations and will be exclusively regulated by the FIEA; (ii) derivatives in Crypto Assets will be defined as “financial instruments” and regulated under the FIEA; (iii) Crypto Asset custody will be regulated under the PSA and custody businesses will not be able to do business with Japanese residents without a license as a Crypto Asset Exchange Service Provider; and (iv) revised FIEA documentation introduced the concept of electronically recorded transferable rights (ERTRs) and indicated that the offering and trading of securities token offerings would be subject to regulation under the FIEA, including those related to public offering and disclosure and using a licensed broker/dealer in connection with providing relevant services. As it relates to Crypto Asset custody, in addition to the existing requirements, registered exchanges will need to: (i) establish and publish an incident report policy concerning the theft of Crypto Assets; (ii) hold Crypto Assets that are not less than the value of the customers’ Crypto Assets in hot wallets (if any) as the exchange’s own assets; (iii) put customers’ fiat into a trust; (iv) disclose financial statements publicly; (v) publish OTC deals with customers (if any) as well as bid prices, ask prices, and bid-ask spreads for such OTC deals; (vi) refrain from making excessive advertisement, misrepresentations, cold calls, inadequate solicitations considering the customer’s knowledge, or advertisement and solicitations to induce speculative trading and (viii) notify the FSA of the intention to list new Crypto Assets for trading prior to such change taking place in order to exclude problematic

Crypto Assets from listing. Many industry participants viewed the adoption of these bills that enhance customer protections favorably and believed it would encourage institutional investors to enter the industry. On September 30, 2019, the FSA also issued draft guidelines for funds investing in crypto assets.

**U.K.** – Following the January 2019 publication of its consultation paper, “Guidance on Crypto assets”, in July 2019, the U.K. Financial Conduct Authority (“FCA”), issued its final guidance on this topic. The FCA indicated that a case-by-case analysis is needed to determine the correct regulatory treatment of a particular cryptoasset or token, depending on “the token’s intrinsic structure, the rights attached to the tokens and how they are used in practice”. However, the FCA recognized the benefit of establishing a clear taxonomy for identifying and discussing the regulatory treatment of different types or categories of cryptoassets and identified three main categories – security tokens, e-money tokens, and unregulated tokens. The FCA indicated that security tokens provide the rights and obligations similar to specified investments under the Financial Services and Markets Act 2000 (Regulation Activities) Order 2001. The Guidance sets out a non-exhaustive list of factors that are indicative of a security token, including any contractual entitlement holders may have to share in the profits or exercise control or voting rights in relation to the issuer’s activities. E-money tokens would need to meet the definition of e-money under the Electronic Money Regulations 2011 to be regarded as e-money. The FCA indicated that unregulated tokens fall outside of the UK regulatory perimeter. It also indicated that while the transfer of unregulated tokens itself may not amount to a regulated payment services under the Payment Services Regulations (2017), each side of the remittance may be regulated under the PSR. The FCA Guidance highlights the need for authorized firms to consider the senior managers’ regime, principles for business and financial promotions rules even in relation to unregulated areas of business. In July 2019, the FCA proposed rules to address harm to retail consumers from the sale of derivatives and exchange traded notes (ETNs) referencing certain types of cryptoassets. The FCA proposes to ban the sale, marketing and distribution to all retail consumers of all derivatives (i.e., contract for difference - CFDs, options and futures) and ETNs that reference unregulated transferable cryptoassets by firms acting in, or from, the UK.

**Hong Kong** – The primary legislation in Hong Kong that governs the securities industry is the Securities and Futures Ordinance (“SFO”). Firms which engage in the conduct of “regulated activities” are subject to the licensing or registration regime of the Securities and Futures Commission (“SFC”); and the SFC has supervisory powers over intermediaries licensed or registered with the SFC in the conduct of “regulated activities” under the SFO. The scope of “regulated activities” largely depends on whether the subject matter falls within the legal definitions of “securities” or “futures products” under the SFO. The SFC in November of 2018 issued guidance related to virtual assets and securities tokens, which included measures to protect the interests of investors in virtual asset portfolios or funds and explored the potential regulation of virtual asset trading platforms. A regulatory framework was suggested for virtual asset portfolio managers, fund distributors and trading platform operators, which set out the standards for firms managing virtual asset portfolios, distributing virtual asset funds, or both; and the conceptual framework for the possible regulation of virtual asset trading platform operators. The SFC also published the Circular to intermediaries on distribution of virtual asset funds, which sets out the expected regulatory standards and practices in the distribution of virtual asset funds by licensed or registered intermediaries. The SFC noted that a significant portion of virtual asset activities did not fall within the SFC’s regulatory ambit because such virtual assets fall outside the legal definitions of “securities” or “futures contracts” under the SFO. Firms which do not conduct any “regulated activities” under the SFO will continue to operate outside the legal jurisdiction of the SFO. In March 2019, the SFC reiterated the legal and regulatory requirements for parties engaging in security token offering and related activities, particularly intermediaries that market or distribute such offerings.

In November 2019, the SFC announced a new licensing regime for virtual asset exchanges in its Position Paper – Regulation of Virtual Assets Trading Platforms (VATPs). The regime is intended to improve regulation and industry standards and is similar to the standards the SFC expects for conventional securities brokers. Under the new regime, VATPs do not need an SFC license to operate provided they do not trade any products defined as a security, but one the trading of at least one security token will subject it to the licensing requirements. The SFC will only grant a license to those VATPs which are capable of meeting the expected standards that seek to address: safe custody of assets, KYC & AML requirements, market manipulation, accounting & auditing requirements, risk management and conflicts of interest. Under the new licensing regime, VATPs can only offer products to “professional investors,” must have an insurance policy to protect clients in case assets are lost or stolen and are required to adopt a reputable external market surveillance mechanism. VATPs may also only alter products or services following approval by the regulator and must have an existing relationship with an independent auditing firm, filing annual reports on activities. VATPs must further file monthly reports to the SFC. The SFC also indicated that VATPs must

“establish the true and full identity of each of its clients, and of each client’s financial situation, investment experience and investment objectives.” Finally, hot wallets may not hold more than 2 percent of a VATP’s total funds.

Certain countries or jurisdictions, including but not limited to China, Russia, South Korea, the United States and Canada, may take regulatory actions now or in the future that severely restrict the right to acquire, own, hold, sell, mine or use Digital Assets. Such limitations could cause the price of any affected digital asset to decrease substantially and restrict the ability of GDH LP to operate as planned, if at all.

## **RISK FACTORS**

Readers and investors should carefully consider the risks and uncertainties described below as well as the other information contained in this AIF and the risk factors included in our management’s discussion and analysis for the financial year ended December 31, 2018. Investing in our securities is speculative and involves a high degree of risk due to the nature of our business. The following risk factors, as well as risks currently unknown to us, could materially adversely affect our future business, operations and financial condition, each of which could cause purchasers of our securities to lose part or all of their investment.

The following risks and uncertainties are not the only ones facing the Company or GDH LP. Additional risks and uncertainties not presently known to the Company or GDH LP, or that are currently considered immaterial, may also impair the Company or GDH LP. If events occur which cause GDH LP’s business, prospects, financial condition, cash flows and operating results to be materially harmed, the Company would also be adversely affected.

### **Risks Related to the Company and the Ordinary Shares**

*Galaxy is a common equity holder in GDH LP. Galaxy’s business is conducted through GDH LP and its subsidiaries. All risks of GDH LP are risks of Galaxy.*

Galaxy derives substantially all of its income or loss from its partial ownership of GDH LP. In addition, Galaxy primarily relies on GDH LP to meet its obligations. To the extent that Galaxy needs funds to pay expenses generally and GDH LP cannot pay Galaxy’s expenses or does not make a distribution to Galaxy, the value of any investment in Galaxy could decline substantially.

Galaxy is exposed to all of the risks to which GDH LP is exposed. These risks include GDH LP’s investment program based on risky and volatile digital asset classes, which create a material risk that holders of Ordinary Shares may lose their entire investment.

Galaxy’s equity interest in GDH LP is the functional equivalent of common equity. This interest does not carry any liquidation preference, distribution priority, priority in bankruptcy or insolvency or any other typical creditor-style protections.

*The market price and trading volume of Galaxy’s Ordinary Shares may be volatile.*

The market price and trading volume of Galaxy’s Ordinary Shares has been volatile and will likely continue to be subject to significant fluctuations in response to, among other factors: developments in the digital assets industry; market fluctuations in digital assets generally or changes in the underlying values and trading volumes of the digital assets that GDH LP holds or trades; GDH LP’s financial performance and prospects or changes in the financial performance and prospects of companies engaged in businesses that are similar to GDH LP’s businesses; changes in laws or regulations, including tax laws, or new interpretations or applications of laws and regulations, that are applicable to GDH LP’s businesses; sales of Ordinary Shares by the Shareholders, including Ordinary Shares issued upon exchange of any B Units; general economic trends and other external factors, including those resulting from war, incidents of terrorism or responses to such events; speculation in the press or investment community regarding Galaxy’s or GDH LP’s business or investments, or factors or events that may directly or indirectly affect its businesses or investments; and further issuances of Ordinary Shares or of GDH LP Units.

In recent years, stock markets have experienced significant price and volume fluctuations, which have had a significant impact on the market price of securities issued by many companies, irrespective of the operating performance of the affected companies. Moreover, the prices of the digital assets that GDH LP holds or trades have historically been, and will likely continue to be, highly volatile. Accordingly, the price of Ordinary Shares could fluctuate based upon factors that have little or nothing to do with Galaxy or GDH LP's operating performance, which could materially and adversely affect the value of any investment in the Ordinary Shares. Additionally, in the absence of an active trading market, relatively small sales may result in a significant negative effect on the price of the Ordinary Shares.

***Changes in law could cause the Ordinary Shares to be de-listed or Galaxy to undergo costly restructuring, liquidation or sale.***

Apart from the numerous material legal and regulatory risks to GDH LP itself, Galaxy could be adversely affected by changes in law, regulation, interpretation of such law or regulation or regulator or exchange discretion. Such changes are difficult to predict but could conceivably lead to a cease-trade or the de-listing of Galaxy's Ordinary Shares, the inability to list the Ordinary Shares in other jurisdictions or a costly restructuring or even liquidation of Galaxy.

***Galaxy may need or want to raise additional capital, but there are many reasons why it might be unable to do so.***

If, whether by reason of changes in law, regulation or interpretation, or by reason of Galaxy's or GDH LP's conduct, Galaxy became unable to sell securities to investors in particular jurisdictions, the liquidity and market price of the Ordinary Shares would be negatively impacted, which would make it more difficult for Galaxy to sell additional Ordinary Shares or otherwise raise capital. Such difficulties could lead to the bankruptcy or insolvency of Galaxy, which may lead to material or complete losses for holders of Ordinary Shares.

***Holders of Ordinary Shares may be subject to downward pressure on the share price from exchanges of B Units or from additional issuances of Ordinary Shares.***

The majority of the economic interest in GDH LP remains represented by B Units, each of which may be exchanged for one Ordinary Share pursuant to the GDH LPA. As B Units are exchanged for Ordinary Shares, the voting power and economic interest of then-current holders of Ordinary Shares will decrease proportionately (though the voting power and economic interest of Galaxy in GDH LP will increase proportionately). Such exchanges would increase the market supply of Ordinary Shares, which could lead to a decrease in the market price of Ordinary Shares, especially since it is foreseeable that many exchanges may closely precede sales. Similarly, if Galaxy issues additional Ordinary Shares, then-current holders of Ordinary Shares will be diluted.

***Galaxy will be required to pay former partners of GDH LP for certain tax benefits that Galaxy may claim, and the amounts that Galaxy may pay could be material.***

Galaxy has entered into a Tax Receivable Agreement with certain other GDH LP Unitholders that provides for the payment by Galaxy to those GDH LP Unitholders a material percentage (for example, 85%) of the amount of cash savings, if any, in U.S. federal, state and local and foreign income tax or franchise tax that Galaxy actually realizes as a result of any increase in tax basis in GDH LP's assets resulting from exchanges by those holders of B Units for Ordinary Shares in accordance with the terms of the B Units, as and when such tax benefits are realized.

The actual increase in tax basis, as well as the amount and timing of any payments under the Tax Receivable Agreement, will vary depending upon a number of factors, including the timing of exchanges by the other GDH LP Unitholders, the price of Ordinary Shares at the time of the exchange, the extent to which such exchanges are taxable, the amount and timing of the taxable income that Galaxy generates in the future, the tax rate then applicable and the portion of Galaxy's payments under the Tax Receivable Agreement that constitute imputed interest.

The payments that Galaxy will be required to make under the Tax Receivable Agreement could be material. The payments are not conditioned upon the other GDH LP Unitholders' continued ownership of Ordinary Shares. Finally, since Galaxy is a holding company, Galaxy's ability to make payments under the Tax Receivable Agreement will be dependent on the ability of GDH LP to make distributions to Galaxy. If Galaxy is unable to make payments under the Tax Receivable Agreement for any reason, those payments will be deferred and will accrue interest until paid.

***Holders of Ordinary Shares will generally not benefit from protections of investment company statutes in various jurisdictions, and may suffer from the restrictions that such statutes place on the liquidity of Ordinary Shares and on Galaxy's fundraising, businesses or other activities.***

Galaxy is not an investment fund and does not intend to operate as an investment fund in the future. Nonetheless, it is possible that Galaxy may effectively be classified as the equivalent of a commodity pool or an investment fund under the investment company laws of various jurisdictions, including the Commodity Exchange Act, the 1940 Act and the European Union Alternative Investment Fund Managers Directive.

Galaxy's business is designed to comply with exemptions from the application of such laws, which means that holders of Ordinary Shares do not and will not benefit from the investor protections provided by such laws. At the same time, Galaxy may be constrained by such laws from listing Ordinary Shares or raising additional capital in certain jurisdictions, to the potential detriment of the value and liquidity of Ordinary Shares, and GDH LP may be restricted or precluded from operating in certain jurisdictions without additional financial registrations or licenses that it does not currently have.

Furthermore, if, whether by reason of changes in law, regulation or interpretation or by reason of Galaxy's or GDH LP's conduct, Galaxy no longer qualifies for applicable exemptions from commodity pool or investment company laws, the results may materially adversely affect Galaxy and could lead to Galaxy's liquidation or sale, which may lead to material or complete losses for holders of Ordinary Shares.

***Holders of Ordinary Shares may be prevented from exercising voting power commensurate with their economic interests in Galaxy.***

In respect of any general resolution proposed for approval by holders of Ordinary Shares, whether it relates to the election of directors or to any other matter, each holder will be required to certify that it is not a U.S. resident and, to the extent that it holds Ordinary Shares for the account or benefit of any other person, that person is not a U.S. resident. Those holders who do not so certify will still be able to vote on the resolution, but the aggregate total of the votes that those holders are entitled to cast will be limited to 49% of the total number of votes that all holders of Ordinary Shares are entitled to cast. This "variable voting" may cause certain holders' views to have a greater or lesser influence on the governance of Galaxy than would be the case solely on the basis of percentage holdings of Ordinary Shares. In the extreme, if only a small number of holders of Ordinary Shares were to provide the certification referred to above, they would hold outsized voting power in and influence over Galaxy. Also, this variable voting, to the extent that it causes voting power to diverge from percentage holdings of Ordinary Shares, would necessarily disadvantage U.S. residents who hold Ordinary Shares or persons that hold beneficially Ordinary Shares through U.S. residents.

***Galaxy and GDH LP are required to indemnify directors and certain officers or other agents against a wide range of potential liabilities. These indemnification obligations could be material.***

The constating documents of Galaxy and GDH LP provide for customarily broad rights of indemnification for directors as well as certain officers or other agents. The constating documents also provide for the possibility of advancement of expenses to such indemnified persons. In addition, each of Galaxy and GDH LP have entered into indemnification agreements with its directors and officers. While rights of indemnification are typically viewed as a key protection and inducement for indemnified persons to serve in senior roles in which they may be exposed to liability, indemnification payments and advancement of expenses may be material and may have an adverse effect on Galaxy or GDH LP. Furthermore, indemnified persons may be subject to derivative or other similar claims brought by

the shareholders or GDH LP itself, which claims would generally be expected to be covered by rights of indemnification and, potentially, advancement of expenses. In certain circumstances, subject to applicable laws in the relevant jurisdictions, indemnified persons may be entitled to indemnification even if their liabilities arose from their own negligence or unlawful conduct. Galaxy or GDH LP has incurred, and is expected to continue to incur, significant expense to procure directors and officers liability insurance that both supports potential indemnification obligations of Galaxy and GDH LP and, in some cases, provides indemnified persons with additional protection beyond the scope of these obligations. If Galaxy or GDH LP is unable to maintain adequate insurance, there could be adverse consequences.

***The holding of, or trading in, Ordinary Shares may be, or become, illegal in certain countries or other jurisdictions.***

One or more countries or jurisdictions, including but not limited to China, Russia, South Korea, the United States and Canada, may take regulatory actions now or in the future that severely restrict the right to acquire, own, hold, sell or use digital assets. Such actions or restrictions may also result in the restriction of holding or trading in Ordinary Shares or cause the price of any affected digital asset to decrease, possibly substantially. Such actions or restrictions would likely materially and adversely affect the effectiveness of GDH LP's investment and trading strategies, the value of its assets and the value of any investment in Galaxy. Shareholders are urged to consult legal advisors in their own relevant jurisdictions with respect to the current and prospective lawfulness of their purchasing, holding or selling Ordinary Shares.

***Ordinary Shares are generally not permitted to be acquired by U.S. Benefit Plan Investors, which could reduce Ordinary Shares' liquidity. Conversely, if U.S. Benefit Plan Investors were to acquire sufficient numbers of Ordinary Shares notwithstanding and in contravention of this limitation, Galaxy could be materially and adversely affected.***

With limited exceptions as may be determined by the Board, Ordinary Shares may not be acquired by U.S. Benefit Plan Investors. Galaxy's constituting documents provide that Galaxy need not recognize any purported transfer of Ordinary Shares to a U.S. Benefit Plan Investor and will be entitled, via an "excess share" provision, to cause any U.S. Benefit Plan Investor who acquired Ordinary Shares in contravention to sell or otherwise divest such Ordinary Shares, including to Galaxy or to a trust or similar vehicle established for this purpose. Furthermore, the shares could, now or in the future, represent ineligible investments for other categories of institutional purchasers as well. In each case, these considerations may reduce the number of prospective purchasers for whom Ordinary Shares are an attractive investment and therefore reduce Ordinary Shares' value and liquidity.

Conversely, if U.S. Benefit Plan Investors were to acquire sufficient numbers of Ordinary Shares notwithstanding and in contravention of this limitation, Galaxy could be materially and adversely affected. For example, if ERISA plans were to acquire 25% or more of Ordinary Shares, the assets of the Company would likely be deemed to be "plan assets" under ERISA, which would result, among other things, in the application of the prudence and other fiduciary responsibility standards of ERISA to investments made by Galaxy and the possibility that certain transactions in which Galaxy might otherwise seek to engage could constitute "prohibited transactions" under ERISA and Section 4975 of the Code, subjecting Galaxy to potential liability under ERISA and penalty taxes under the Code. While Galaxy has instituted safeguards to prevent this result, it is possible that such safeguards could fail to be effective (or could be deemed to have failed by a relevant governmental authority).

### **Risks Related to GDH LP**

***GDH LP has limited operating history. Its business lines are nascent, unproven and subject to material legal, regulatory, operational, reputational, tax and other risks in every jurisdiction and are not assured to be profitable.***

GDH LP and its subsidiaries have limited operating history on which an investor might evaluate their performance. GDH LP is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues, any of which

could have a material adverse effect on GDH LP and may force it to reduce or curtail operations. There is no assurance that GDH LP will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations. Even if GDH LP accomplishes these objectives, it may not generate the anticipated positive cash flows or profits. No assurance can be given that GDH LP will ever be successful in its operations and operate profitably.

Furthermore, GDH LP's business lines – even its investment businesses – are nascent, unproven and subject to material legal, regulatory, operational, reputational, tax and other risks in every jurisdiction and are not assured to be profitable. GDH LP may fail to be able to implement its investment or trading strategies, achieve its investment objectives, develop its business lines or produce a return for its investors. GDH LP has chosen to pursue a number of different businesses in this evolving industry. It is possible that some of these businesses may be difficult to enter and/or it may become evident that a particular business is not a productive use of capital or time. This could result in GDH LP modifying its businesses and focus. In particular, GDH LP may become involved in investments and projects that are not directly related to the digital asset or blockchain industry. These projects are likely to relate to industries and clients that GDH LP believes will benefit in the future from blockchain technology and GDH LP's experience and network in digital assets industry.

From time to time, GDH LP may also launch new lines of business, offer new products and services within existing lines of business or undertake other strategic projects. There are substantial risks and uncertainties associated with these efforts and GDH LP would invest significant capital and resources in such efforts. Regulatory requirements can affect whether initiatives are able to be brought to market in a manner that is timely and attractive to customers of GDH LP. Initial timetables for the development and introduction of new lines of business, products or services and price and profitability targets may not be met.

Furthermore, GDH LP's revenues and costs may fluctuate due to start-up costs associated with new businesses or products and services while revenues may take time to develop, which may adversely impact GDH LP's results of operations. To date, GDH LP has not earned meaningful revenue, although it has flexibility to monetize assets. If GDH LP is unable to successfully manage its business while reducing expenses, its ability to continue in business could depend on the ability to raise sufficient additional capital, obtain sufficient financing and monetizing assets. The occurrence of any of the foregoing risks would have a material adverse effect on GDH LP's financial results, business and prospects.

***GDH LP's businesses may require regulatory licenses and qualifications that GDH LP does not currently have and that may be costly and time-consuming to obtain and, if obtained, may subsequently be revoked.***

GDH LP's businesses involve certain activities which require regulatory licenses and qualifications such as dealing, management and advisory activities. These activities are often subject to material, costly and constraining financial regulation in jurisdictions worldwide. The process of acquiring and maintaining these licenses and qualifications will be costly and time-consuming, will occupy material management attention and is not certain to be successful, given that GDH LP may not meet the requirements for such licenses or qualifications or may fail to secure discretionary approval of relevant regulatory bodies. GDA's Continuing Membership Application ("CMA") to the Financial Industry Regulatory Authority was approved in July 2019. However, there is no assurance this approval will be maintained or will not be subsequently limited in scope, and these events could have a significant and negative effect not only on GDH LP's businesses in that market, but also on its reputation generally. Future expansions or material changes to GDA's CMA will require additional approvals that may be difficult to obtain. The law and regulation surrounding the operation of financial businesses with respect to digital assets is also unclear, uncertain, rapidly evolving and not assured to develop in a way that is favorable to GDH LP. There is a risk that aspects of GDH LP's businesses could be outlawed in jurisdictions around the world.

***Changes in law or regulation could subject GDH LP to further material, costly and constraining regulation, registration, licensing and other requirements.***

Legal or regulatory changes or interpretations of GDH LP's existing and planned activities (including those of its subsidiaries), including the mere buying and selling of digital assets, could require the registration or licensing of

GDH LP and/or its subsidiaries in additional, costly and constraining capacities, such as a money services business under the regulations promulgated by U.S. Financial Crimes Enforcement Network under the authority of the U.S. Bank Secrecy Act or the BitLicense scheme adopted by the New York State Department of Financial Services, or pursuant to applicable laws of Canada and other jurisdictions, and would therefore require GDH LP and/or its subsidiaries to comply with applicable regulatory, licensing, examination and supervision requirements. Such additional requirements could cause GDH LP to incur extraordinary expenses, possibly materially and adversely affecting GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in Galaxy).

***GDH LP is highly dependent on Michael Novogratz, which exposes Shareholders to material and unpredictable "key man" risk.***

GDH LP is highly dependent on the services of its founder, Chairman and CEO, Michael Novogratz, for conducting its businesses, implementing investment and trading strategies and establishing and maintaining relationships with key business counterparties. If the services of Mr. Novogratz were to become unavailable for any reason including a voluntary decision by Mr. Novogratz to no longer continue with the business, it would have a material adverse effect on GDH LP's business and investment decisions, financial results and returns to Shareholders of Galaxy.

***GDH LP is controlled by Mr. Novogratz, whose interests may be different from those of Shareholders.***

As of the financial year ended December 31, 2018 and as of the date of this AIF, Mr. Novogratz controlled over 70% of Galaxy on a fully-exchanged basis (assuming all B Units are vested and exchanged). Accordingly, Mr. Novogratz has the ability to substantially control GDH LP, including to elect members of the GDH GP Board. Where certain transactions, require the approval of Shareholders, though Mr. Novogratz may not be able to unilaterally authorize the transaction he may be able to unilaterally block it. This concentration of ownership and voting power may also delay, defer or prevent an acquisition by a third party or other change of control of GDH LP or Galaxy and may make some transactions more difficult or impossible without the support of Mr. Novogratz even if they are in the best interests of the Shareholders. Collectively, these considerations may have a negative effect on the price of Ordinary Shares.

Mr. Novogratz's interests may not be fully aligned with those of Shareholders which, given Mr. Novogratz's power and influence, could lead to actions that are not in the best interests of Shareholders. For example, Mr. Novogratz may have a different tax position from Galaxy (and Shareholders), which could influence his decisions regarding whether and when GDH LP should dispose of assets or incur new, or refinance existing, indebtedness. Mr. Novogratz might also be motivated to take actions to retain his controlling stake in GDH LP at the expense of maximizing the overall value of GDH LP (and therefore Galaxy and the Ordinary Shares). Mr. Novogratz's fiduciary duties and the consent rights of Galaxy and the Shareholders may serve as a check on any such motivation, but Shareholders cannot be assured that the potential divergence of Mr. Novogratz's interests and theirs might not hurt the value of Ordinary Shares.

***Mr. Novogratz could engage in activities outside of GDH LP or could quit GDH LP in favor of other pursuits.***

Mr. Novogratz is not contractually required to continue to provide services to GDH LP. While his employment agreement contains covenants that he will not compete with GDH LP and applicable laws may prevent Mr. Novogratz from engaging in certain directly competitive activities while he is a member of the Board or the GDH GP Board, such laws will not guarantee to Shareholders that Mr. Novogratz will devote his full time, attention or efforts to GDH LP. Furthermore, if Mr. Novogratz were to cease to provide services to GDH LP, he could engage in other pursuits, which may relate to digital assets or investing, while remaining the largest and generally controlling owner of GDH LP, an outcome that may be unfavorable to Shareholders. Mr. Novogratz may also continue to manage significant non-digital assets outside of GDH LP, which may consume some of his time, attention and efforts.

***Mr. Novogratz's public profile makes it more likely that Galaxy or GDH LP will attract material regulatory scrutiny, which would be costly and distracting regardless of whether Galaxy or GDH LP has engaged in any unlawful conduct.***

Mr. Novogratz has been a vocal and visible proponent of digital assets, in some cases attracting controversy in connection with his views and statements. These considerations make it foreseeable that Galaxy or GDH LP could attract material regulatory scrutiny driven in part by the visibility of Mr. Novogratz. Regulatory scrutiny may take the form of requests for information or responses, examinations, meetings or other types of interactions that do not proceed to any formal enforcement action, suit, fine or other formal negative sanction but that can nonetheless consume a material amount of management's time, attention and efforts, lead to material spending on legal and other advisors and cause other negative consequences.

***If GDH LP is unable to successfully identify, hire and retain qualified individuals, it will not be able to implement its growth strategy successfully.***

GDH LP's growth strategy is based, in part, on its ability to attract and retain highly qualified individuals. Competition presented by other firms may create difficulty for GDH LP in recruiting and retaining professionals of a caliber consistent with its business strategy. If GDH LP is unable to successfully identify qualified professionals, this failure could materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in Galaxy).

In addition, there is a risk that an employee of or contractor to GDH LP or any of its affiliates could engage in misconduct that adversely affects its business and results. It is not always possible to deter such misconduct, and the precautions GDH LP takes to detect and prevent such misconduct may not be effective in all cases. Misconduct by an employee of or contractor to GDH LP or any of its affiliates, or even unsubstantiated allegations of such misconduct, could result in both direct financial harm to those entities and Galaxy.

***GDH LP or its subsidiaries and affiliates, face substantial litigation and regulatory risks.***

As an enterprise whose material business lines include financial services, GDH LP or its subsidiaries and affiliates, depend to a significant extent on its relationships with its clients and counterparties and its reputation for integrity and high-caliber professional services. As a result, if a client is not satisfied with GDH LP's services, a counterparty has a dispute or if there are allegations of improper conduct by private litigants or regulators, whether the ultimate outcome is favorable or unfavorable to GDH LP, or if there is negative publicity and press speculation about GDH LP, whether or not valid, GDH LP's reputation may be harmed and may be more damaging to GDH LP's businesses than to businesses in other non-financial industries.

GDH LP or its subsidiaries and affiliates could be the subject of inquiries, investigations, lawsuits and proceedings by counterparties, clients, other third parties and regulatory and other governmental agencies in the U.S. and abroad, which could lead to increased expenses or reputational damage. Responding to inquiries, investigations, lawsuits and proceedings, regardless of the ultimate outcome of the matter, is time-consuming and expensive and can divert the attention of senior management. The outcome of such proceedings may be difficult to predict or estimate until late in the proceedings, which may last a number of years.

Certain GDH LP subsidiaries are subject to periodic examination by regulatory authorities. If compliance failures or other violations are found during an examination, a regulatory agency could initiate actions and impose sanctions for violations, including, for example, regulatory agreements, cease and desist orders, civil monetary penalties or termination of a license and could lead to litigation by investors or clients, any of which could adversely impact GDH LP.

If GDH LP and/or any governmental agency believe that it has accepted capital contributions by, or is otherwise holding assets of, any person or entity that is acting directly or indirectly, in violation of U.S., international or other anti-money laundering laws, rules, regulations, treaties or other restrictions, or on behalf of any suspected terrorist or terrorist organization, suspected drug trafficker or senior foreign political figure(s) suspected in engaging in

foreign corruption, GDH LP and/or such governmental agency may “freeze the assets” of such person or entity. GDH LP may also be required to report and remit or transfer those assets to a governmental agency.

As a publicly listed company, Galaxy is also subject to the risk of claims under applicable Canadian securities laws. Volatility in the stock price of Galaxy increases the risk of such claims.

***GDH LP’s use of technology, proprietary and non-proprietary software, data and intellectual property may be subject to substantial risk.***

GDH LP relies heavily on the use of technology, proprietary and non-proprietary software, data and intellectual property of GDH LP and third parties in the digital asset sector. The reliance on this technology and data is subject to a number of important risks. Much of the existing technology for the financial services businesses was not built to service digital assets, which require a unique set of considerations. GDH LP is working with numerous service providers to help develop technology to service the industry. If these platforms and technology solutions do not work as planned, or do not meet the level of quality required by GDH LP, it may make transacting business less efficient, more expensive and potentially prone to errors.

The operation of any element of the digital assets network or any other electronic platform may be severely and adversely affected by the malfunction of its technology and the technology of third parties. For example, an unforeseen software or hardware malfunction could occur as a result of a virus or other outside force, or as result of a design flaw in the design and operation of the network or platform. Furthermore, if GDH LP’s software, hardware, data or other intellectual property is found to infringe on the rights of, or GDH LP’s rights therein are found to be infringed upon by, any third party, the underlying value of the assets of GDH LP could be materially and adversely affected.

Third parties with which GDH LP does business or that facilitate GDH LP’s business activities, including exchanges, financial intermediaries or vendors that provide services or security solutions for GDH LP’s operations, could also be sources of technology risk to GDH LP, including from breakdowns or failures of their own systems or capacity constraints or other services that impair GDH LP’s ability to process transactions and communicate with customers and counterparties. In addition, GDH LP is exposed to the risk that a technology disruption or other information security event at a vendor to GDH LP’s third-party service providers could impede their ability to provide products or services to GDH LP. GDH LP may not be able to effectively monitor or mitigate operational risks relating to the use of vendors by third-party service providers.

***GDH LP’s businesses rely on third-party service providers.***

GDH LP’s operations could be interrupted if GDH LP’s third-party service providers experience operational or other systems difficulties, terminate their services or fail to comply with regulations. GDH LP outsources some of its operational activities and accordingly depend on relationships with many third-party service providers. Specifically, GDH LP relies on third parties for certain services, including, but not limited to, legal, accounting, financial operations, trade related activity, IT infrastructure and systems, trade reconciliation, and margin and collateral movement. GDH LP’s business depends on the successful and uninterrupted functioning of GDH LP’s information technology and telecommunications systems and third-party service providers. The failure of these systems, a cybersecurity breach involving any of GDH LP’s third-party service providers or the termination or change in terms of a third-party software license or service agreement on which any of these systems is based could interrupt GDH LP’s operations. Because GDH LP’s information technology and telecommunications systems interface with and depend on third-party systems, GDH LP could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. Replacing vendors or addressing other issues with GDH LP’s third-party service providers could entail significant delay, expense and disruption of service. As a result, if these third-party service providers experience difficulties, are subject to cybersecurity breaches, or terminate their services, and GDH LP is unable to replace them with other service providers, particularly on a timely basis, GDH LP’s operations could be interrupted. If an interruption were to continue for a significant period, GDH LP’s business, financial condition and results of operations could be adversely affected. Should GDH LP be required to replace third-party service providers, it may be at a higher cost to GDH LP, which could adversely affect GDH LP’s business, financial condition and results of operations.

***Cybersecurity incidents and other systems and technology problems may materially and adversely affect GDH LP.***

Cybersecurity incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. The digital asset industry is a particular target for cybersecurity incidents, which may occur through intentional or unintentional acts by individuals or groups having authorized or unauthorized access to GDH LP's systems or GDH LP's clients' or counterparties' information, which may include confidential information. These individuals or groups include employees, vendors and customers, as well as hackers. The information and technology systems used by GDH LP and its service providers are vulnerable to damage or interruption from, among other things: hacking, ransomware, malware and other computer viruses; denial of service attacks; network failures; computer and telecommunication failures; phishing attacks; infiltration by unauthorized persons; security breaches; usage errors by their respective professionals; power outages; terrorism; and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. GDH LP has experienced cybersecurity incidents, none of which have been material. While GDH LP will deploy a range of defenses, it is possible GDH LP could suffer an impact or disruption that could materially and adversely affect GDH LP. The security of the information and technology systems used by GDH LP and its service providers may continue to be subjected to cybersecurity threats that could result in material failures or disruptions in its business. If these systems are compromised, become inoperable for extended periods of time or cease to function properly, GDH LP or a service provider may have to make a significant investment to fix or replace them. The failure of these systems or of disaster recovery plans for any reason could cause significant interruptions in operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to shareholders (and the beneficial owners of shareholders). Such a failure could harm GDH LP's reputation, subject it to legal claims and otherwise materially and adversely affect GDH LP's investment and trading strategies and the value of GDH LP (and therefore Galaxy).

***Operational risk may materially and adversely affect GDH LP's performance and results.***

Operational risk is the risk of an adverse outcome resulting from inadequate or failed internal processes, people, systems or from external events. GDH LP's exposure to operational risk arises from routine processing errors, as well as extraordinary incidents, such as major systems failures or legal and regulatory matters. As GDH LP operates trading, lending, investment and other businesses that are reliant on both technology and human expertise and execution, GDH LP is exposed to material operational risk arising from a number of factors, including, but not limited to, human error, processing and communication errors, errors of GDH LP's service providers, counterparties or other third parties, failed or inadequate processes and technology or system failures.

Digital asset transfers are typically not reversible without the consent and active participation of the recipient of the transaction. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer or theft of digital assets generally will not be reversible and GDH LP may not be capable of seeking compensation for any such transfer or theft. Although, GDH LP has processes and procedures in place to limit any such transfers, nonetheless it is possible that, through computer or human error, or through theft or criminal action, GDH LP digital assets could be subject to these operations errors and transferred from its accounts in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts. Operational errors or significant operational delays could materially negatively impact GDH LP's ability to conduct its business or service its clients, which could adversely affect results of operations due to potentially higher expenses and lower revenues, create liability for GDH LP or its clients or negatively impact its reputation. Recurring operational issues may raise concerns among regulators regarding our governance and control environment.

***GDH LP may not be effective in mitigating risk.***

GDH LP seeks to mitigate risk and has established policies and procedures to provide a sound operational environment for the types of risk to which it is subject, including operational risk, credit risk, market risk and liquidity risk. However, as with any risk management framework, there are inherent limitations to GDH LP's current and future risk management strategies, including risks that it has not appropriately anticipated or identified. Accurate and timely enterprise-wide risk information is necessary to enhance management's decision-making in times of crisis. If GDH LP's risk management framework proves ineffective or if GDH LP's enterprise-wide management information

is incomplete or inaccurate, it could suffer unexpected losses, which could materially adversely affect its results of operations or financial condition.

***Managing different business lines could present conflicts of interest.***

GDH LP is building a full service, institutional-quality financial services business through its business lines: trading, principal investments, asset management, lending and advisory services. Subject to applicable regulatory approvals, GDH LP may also launch additional business lines from time to time. There are certain inherent and potential conflicts of interest in managing different business lines. Due to the broad scope of GDH LP's businesses, potential conflicts of interest include situations where its services to a particular client or GDH LP's own investments or other interests conflict, or are perceived to conflict, with the interests of another client, as well as situations where one or more of GDH LP's businesses have access to material non-public information that may not be shared with its other businesses and situations where GDH LP may be an investor or creditor of an entity with which it also has an advisory or other relationship. For example, GDH LP subsidiaries may provide corporate advisory services to companies that are also investee companies of Galaxy Digital Ventures LLC or Galaxy Digital Capital Management. Furthermore, the allocation of investment opportunities among funds and GDH LP could also present a conflict of interest. In managing these different conflicts, fiduciary duty obligations may require GDH LP to resolve conflicts in favor of clients over the firm or other third parties. Employees and executives may also have conflicts of interest in allocating their time and activity between the businesses. GDH LP manages conflicts of interest through a number of ways including with a conflicts committee. However, appropriately identifying and dealing with conflicts of interest is complex and difficult, and GDH LP's reputation could be damaged and the willingness of clients to enter into transactions with GDH LP may be affected if GDH LP fails, or appears to fail, to identify, disclose and deal appropriately with conflicts of interest. In addition, potential or perceived conflicts could give rise to litigation or regulatory enforcement actions. A failure to appropriately identify and address potential conflicts of interest could adversely affect GDH LP's businesses.

***GDH LP incurs increased costs as a result of supporting Galaxy and funding the requirements applicable to Galaxy as a public company.***

Galaxy incurs significant levels of legal, accounting and other expenses in respect of its status as a publicly listed company. Canadian Securities Law, together with the listing requirements of the exchanges (or any other stock exchange on which Ordinary Shares may be listed on in the future), impose significant requirements relating to disclosure controls and procedures and internal control over financial reporting. GDH LP incurs significant costs as a result of compliance with these public company requirements at both Galaxy and GDH LP levels, which require additional resources and make some activities more time-consuming. As a company in the digital assets industry, GDH LP may experience higher-than-anticipated operating expenses as well as higher independent auditor and consulting fees and may need to hire additional qualified personnel to continue to satisfy these public-company requirements. GDH LP is required to expend considerable time and resources with respect to Galaxy's compliance with public company regulations. If Galaxy or GDH LP is unable to satisfy Galaxy's obligations as a public company, Galaxy could be subject to de-listing of Ordinary Shares, fines, sanctions or other detrimental regulatory actions.

***Force majeure events may materially and adversely affect the business continuity of GDH LP.***

GDH LP may be affected by events beyond its control, including acts of nature, fires, floods, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism and labor strikes. Some such events may adversely affect the ability of GDH LP or a counterparty to GDH LP to perform its obligations. In addition, the cost to GDH LP of repairing or replacing damaged reputation or assets as a result of such an event could be considerable. Certain events such as war or an outbreak of an infectious disease could have a broader negative impact on the world economy and international business activity generally, or in any location in which GDH LP may invest or conduct its business specifically.

**Risks Related to GDH LP's Lines of Business**

***Changes in the value levels of the assets may cause GDH LP's assets under management ("AUM"), revenue and earnings to decline.***

GDH LP asset management business, which is conducted through one or more subsidiaries, is primarily comprised of fees based on a percentage of the value of AUM and, in some cases, performance fees which are normally expressed as a percentage of returns to the client. Numerous factors, including price movements in the assets in the markets in which GDH LP manages assets, could cause:

- the value of AUM, or the returns that GDH LP realizes on AUM, to decrease;
- the withdrawal of funds from any products offered by GDH LP in favor of products offered by competitors; or
- a decrease in the value of seed or co-investment capital or a decrease in the amount of such capital available to invest.

The occurrence of any of these events may cause GDH LP's AUM, revenue and earnings, if any, to decline and may negatively impact the success of GDH LP's asset management business.

***There are material risks and uncertainties associated with custodians of digital assets.***

GDH LP uses custodians, exchanges and third-party wallet providers to hold its digital assets. Such parties may or may not be subject to regulation by U.S. state or federal or non-U.S. governmental agencies or other regulatory or self-regulatory organizations. While not currently anticipated, GDH LP could have a high concentration of its digital assets in one location or with one custodian, exchange or wallet provider, which may be prone to losses arising out of hacking, loss of passwords, compromised access credentials, malware or cyberattacks. Certain custodians, exchanges or third-party wallet providers may not indemnify GDH LP against any losses of digital assets or may not have full insurance over the assets under custody. Digital assets held by certain custodians, exchanges or third-party wallet providers may be transferred into "cold storage" in which case there could be a delay in retrieving such digital assets.

GDH LP may also incur costs related to the third-party custody and storage of its digital assets. Any security breach, incurred cost or loss of digital assets associated with the use of a custodian could materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in Galaxy).

Galaxy Digital Capital Management is registered as an investment adviser under the Advisers Act. Among other requirements, the Advisers Act mandates that if a registered adviser has custody of client funds and securities, it must maintain them with a "qualified custodian." Given the characteristics of digital assets and the relative immaturity of the asset class, there are limited numbers of "qualified custodians" available at this time (if any). Difficulties in finding a "qualified custodian" could have a material adverse effect on the asset management business, including potentially causing it to liquidate a substantial portion of its portfolio. There is also a risk that the SEC determines that certain custodians used are not, regardless of their representations to the contrary, "qualified custodians", which would potentially require the asset management group to move certain digital assets and/or subject it to regulatory action. The uncertainty and potential difficulties associated with this question and related questions could materially and adversely affect GDH LP's asset management business.

***The asset management business is highly regulated and regulators may apply or interpret these regulations with respect to digital assets in novel and unexpected ways.***

Asset management is a highly regulated business subject to numerous legal and regulatory requirements. These regulations are intended to protect customers whose assets are under management and, as such, may limit GDH LP's ability to develop, expand or carry out its asset management business in the intended manner. GDH LP is guided in significant part by regulatory regimes that are not clear or are not yet developed. To the extent that there is any ambiguity as to whether an asset under management is a security, the applicability of many regulations to GDH LP's asset management business will not be clear. Furthermore, GDH LP must address conflicts of interest, as well as the perception of conflicts of interest, between itself (including the other business lines of GDH LP) and its clients and funds. In particular, GDH LP will be required to act in the best interest of its clients and funds, which may include allocating opportunities to its clients and funds rather than to its own principal business lines. In addition, the

regulators have substantial discretion in determining what is in the best interest of a client of a fund and have increased their scrutiny of potential conflicts. Appropriately dealing with conflicts of interest is complex and if GDH LP fails, or appears to fail, to deal appropriately with any of these conflicts of interest, it may face reputational damage, litigation, regulatory proceedings, or penalties, fines or sanctions, any of which may have a material and negative impact on GDH LP's asset management business. In addition, to the extent that GDH LP is required to obtain client or investor consent in connection with any potential conflict, any failure or delay in obtaining such consent may have a material and negative impact on GDH LP's ability to take advantage of certain business opportunities.

***Increased competition may cause GDH LP's AUM, revenue and earnings to decline.***

The asset management industry is highly competitive and has relatively low barriers to entry. GDH LP currently expects that, as digital assets become more mainstream, additional competitors, potentially in large numbers, may begin providing asset management services with respect to digital assets. GDH LP competes based on a number of factors including: investment performance, the level of fees charged, the quality and diversity of services and products provided, name recognition and reputation, and the ability to develop new investment strategies and products to meet the changing needs of investors. In addition, the introduction of new technologies, as well as regulatory changes, may significantly alter the competitive landscape for investment managers in digital assets. This could lead to fee compression or require GDH LP to spend more to modify or adapt its product offerings to attract and retain customers and remain competitive with products and services offered by new competitors in the industry. Increased competition on the basis of any of these factors, including competition leading to fee reductions, or may cause our AUM, revenue and earnings to decline. Any of these could materially and negatively impact the success of GDH LP's asset management business.

***The success of GDH LP's advisory services business will depend on generating and maintaining ongoing, profitable client demand for its services and solutions, and the failure of that demand to materialize or any future significant reduction in such demand or an inability to respond to the evolving technological environment could materially negatively affect GDH LP's advisory services business.***

The success of GDH LP's advisory services business, which is conducted through one or more subsidiaries, depends on creating and maintaining a demand for its services and solutions with favorable margins. The ability to realize or maintain this demand could be negatively affected by numerous factors, many of which will be beyond the control of GDH LP and unrelated to its future work product.

Developments in the digital asset industry, which are expected to be rapid, could shift demand to new services and solutions. If, as a result of new technologies or changes in the industries the GDH LP serves, or clients demand new services that GDH LP does not or is unable to provide, GDH LP may be less competitive in these new areas or need to make significant investment to meet that demand. GDH LP's strategy for developing its advisory business focuses on responding to these types of developments by driving innovation that will enable GDH LP to expand its advisory business into new growth areas. If GDH LP does not sufficiently invest in new technology and adapt to industry developments or evolve and expand our business at sufficient speed and scale, the success or even the viability of GDH LP's advisory services business would be negatively affected.

GDH LP may become involved in advisory projects that are not directly related to the digital asset or blockchain industry. These projects are likely to relate to industries and clients that GDH LP believes will benefit in the future from blockchain technology and GDH LP's experience and network in digital assets industry.

***The success of GDH LP's advisory services business could materially suffer if it is unable to obtain favorable pricing for services and solutions or if GDH LP is unable to remain competitive.***

The success of GDH LP's advisory services business may be significantly affected by its ability to price its advisory services properly. If GDH LP is not able to obtain favorable pricing for its advisory services and solutions, the success of GDH LP's advisory services business may materially suffer. The rates GDH LP charges for its services and solutions may be affected by a number of factors, including:

- general economic and political conditions;
- the competitive environment in our industry; and
- the procurement practices of clients and their use of third-party advisors.

GDH LP believes that currently there are limited persons providing the digital asset advisory services that GDH LP provides. However, the barrier to entry is very low and competitors can easily and will likely provide similar services in the near future. The success of GDH LP's advisory services business could suffer if it is not able to remain competitive. The less GDH LP is able to differentiate its services and solutions or clearly convey the value of its services and solutions, the more risks GDH LP will face in winning new work in sufficient volumes and at target pricing, which could materially negatively impact the success or viability of GDH LP's advisory services business. In addition, the introduction of new services or products by competitors could reduce GDH LP's ability to obtain favorable pricing and impact the overall economics for the services or solutions offered.

***GDH LP's co-investments with third parties may be subject to substantial risk.***

GDH LP may co-invest with third parties, including parties related to Mr. Novogratz, through joint ventures or other entities. Such investments may include risks in connection with such third-party involvement, including the possibility that a third-party co-venturer may have financial difficulties, may have interests or goals that are inconsistent with those of GDH LP or may be in a position to take action in a manner contrary to GDH LP's investment objectives.

***GDH LP is subject to risks in connection with its lending business.***

GDH LP and its subsidiaries have loaned money to other companies as part of its principal investment business. The return of principal of the GDH LP's loans will depend in large part on the creditworthiness and financial strength of the issuers of such loans. While GDH LP performs extensive due diligence on its investments, nonetheless defaults are possible. In the event of a default by a borrower underlying an investment, GDH LP might not receive payments to which it is entitled and thereby could experience a decline in the value of its investments in the borrower. In the case of loans that are secured by collateral, while GDH LP generally expects the value of the collateral to be greater than the value of such loans, the value of the collateral could actually be equal to or less than the value of such loans or could decline below the outstanding amount of such loans subsequent to the investment. This risk is heightened given that some portion of the collateral for these loans is expected to be digital assets, and thus subject to the volatility, liquidity and other risks detailed herein. The ability of GDH LP to have access to the collateral could be limited by bankruptcy and other insolvency laws. Under certain circumstances, the collateral could be released with the consent of the lenders or pursuant to the terms of the underlying loan agreement with the borrower. There is no assurance that the liquidation of the collateral securing a loan would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal, or that the collateral could be readily liquidated. As a result, GDH LP might not receive full payment on a secured loan investment to which it is entitled and thereby could experience a decline in the value of, or a loss on, the investment.

**Risks Related to Digital Assets**

***The continuing development and acceptance of digital assets and distributed ledger technology are subject to a variety of risks.***

Cryptocurrencies, such as bitcoin, and the other types of digital assets in which GDH LP invests and trades involve a new and rapidly evolving industry of which blockchain technology is a prominent, but not unique, part. The growth of the digital asset industry in general, and distributed ledger technology that supports digital assets, is subject to a high degree of uncertainty. The factors affecting the further development of the digital asset industry, as well as distributed ledger technology, include: continued worldwide growth in the adoption and use of digital assets; government and quasi-government regulation of digital assets and their use, or restrictions on or regulation of access to and operation of applicable distributed ledger technology or systems that facilitate their issuance and secondary trading; the maintenance and development of the open-source software protocol of certain blockchain networks used to support digital assets; advancements in technology, including computing power, that may render existing distributed ledger

technology obsolete or too slow; the use of the networks supporting digital assets for developing smart contracts and distributed applications; changes in consumer demographics and public tastes and preferences; the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies; and general economic conditions and the regulatory environment relating to digital assets.

***A decline in the adoption and use of digital assets would materially and adversely affect the performance of GDH LP.***

Digital assets are a new asset class and represent a technological innovation and they are subject to a high degree of uncertainty. The adoption of digital assets will require growth in usage and in the blockchain for various applications. Adoption of digital assets will also require greater regulatory clarity. A lack of expansion in use of digital assets and blockchain technologies would adversely affect the financial performance of GDH LP. In addition, there is no assurance that digital assets generally will maintain their value over the long term. The value of digital assets is subject to risks related to its use. If growth in the use of digital assets generally occurs in the near or medium term, there is no assurance that such use will continue to grow over the long term. A contraction in use of digital assets may result in increased volatility or a reduction in prices, which would materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP.

***The prices of digital assets are extraordinarily volatile.***

Values of digital assets have historically been highly volatile. A decline in digital assets that GDH LP holds would negatively impact its financial position. A significant portion of demand for digital assets is generated by speculators and investors seeking to profit from the short- or long-term holding of these assets. Speculation regarding future appreciation in the value of a digital asset may inflate and make more volatile the price of that digital asset.

Several factors may affect the price of digital assets, particularly cryptocurrencies, including, but not limited to: supply and demand, investors' expectations with respect to the rate of inflation, interest rates, currency exchange rates or future regulatory measures (if any) that restrict the trading of cryptocurrencies or the use of cryptocurrencies as a form of payment. There is no assurance that cryptocurrencies will maintain their long-term value in terms of purchasing power in the future, or that acceptance of cryptocurrency payments by mainstream retail merchants and commercial businesses will continue to grow. Only a limited number of cryptocurrencies, including bitcoin, have recently become sometimes accepted as a means of payment for some goods and services, and use of cryptocurrencies by consumers to pay at retail and commercial outlets remains very limited. In part, this is because cryptocurrencies face significant scaling obstacles that can lead to high fees or slow transaction settlement times and attempts to increase the volume of transactions may not be effective. A lack of expansion by cryptocurrencies into retail and commercial markets, or a contraction of such limited use as has developed to date, may result in increased volatility or a reduction in the value of that cryptocurrency or cryptocurrencies generally, either of which could materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in Galaxy).

***Political or economic crises may motivate large-scale sales of digital assets, which would result in a reduction in values and materially and adversely affect GDH LP.***

Cryptocurrencies, as an alternative to fiat currencies that are backed by central governments, are subject to supply and demand forces based upon the desirability of an alternative, decentralized means of buying and selling goods and services, and it is unclear how such supply and demand will be impacted by geopolitical events. For example, political or economic crises could motivate large-scale acquisitions or sales of digital assets either globally, regionally or locally. Large-scale sales of certain digital assets would result in a reduction in their value and could materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of GDH LP (and therefore in Galaxy).

***The regulation of digital assets continues to evolve in every jurisdiction, and regulatory changes or actions may restrict the use of digital assets, the operation of distributed ledger technologies that support such digital assets and platforms that facilitate the trading of such assets.***

As digital assets have grown in popularity and in market size, governments, regulators and self-regulators (including law enforcement and national security agencies) around the world are examining the operations of digital asset issuers, users and platforms. To the extent that any Canadian, U.S. or other government or quasi-governmental agency exerts regulatory authority over the digital asset industry in general, the issuance of digital assets, and trading and ownership of, and transactions involving the purchase and sale or pledge of, such assets, may be adversely affected, which could adversely affect GDH LP's businesses and investments. The effect of any future regulatory change on digital asset issuers and participants in general is impossible to predict, but such change could materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in Galaxy).

The legal status of digital assets varies substantially from jurisdiction to jurisdiction and is still undefined and changing in many of them. Likewise, various government agencies, departments, and courts have classified and continue to classify digital assets differently. Changes in laws, regulations, policies and practices could have an adverse effect on GDH LP, its strategies, business and investments. For example, regulatory agencies could shut down or restrict the use of platforms or exchanges using digital assets or otherwise limit the use of digital assets. This, and any other changes in laws, regulations, policies and practices, could lead to a loss of any investment made by or in GDH LP, and in turn in the Company, and may trigger regulatory action by securities or other regulators.

Furthermore, various jurisdictions may, in the near future, adopt laws, regulations or directives that affect digital assets, the related markets and exchanges and the ability to use, trade and hold digital assets. Such laws, regulations or directives may conflict with one another and may negatively affect the acceptance of digital assets by users, merchants and service providers and may therefore impede the growth or sustainability of the bitcoin economy in Canada, the United States, the European Union, China, Japan, Russia or other locations and globally, or otherwise negatively affect the value of digital assets. Although there continues to be uncertainty about the full impact of these and other regulatory changes, GDH LP may become subject to a more complex regulatory framework in the near future and incur additional costs to comply with new requirements as well as to monitor for compliance with any new requirements in the future.

***The loss or destruction of a private key required to access certain cryptocurrencies or digital assets may be irreversible. GDH LP's loss of access to its private keys or its experience of a data loss relating to its cryptocurrency or digital asset investments could adversely affect GDH LP.***

Cryptocurrencies are controllable only by the possessor of the private key or keys relating to the "digital wallet" in which the currency is held. Private keys must be safeguarded and kept private in order to prevent a third party from accessing the cryptocurrencies while held in such wallet. To the extent a private key is lost, destroyed or otherwise compromised and no backup of the private key is accessible, GDH LP will be unable to access the cryptocurrencies held in the related digital wallet. Any loss of private keys relating to digital wallets used to store GDH LP or its affiliates cryptocurrencies could adversely affect its business and financial position.

Any loss of private keys relating to digital wallets used to store GDH LP's cryptocurrencies and digital assets could materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in Galaxy). If GDH LP's cryptocurrency or other digital assets are lost, stolen or destroyed under circumstances rendering a party liable to GDH LP, the responsible party may not have the financial resources sufficient to satisfy GDH LP's claims, which could lead to a material adverse effect on GDH LP.

***The need to adopt technology in response to changing security threats poses a challenge to the safekeeping of GDH LP's digital asset holdings.***

Holders of digital assets must adapt to technological change to secure and safeguard accounts. As technological change occurs, the security threats to GDH LP's digital asset holdings will likely adapt, and previously unknown threats may emerge. Furthermore, GDH LP may become a greater target of security threats as GDH LP's size and reputation increases. If GDH LP is unable to identify and mitigate or stop new security threats, GDH LP's assets may be subject to theft, loss, destruction or other attack, which could result in a loss of GDH LP's assets or materially and adversely

affect GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in Galaxy).

***Due to the unregulated nature and lack of transparency surrounding the operations of exchanges, they may experience fraud, security failures or operational problems, which may adversely affect the value of digital assets traded on those exchanges and, consequently, GDH LP's investments and Galaxy's Ordinary Shares.***

Digital asset exchanges on which digital assets trade are relatively new and, in some cases, unregulated. Furthermore, while some exchanges provide information regarding their ownership structure, management teams, corporate practices and regulatory compliance, many other exchanges do not. As a result, the marketplace may lose confidence in the less transparent or unregulated exchanges, including prominent exchanges that handle a significant volume of trading in these assets.

For example, in 2019 there were reports claiming that 80-95% of bitcoin trading volume on exchanges was false or non-economic in nature, with specific focus on unregulated exchanges located outside of the U.S. Such reports may indicate that the bitcoin exchange market is significantly smaller than expected and that the U.S. makes up a significantly larger percentage of such market than is commonly understood. Nonetheless, any actual or perceived false trading in exchanges, and any other fraudulent or manipulative acts and practices, could adversely affect the value of digital assets and/or negatively affect the market perception of such assets.

In addition, over the past several years, some exchanges have been closed due to fraud and manipulative activity, business failure or security breaches. In many of these instances, the customers of such exchanges were not compensated or made whole for the partial or complete losses of their account balances. While smaller exchanges are less likely to have the infrastructure and capitalization that make larger exchanges more stable, larger exchanges are more likely to be appealing targets for hackers and malware and may be more likely to be targets of regulatory enforcement action.

Negative perception, a lack of stability in these exchange markets and the temporary or permanent closure of such exchanges due to fraud, business failure, hackers or malware, or government-mandated regulation may reduce confidence in the digital asset marketplace in general and result in greater volatility in the price of digital assets. These potential consequences could materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP and, therefore, the Ordinary Shares.

***Short sales of digital assets may be especially risky.***

GDH LP may make short sales of digital assets. In such a short sale, GDH LP would sell digital assets that it does not own, typically borrowed from a third party. Borrowing and lending markets for digital assets are currently limited and are unlikely to become as developed and stable as those for securities or other established assets in the near term, if ever, which exposes GDH LP to risks.

Because GDH LP would remain liable to return any digital assets that it borrowed, GDH LP would be required to purchase an equivalent amount of digital assets prior to the date on which delivery to the third party is required. GDH LP will incur a loss as a result of a short sale if the price of the digital assets increases between the date of the short sale and the date on which GDH LP replaces the borrowed digital assets. The amount of any loss will be increased by the amount of the premium or interest that GDH LP may be required to pay in connection with a short sale. Short selling exposes GDH LP to unlimited risk with respect to the borrowed digital assets because of the lack of an upper limit on the prices to which those digital assets can rise. Purchasing digital assets to close out a short position can itself cause the price of the digital assets to rise further, thereby exacerbating any losses. Under adverse market conditions, GDH LP may have difficulty purchasing digital assets to meet its short sale delivery obligations and may have to sell other digital assets to raise the necessary capital at a time when it would be unfavorable to do so. If a request for return of borrowed assets occurs at a time when other short sellers are receiving similar requests, a "short squeeze" can occur, and GDH LP may be compelled to replace borrowed digital assets previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the assets short. In addition, GDH LP may have difficulty purchasing assets to meet its delivery

obligations if the assets sold short by GDH LP have a limited daily trading volume or limited market capitalization. Short sales by GDH LP and “short” derivative positions are forms of investment leverage, and the amount of GDH LP’s potential loss is theoretically unlimited.

***Lending of digital assets may be especially risky.***

GDH LP may lend digital assets to third parties, including affiliates. On termination of the loan, the borrower is required to return the digital assets to GDH LP; any gains or loss in the market price during the loan would inure to GDH LP. In the event of the bankruptcy of the borrower, GDH LP could experience delays in recovering its digital assets. In addition, to the extent that the value of the digital assets increases during the term of the loan, the value of the digital assets may exceed the value of collateral provided to GDH LP, exposing GDH LP to credit risks with respect to the borrower and potentially exposing GDH LP to a loss of the difference between the value of the digital assets and the value of the collateral. If a borrower defaults under its obligations with respect to a loan of digital assets, including by failing to deliver additional collateral when required or by failing to return the digital assets upon the termination of the loan, GDH LP may expend significant resources and incur significant expenses in connection with efforts to enforce the loan agreement, which may ultimately be unsuccessful. In addition, there is significant operational infrastructure required to scale the borrowing and lending of digital assets. The failure to appropriately implement the infrastructure related to the lending business could lead to operational risk and have a material adverse effect on GDH LP.

***Blockchain networks, digital assets and the exchanges on which these assets are traded are dependent on internet infrastructure and susceptible to system failures, security risks and rapid technological change.***

The success of cryptocurrency-based blockchain and other digital asset platforms will depend on the continued development of a stable public infrastructure, with the necessary speed, data capacity and security, and the timely development of complementary products such as high-speed modems for providing reliable internet access and services. digital assets have experienced, and are expected to continue to experience, significant growth in the number of users and amount of content. There is no assurance that the relevant digital asset infrastructure will continue to be able to support the demands placed on it by this continued growth or that the performance or reliability of the technology will not be adversely affected by this continued growth. There is also no assurance that the infrastructure or complementary products or services necessary to make digital assets a viable product for their intended use will be developed in a timely manner, or that such development will not result in the requirement of incurring substantial costs to adapt to changing technologies. The failure of these technologies or platforms or their development could materially and adversely affect GDH LP’s investment and trading strategies, the value of its assets and the value of any investment in GDH LP. Cryptocurrencies are created, issued, transmitted, and stored according to protocols run by computers in the cryptocurrency network. It is possible these protocols have undiscovered flaws or could be subject to network scale attacks which could result in losses to GDH LP. Advancements in quantum computing could break the cryptographic rules of protocols which support certain GDH LP assets.

***Malicious actors could manipulate the blockchain networks and smart contract technology upon which digital assets rely and increase the vulnerability of the blockchain networks.***

If a malicious actor, including a state-sponsored actor, is able to hack or otherwise exert unilateral control over a particular blockchain network, or the digital assets on such a network, that actor could attempt to divert assets from that blockchain or otherwise prevent the confirmation of transactions recorded in that digital asset on that blockchain. Such an event could materially and adversely affect GDH LP’s investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in Galaxy). digital assets have been the subject of attempted manipulation by hackers to use them for malicious purposes. For example, misuses could occur if a malicious actor obtains a majority of the processing power controlling the cryptocurrency validating activities and altering the blockchain on which cryptocurrency transactions rely. Moreover, if the award for solving transaction blocks for a particular digital asset declines, and transaction fees are not sufficiently high, the incentive to continue validating blockchain transactions would decrease and could lead to a stoppage of validation activities. The collective processing power of that blockchain network would be reduced, which would adversely affect the confirmation

process for transactions by decreasing the speed of the adaptation and adjustment in the difficulty for transaction block solutions. Such slower adjustments would make the blockchain network more vulnerable to malicious actors' obtaining control of the blockchain network processing power.

***The network contributors for certain digital assets could propose amendments to the network protocols and software for these digital assets that, if accepted and authorized by the network for these digital assets, could adversely affect an investment in GDH LP or Galaxy***

The networks for certain digital assets are based on a protocol governing the peer-to-peer interactions between computers connected to each other within that network. The development team for a network (if any) might propose and implement amendments to a network's source code through software upgrades altering the original protocol, including fundamental ideas such as the irreversibility of transactions and limitations on the validation of blockchain software distributed ledgers. Such changes to original protocols and software could materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in Galaxy).

***Intellectual property rights claims may adversely affect the operation of portfolio companies and digital asset networks.***

Third parties may assert intellectual property claims relating to portfolio companies or digital asset networks and their source code. Regardless of the merit of any claim, any threatened action that reduces confidence in portfolio companies or digital asset networks could materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in Galaxy). Additionally, a meritorious intellectual property claim could lead to a loss of value in the impacted portfolio company or prevent GDH LP or other end users from accessing a specific blockchain network or holding or transferring their digital assets, which could force the liquidation of certain digital assets in which GDH LP has an interest or cause the value of such digital assets to decline significantly. As a result, an intellectual property claim against a portfolio company or large participants on certain blockchain networks could materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in Galaxy).

***Banks or other third-party services providers may decline to provide services to companies engaged in digital asset-related businesses, including GDH LP.***

A number of companies that provide digital asset-related services have been unable to find banks that are willing to provide them with bank accounts and banking services. Similarly, a number of such companies have had their existing bank accounts closed by their banks. Banks may refuse to provide bank accounts and other banking services to digital asset-related companies, including GDH LP, for a number of reasons, such as perceived compliance risks or costs. GDH LP's inability to procure or keep banking services would have a material and adverse effect on GDH LP. Similarly, continued general banking difficulties may decrease the utility or value of digital assets or harm public perception of those assets. In addition to banks, other third-party service providers including accountants, lawyers and insurance providers may also decline to provide services to companies engaged in digital asset-related businesses because of the perceived risk profile associated with such businesses or the lack of regulatory certainty. The failure of digital asset-related businesses to be banked or obtain other services could materially and adversely affect GDH LP's businesses, investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in Galaxy).

#### **Other Risks Related to Trading, Investments and Assets**

***Investments in initial coin offerings have declined and have been, and continue to be, subject to regulatory challenges.***

While GDH LP's business is not focused on servicing ICOs, nonetheless GDH LP continues to hold ICOs as investments. ICOs generally have been, and continue to be, subject to regulatory challenges. U.S. regulators, including the SEC, have repeatedly and publicly voiced significant concerns about ICOs, suggesting that many ICOs have been

fraudulent and that many ICOs in the United States may have been conducted in violation of the U.S. Securities Act and U.S. state securities laws. There have been a number of high-profile enforcement actions by the SEC against individuals, companies and exchanges involved in ICOs. The Chairman of the SEC has also suggested that structuring or advising on ICOs may generally require broker-dealer registration under the 1934 Act, which would also subject the party doing the structuring or advising to various theories of liability (for example, underwriter liability) under various securities laws. These actions have had a material and adverse effect on the size and robustness of the markets for ICOs and digital tokens generally. ICOs have also been outlawed in some countries and could be outlawed in other jurisdictions in the future. China and South Korea are prominent examples of countries that have effectively banned ICOs. If other jurisdictions adopt bans or impose other significant restrictions, this may also have a material and adverse effect on the size and robustness of the markets for ICOs and digital tokens generally, which could impact certain of GDH LP's investments.

***GDH LP may fail to develop and execute successful investment strategies.***

The success of GDH LP's investment and trading activities will depend on the ability of the investment team to identify overvalued and undervalued investment opportunities and to exploit price discrepancies. This process involves a high degree of uncertainty. No assurance can be given that GDH LP will be able to identify suitable or profitable investment opportunities in which to deploy its capital. The success of the trading activities also depends on GDH LP's ability to remain competitive with other over-the-counter traders and liquidity providers. Competition in trading is based on price, offerings, level of service, relationships and market intelligence. The success of investment activities depends on GDH LP's ability to source deals and obtain favorable terms. Competition in investment activities is based on relationships, the ability to offer strategic advice to portfolio companies and reputation. The barrier to entry in each of these businesses is very low and competitors can easily and will likely provide similar services in the near future. The success of GDH LP's investment and trading business could suffer if it is not able to remain competitive.

***GDH LP is exposed to a concentration of assets in a particular asset class, which could increase volatility, investment and market risk.***

GDH LP trades, invests and hold primarily digital assets and investments in the blockchain space and conducts related businesses. GDH LP may accumulate significant positions in, or otherwise have significant exposure to, a single digital asset or asset type. If GDH LP chooses to invest in concentrated positions, it could increase the volatility of investment results over time and exacerbate the risk that a loss in any position would have a material and adverse effect on GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in Galaxy).

GDH LP is exposed to significant market risk based on its positions in digital assets, securities, commodities and other assets. The prices or values of digital and non-digital assets in which GDH LP may invest or trade can be, and likely will be, highly volatile. Sustained market declines and periods of significant market volatility may limit the ability of GDH LP to produce positive investment and trading results, and there can be no assurance that GDH LP's strategies will be successful in the markets and assets in which it invests or trades.

***There may not be an active and liquid trading market for some of GDH LP's digital assets.***

Some digital assets may be more difficult to value than other investments because such assets may not have a liquid or transparent trading market. GDH LP may not be able to sell a digital asset promptly or at a reasonable time or price. Although there may be an institutional market for certain digital assets, it is not possible to predict exactly how the market for such assets will develop or whether it will continue to exist. A digital asset that was liquid at the time of purchase may subsequently become illiquid, and its value may decline as a result. In addition, transaction costs are generally higher for digital assets.

***GDH LP's investments in other investment vehicles may be subject to substantial risk.***

GDH LP may make direct or indirect investments in pooled investment vehicles, which may expose GDH LP to all of the risks of those vehicles' investments. The values of pooled investment vehicles are subject to change as the values of their respective assets fluctuate. To the extent that GDH LP invests in managed pooled investment vehicles, the performance of GDH LP's investments in such vehicles will be dependent on the investment and research abilities of persons other than GDH LP. The securities offered by such vehicles typically are not registered under applicable securities laws because they are offered in transactions that are exempt from registration.

***GDH LP's investments in options may be subject to substantial risk.***

GDH LP may invest in options on digital or non-digital assets. Purchasing and writing put and call options are highly specialized activities that entail greater-than-ordinary investment risks. An investment in an option may be subject to greater fluctuation than an investment in the underlying asset. An uncovered call writer's loss is theoretically unlimited. The ability to trade in or exercise options may be restricted in the event that trading in the underlying asset becomes restricted. Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size and strike price, the terms of over-the-counter options (options not traded on exchanges) are generally established through negotiation with the other party to the option contract. While this type of arrangement allows greater flexibility to tailor an option, over-the-counter options generally involve greater credit risk than exchange-traded options, which are guaranteed by the clearing organization of the exchanges where they are traded. As of this writing, the availability of exchange-traded and over-the-counter options on digital assets is extremely limited, so terms may be unfavorable in comparison to those available for more firmly established types of options.

***GDH LP's investments in derivatives may be subject to substantial risk.***

Derivatives are financial instruments whose values are based on the value of one or more reference assets or indicators, such as a security, currency, interest rate or index. GDH LP's use of derivatives involves risks different from, and possibly greater than, the risks associated with investing directly in securities and other more traditional investments. Moreover, although the value of a derivative is based on an underlying asset or indicator, a derivative typically does not carry the same rights as would be the case if GDH LP invested directly in the underlying asset.

Derivatives are subject to a number of risks, such as potential changes in value in response to market developments, and the risk that a derivative transaction may not have the effect that GDH LP anticipated. Derivatives also involve the risk of mispricing or improper valuation and the risk that changes in the value of a derivative may not achieve the desired correlation with the underlying asset or indicator. Derivative transactions may be highly volatile, and GDH LP could lose more than the amount it invests. Moreover, derivative transactions permit GDH LP to create investment leverage, which may exacerbate any losses on these positions. A liquid secondary market may not always exist for GDH LP's derivative positions at any time, and GDH LP may not be able to initiate or liquidate a derivative position at an advantageous time or price, which may result in significant losses.

In addition, derivative products are specialized instruments that require investment techniques and risk analyses different from those associated with direct investments. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself. In particular, the complexity of derivatives requires the maintenance of adequate controls to monitor the transactions entered into and the ability to assess the risk that a derivative adds to GDH LP's portfolio.

***GDH LP's investments in currencies may be subject to substantial risk.***

GDH LP may trade currencies in the interbank market, a global network of commercial banking institutions that make markets in foreign currencies. There is no limitation on daily price moves of contracts traded through banks and dealers. Banks and dealers may require GDH LP to deposit margin with respect to such trading. Banks and dealers are not required to continue to make markets in currencies.

There have been periods during which certain banks have refused to quote prices for currency contracts or have quoted prices with an unusually wide bid-ask spread. Arrangements to trade currency contracts may be made with

only one or a few banks, and liquidity problems might therefore be greater than if such arrangements were made with numerous banks. The imposition of credit controls by government authorities might limit such trading to less than that which GDH LP would otherwise undertake. In respect of such trading, GDH LP is subject to the risk of bank failure or the inability of, or refusal by, a bank to perform with respect to such contracts. Most, if not all, of these contracts are directly affected by changes in interest rates. The effects of governmental intervention may also be particularly significant at certain times in the interbank market.

***GDH LP's investments in exchange-traded futures contracts expose it to the risks of a clearing broker.***

The failure or bankruptcy of any of GDH LP's clearing brokers (or futures commission merchants) could result in a substantial loss of GDH LP's assets. Under the current regulations of the Commodity Futures Trading Commission, a clearing broker maintains customers' assets in a bulk segregated account. If a clearing broker fails to do so or is unable to satisfy a substantial deficit in a customer account, its other customers may be subject to risk of loss of their funds in the event of that clearing broker's bankruptcy. In such an event, the clearing broker's customers, such as GDH LP, are entitled to recover, even in respect of property specifically traceable to them, only a proportional share of all property available for distribution to all of that clearing broker's customers. When GDH LP trades bitcoin futures, it is exposed to the risk of its clearing broker.

***GDH LP's investments and trading transactions may be subject to credit risk.***

Credit risk is the risk that an issuer of a security or a counterparty will be unable or unwilling to satisfy payment or delivery obligations when due and the related risk that the value of an investment or trade may decline because of concerns about the issuer's or the counterparty's ability to make such payments. In addition to the risk of an issuer of a security in which GDH LP invests failing or declining to perform on an obligation under the security, GDH LP is exposed to the risk that third parties, including trading counterparties, clearing agents, exchanges, clearinghouses, custodians, administrators and other financial intermediaries that may owe GDH LP money, securities or other assets will not perform their obligations. Any of these parties might default on their obligations to GDH LP because of bankruptcy, lack of liquidity, operational failure or other reasons, in which event GDH LP may lose all or substantially all of the value of any such investment or trading transaction. When GDH LP trades on exchanges that specialize in digital asset futures and derivatives, it is exposed to the credit risk of that exchange.

***GDH LP's investments in restricted securities may be subject to substantial risk.***

GDH LP may invest in restricted securities, including private investment funds and venture capital investments. These may be less liquid and more difficult to value than other investments because such securities may not be readily marketable. GDH LP may not be able to sell a restricted security promptly or at a reasonable time or price. Although there may be a substantial institutional market for restricted securities, it is not possible to predict exactly how the market for such securities will develop or whether it will continue to exist. A restricted security that was liquid at the time of purchase may subsequently become illiquid, and its value may decline as a result. In addition, transaction costs are generally higher for restricted securities than for more liquid securities. Furthermore, GDH LP may have to bear the expense of registering restricted securities for resale and the many associated risks of substantial delays in effecting such a registration.

***GDH LP is not obligated to hedge its exposures, and, if it does, hedging transactions may be ineffective or reduce GDH LP's overall performance.***

GDH LP is not obligated to, and often times may not, hedge its exposures. However, from time to time, it may use a variety of financial instruments and derivatives, such as options, swaps, and forward contracts, for risk management purposes, including to: protect against possible changes in the market value of GDH LP's investment or trading assets resulting from fluctuations in the securities markets and changes in interest rates; protect GDH LP's unrealized gains in the value of its investments or trading assets; facilitate the sale of any such assets; enhance or preserve returns, spreads or gains on any trade or investment; hedge the interest-rate or currency-exchange risk on any of GDH LP's liabilities or assets; protect against any increase in the price of any assets that GDH LP anticipates purchasing at a later date; or to any other end that GDH LP deems appropriate. The success of any hedging activities by GDH LP will

depend, in part, on its ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the assets being hedged. Since the characteristics of many assets change as markets change or time passes, the success of GDH LP's hedging strategy will also be subject to its ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. In addition, while GDH LP may enter into hedging transactions to seek to reduce risk, such transactions may actually increase risk or result in a poorer overall performance for GDH LP than if it had not engaged in such hedging transactions.

***GDH LP may make, or otherwise be subject to, trade errors.***

Errors may occur with respect to trades executed on behalf of GDH LP. Trade errors can result from a variety of situations, including, for example, when the wrong investment is purchased or sold or when the wrong quantity is purchased or sold. Trade errors frequently result in losses, which could be material. To the extent that an error is caused by a third party, GDH LP may seek to recover any losses associated with the error, although there may be contractual limitations on any third party's liability with respect to such error.

***GDH LP's trading orders may not be timely executed.***

GDH LP's investment and trading strategies depend on the ability to establish and maintain an overall market position in a combination of financial instruments. GDH LP's trading orders may not be executed in a timely and efficient manner because of various circumstances, including, for example, trading volume surges or systems failures attributable to GDH LP or its counterparties, brokers, dealers, agents or other service providers. In such an event, GDH LP might only be able to acquire or dispose of some, but not all, of the components of its positions, or if the overall positions were to need adjustments, GDH LP might not be able to make such adjustments. As a result, GDH LP would not be able to achieve its desired market position, which may result in a loss. In addition, GDH LP can be expected to rely heavily on electronic execution systems (and may rely on new systems and technology in the future), which may be subject to certain systemic limitations or mistakes, causing the interruption of trading orders made by GDH LP.

***Unexpected market disruptions may cause major losses for GDH LP.***

GDH LP may incur major losses in the event of disrupted markets and other extraordinary events in which market behavior diverges significantly from historically recognized patterns. The risk of loss in such events may be compounded by the fact that in disrupted markets, many positions become illiquid, making it difficult or impossible to close out positions against which markets are moving. Market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses for GDH LP. Any such disruptions and events may have a material and adverse effect on GDH LP's investment and trading strategies and on any investment in GDH LP (and therefore in Galaxy).

***GDH LP is exposed to losses due to lack of perfect information.***

As a trader in digital assets, GDH LP will trade in a variety of assets with a number of different counterparties on both an anonymous and disclosed basis. GDH LP may at times trade with others who have information that is more accurate or complete than GDH LP's, and as a result GDH LP may accumulate unfavorable positions at unfavorable prices preceding large price movements in a given instrument. If the frequency or magnitude of these events increases, GDH LP's losses would likely increase correspondingly, which could have a material and adverse effect on the effectiveness of GDH LP's investment or trading strategies and on any investment in GDH LP (and therefore in the Company).

***Valuation involves significant risks and uncertainties, including the fact that methodologies involve subjective judgments.***

Digital assets, including but not limited to, bitcoin, can fluctuate dramatically in value and can lose a material portion of their value in a short period of time. There can be no assurance as to the value of GDH LP's portfolio as of any date in the future. Any future valuation could diverge from previous estimates as a result of market

fluctuations or additional third-party valuations of underlying assets using different and potentially inconsistent methods, financial reporting requirements under the International Financial Reporting Standards (“IFRS”) or other factors.

For purposes of IFRS-compliant financial reporting, GDH LP’s assets and liabilities are valued in accordance with IFRS. Accordingly, GDH LP is required to follow a specific framework for measuring the fair value of its assets and liabilities and, in its audited financial statements, to provide certain disclosures regarding the use of fair value measurements.

The fair value measurement accounting guidance establishes a hierarchal disclosure framework that ranks the observability of market inputs used in measuring financing instruments at fair value. The observability of inputs depends on a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily quoted prices, or for which fair value can be measured from quoted prices in active markets, generally will have a high degree of market price observability and less judgment applied in determining fair value.

GDH LP holds certain securities, such as privately placed equity, debt, warrants or options, that will not have readily assessable market values. In such instances, GDH LP will determine the fair value of such securities based on various factors. In connection with securities for which no external pricing information is available, GDH LP may rely on internal pricing models or third-party valuation agents. Such valuations may vary from similar valuations performed by other independent third parties for similar types of securities. The valuation of illiquid securities is inherently subjective and subject to increased risk that the information used to value the security or to create the price models may be inaccurate or subject to other error. Inaccurate valuations may, among other things, hinder GDH LP from effectively managing its investment portfolios and risks.

The value of GDH LP’s portfolio may also be affected by changes in accounting standards, policies or practices. From time to time, GDH LP will be required to adopt new or revised accounting standards or guidance. It is possible that future accounting standards that GDH LP is required to adopt could materially change the valuation of GDH LP’s assets and liabilities.

Because of a wide variety of market factors and the nature of investments held by GDH LP, there is no guarantee that the value determined by GDH LP or a third-party valuation agent will represent the value that will be realized by GDH LP on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment. Moreover, the valuations to be performed by GDH LP or a third-party valuation agent are inherently different from the valuation of GDH LP’s securities that would be performed if GDH LP were forced to liquidate all or a significant portion of its securities, which liquidation valuation could be materially lower.

***Changes in, or the development of guidance relating to, accounting standards governing the preparation of Galaxy or GDH LP’s financial statements and future events could have a material impact on our reported financial condition, results of operations, cash flows and other financial data.***

From time to time, regulators change the financial accounting and reporting standards governing the preparation of GDH LP’s financial statements or the interpretation of those standards. These changes are difficult to predict and can materially impact how GDH LP records and reports its financial condition, results of operations, cash flows and other financial data. In some cases, GDH LP may be required to apply a new or revised standard retroactively or to apply an existing standard differently, also retroactively, in each case potentially resulting in the restatement of prior period financial statements and related disclosures. Additionally, GDH LP’s accounting policies and methods are fundamental to how it records and reports its financial condition and results of operations. The preparation of financial statements in conformity with IFRS requires management to make estimates based upon assumptions about future economic and market conditions which affect reported amounts and related disclosures in our financial statements. If subsequent events occur that are materially different than the assumptions and estimates GDH LP used, its reported financial condition, results of operation and cash flows may be materially negatively impacted.

In addition, the accounting for, and audit standards relating to, digital assets remain subject to further guidance. To the extent that such guidance imposes obligations on audit firms that they are not able to meet with respect to the review of digital assets, GDH LP and Galaxy could have difficulty in obtaining an audit opinion, filing audited financial statements in a timely manner or obtaining an unqualified opinion.

## **Risks Related to Taxation**

### ***The tax treatment of digital assets is unclear.***

The treatment of digital assets under the tax laws of the jurisdictions in which Galaxy and GDH LP are or may be subject to tax is unclear. The operations and dealings of Galaxy, through GDH LP, in or in connection with digital assets could be subject to adverse tax consequences in one or more jurisdictions, including as a result of development of the legal regimes surrounding digital assets, and Galaxy's operating results could be adversely affected thereby. Similarly, the purchase, holding or disposition of Ordinary Shares could also be subject to adverse treatment or adverse legal developments as a result of Galaxy's investment and dealings in digital assets through GDH LP.

With respect to GDH LP, many significant aspects of the U.S. federal income tax treatment of digital assets (including with respect to the amount, timing and character of income recognition) are uncertain. In 2014, the IRS released a notice (the "Notice") discussing certain aspects of digital assets for U.S. federal income tax purposes and, in particular, stating that such digital assets (1) are "property," (2) are not "currency" for purposes of the rules relating to foreign currency gain or loss and (3) may be held as a capital asset. In 2019, the IRS released a revenue ruling and a set of "Frequently Asked Questions" (the "Ruling & FAQs") that provide some additional guidance, including guidance to the effect that, under certain circumstances, hard forks of digital currencies are taxable events giving rise to ordinary income and guidance with respect to the determination of the tax basis of digital currency. The Notice and the Ruling & FAQs, however, do not address other significant aspects of the U.S. federal income tax treatment of digital assets. GDH GP does not intend to request a ruling from the Internal Revenue Service (the "IRS") on these issues. Rather, GDH GP will cause GDH LP to take positions that it believes to be reasonable. There can be no assurance that the IRS will agree with the positions GDH LP takes, and it is possible that the IRS will successfully challenge GDH LP's positions.

Shareholders and prospective purchasers of Ordinary Shares are urged to consult their own tax advisors regarding the treatment of digital assets and the consequences of investing in Galaxy, which, indirectly through GDH LP, will invest in digital assets.

### ***Galaxy may be treated as a U.S. corporation or "surrogate foreign corporation" for U.S. federal income tax purposes.***

Galaxy continued under the laws of the Cayman Islands, and Galaxy intends to take the position that it is classified as a foreign corporation for U.S. federal income tax purposes. In certain cases, however, U.S. tax "inversion" rules under Section 7874 of the Code may cause a corporation organized outside of the United States to be treated as a U.S. corporation for U.S. federal income tax purposes if shareholders of a U.S. corporation acquired by Galaxy (or partners of a U.S. partnership conducting a trade and business and acquired by Galaxy) are treated as owning 80% or more of the stock of the foreign corporation by reason of holding such stock (or partnership interest) in such U.S. corporation (or U.S. partnership). The computation of the percentage interest is governed by complex rules that are often counterintuitive and unclear, and a foreign corporation may be treated as a U.S. corporation for U.S. tax purposes even if the foreign corporation is treated as tax-resident in another jurisdiction under the laws of that other jurisdiction (thus potentially subjecting the corporation to multiple taxation).

If Galaxy were treated as a U.S. corporation, the tax liability of Galaxy could materially increase, Galaxy could be adversely affected and non-U.S. shareholders of Galaxy could be subject to U.S. withholding tax on the gross amount of any dividends paid by Galaxy on Ordinary Shares.

In addition, even if Galaxy were treated as a foreign corporation, it could be treated as a surrogate foreign corporation if the percentage described above is calculated to be at least 60% but below 80%. A surrogate foreign

corporation is subject to a number of unfavorable U.S. tax rules, and if Galaxy were treated as a surrogate foreign corporation, certain adverse consequences could apply.

While Galaxy believes that it is, for U.S. tax purposes, neither a U.S. corporation nor a surrogate foreign corporation, there can be no assurance that U.S. tax authorities will agree with this position or that, in the event of a legal challenge, a U.S. court would sustain Galaxy's position. Prospective purchasers of Ordinary Shares are urged to consult their own tax advisors regarding the implications of Section 7874 of the Code and related provisions for an investment in Galaxy.

*The current structure of Galaxy and GDH LP is based in part on current U.S. tax law, which is subject to change, possibly on a retroactive basis.*

In the event of changes to U.S. tax law, GDH LP could seek to restructure its organization and operations, but there can be no assurance that such a restructuring would be successful, efficient or optimal from a business or operations perspective. Changes in tax laws, regulations or interpretations may have an adverse effect on GDH LP's businesses, financial condition, results of operations and investments.

### ADDITIONAL INFORMATION

Additional information relating to us may be found under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

Additional information, including directors' and officers' remuneration and indebtedness, the Company's principal Shareholders, and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's most recently filed Circular available under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

Additional financial information is provided in the:

- audited consolidated financial statements of GDH Ltd. for the fiscal years ended December 31, 2018 and December 31, 2017, together with the notes thereto and the auditor's report thereon;
- audited consolidated financial statements of GDH LP for the fiscal year ended December 2018 and the period ended December 31, 2017, together with the notes thereto and the auditor's report thereon;
- unaudited consolidated interim financial statements of GDH Ltd. as at and for the three and nine month periods ended September 30, 2019 and 2018;
- unaudited consolidated interim financial statements of GDH LP as at and for the three and nine month periods ended September 30, 2019 and 2018;
- management's discussion and analysis of financial condition and results of operations of GDH Ltd. for the fiscal years ended December 31, 2018 and December 31, 2017;
- management's discussion and analysis of financial condition and results of operations of GDH LP for the fiscal year ended December 31, 2018 and the period ended December 31, 2017;
- management's discussion and analysis of financial condition and results of operations of GDH Ltd. for the three and nine month periods ended September 30, 2019 and 2018; and
- management's discussion and analysis of financial condition and results of operations of GDH LP for the three and nine month periods ended September 30, 2019 and 2018

(collectively, the "**Financial Disclosure**").

The Financial Disclosure is available under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

## APPENDIX “A”

### AUDIT COMMITTEE CHARTER

#### GALAXY DIGITAL HOLDINGS LTD.

#### 1. Purpose

The Audit Committee (the “**Committee**”) of Galaxy Digital Holdings Ltd. (the “**Company**”) is a committee of the Board of Directors (the “**Board**”). As delegated by the Board, the Committee shall attend to the responsibilities and duties set out in this Charter.

#### 2. Membership

##### *Number of Members*

The Committee shall be composed of three or more members of the Board.

##### *Independence of Members*

Each member of the Committee must be independent. “**Independent**” shall have the meaning, as the context requires, given to it in National Instrument 52-110 – Audit Committees, as may be amended from time to time.

##### *Chair*

The members of the Committee shall designate a Chair by majority vote of the full Committee membership. The Chair must be a member of the Committee.

##### *Financial Literacy of Members*

At the time of his or her appointment to the Committee, each member of the Committee shall have, or shall acquire within a reasonable time following appointment to the Committee, the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

##### *Term of Members*

The members of the Committee shall be appointed annually by the Board. Each member of the Committee shall serve at the pleasure of the Board until the member resigns, is removed, or ceases to be a member of the Board.

#### 3. Meetings

##### *Number of Meetings*

The Committee may meet as many times per year as necessary to carry out its responsibilities.

##### *Quorum*

No business may be transacted by the Committee at a meeting unless a quorum of the Committee is present. A majority of members of the Committee shall constitute a quorum.

### *Calling of Meetings*

The Chair, any member of the Committee, the external auditor, the Chair of the Board, or the Chief Executive Officer or the Chief Financial Officer may call a meeting of the Committee by notifying the Company's Corporate Secretary who will notify the members of the Committee.

### *Minutes; Reporting to the Board*

The Committee shall maintain minutes or other records of meetings and activities of the Committee in sufficient detail to convey the substance of all discussions held. Upon approval of the minutes by the Committee, the minutes shall be circulated to the members of the Board. However, the Chair may report orally to the Board on any matter in his or her view requiring the immediate attention of the Board.

The Committee shall also propose agenda items and content for submission to the Board related to matters for which the Committee is responsible and provide periodic updates on recent developments concerning such matters to the Board.

### *Attendance of Non-Members*

The external auditor is entitled to attend and be heard at each Committee meeting. In addition, the Committee may invite to a meeting any officers or employees of the Company, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities. At least once per year, the Committee shall meet with management in separate sessions to discuss any matters that the Committee or such individuals consider appropriate. The Chair of the Board may attend any Committee meeting. Meetings of the Committee may be held in person or by telephone conference or similar communications equipment by means of which all persons participating in the meeting can hear each other.

### *Meetings without Management*

As part of each meeting of the Committee, the Committee shall hold a meeting with the external auditor of the Company and an in-camera session, at which management and non-independent directors of the Board are not present, and the agenda for each Committee meeting will afford an opportunity for such a session.

### *Access to Management and Books and Records*

The Committee shall have unrestricted access to the Company's management and employees and the books and records of the Company.

## **4. Duties and Responsibilities**

The Committee shall have the functions and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board and that the Board is authorized to delegate by applicable laws and regulations. In addition to these functions and responsibilities, the Committee shall perform the functions and responsibilities required of an audit committee by any exchange upon which securities of the Company are traded, or any governmental or regulatory body exercising authority over the Company, as are in effect from time to time (collectively, the "**Applicable Requirements**") or as the Board otherwise deems necessary or appropriate.

### *Financial Reports*

#### **(a) General**

The Committee is responsible for overseeing the Company's financial statements and financial disclosures. Management is responsible for the preparation, presentation and integrity of the Company's financial statements and financial disclosures and for the appropriateness of the accounting principles and the reporting policies used by the

Company. The external auditor is responsible for auditing the Company's annual consolidated financial statements and for reviewing the Company's unaudited interim financial statements.

**(b) Review of Annual Financial Reports**

The Committee shall review the annual consolidated audited financial statements of the Company, the auditors' report thereon and the related management's discussion and analysis of the Company's financial condition and financial performance ("MD&A"). After completing its review, if advisable, the Committee shall approve and recommend for Board approval the annual financial statements and the related MD&A.

**(c) Review of Interim Financial Reports**

The Committee shall review the interim consolidated financial statements of the Company, the auditors' review report thereon and the related MD&A. After completing its review, if advisable, the Committee shall approve and recommend for Board approval the interim financial statements and the related MD&A.

**(d) Review Considerations**

In conducting its review of the annual financial statements or the interim financial statements, the Committee shall:

- (i) meet with management and the auditors to discuss the financial statements and MD&A;
- (ii) review the disclosures in the financial statements;
- (iii) review the audit report or review report prepared by the auditors;
- (iv) discuss with management, the auditors and internal legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the financial statements;
- (v) review the accounting policies followed and critical accounting and other significant estimates and judgements underlying the financial statements as presented by management;
- (vi) review any material effects of regulatory accounting initiatives or off-balance sheet structures on the financial statements as presented by management, including requirements relating to complex or unusual transactions, significant changes to accounting principles and alternative treatments under applicable accounting principles;
- (vii) review any material changes in accounting policies and any significant changes in accounting practices and their impact on the financial statements as presented by management;
- (viii) review management's report on the effectiveness of internal controls over financial reporting;
- (ix) review the factors identified by management as factors that may affect future financial results;
- (x) review results of the Company's audit committee whistleblower hotline program; and
- (xi) review any other matters, related to the financial statements, that are brought forward by the auditors, management or which are required to be communicated to the Committee under accounting policies, auditing standards or Applicable Requirements.

(e) **Approval of Other Financial Disclosures**

The Committee is responsible for reviewing financial disclosure in a prospectus or other securities offering document of the Company, as well as press releases disclosing, or based upon, financial results of the Company and any other publicly disseminated material financial disclosure, including disclosure of material non-GAAP financial measures.

(f) **Review of Forward-Looking Financial Information**

The Committee shall review and, if advisable, recommend for Board approval any material financial outlook (e.g., earnings guidance) or forward-oriented financial information (“**FOFI**”) (e.g., forecasted financial statements). Unless exempted by the Applicable Requirements, the Committee shall endeavour to ensure that such materials (including electronic materials) are disclosed only if (a) the financial outlook or FOFI is based on assumptions that are reasonable in the circumstances, including that it is (i) limited to a period for which the information in the financial outlook or FOFI can be reasonably estimated and (ii) uses the accounting policies the Company expects to use to prepare its historical financial statements for the period covered by the financial outlook or FOFI, and (b) the Company includes disclosure that (i) states the date management approved the financial outlook or FOFI, if the document containing the financial outlook or FOFI is undated (ii) explains the purpose of the financial outlook or FOFI and (iii) cautions readers that the information may not be appropriate for other purposes.

**Auditors**

(a) **General**

The Committee shall be responsible for oversight of the work of the auditors, including the auditors’ work in preparing or issuing an audit report, performing other audit, review or attest services or any other related work.

(b) **Nomination and Compensation**

The Committee shall review and, if advisable, select and recommend for Board approval the external auditor to be nominated and the compensation of such external auditor. The Committee shall have ultimate authority to approve all audit engagement terms and fees, including the auditor’s audit plan.

(c) **Resolution of Disagreements**

The Committee shall resolve any disagreements between management and the auditors as to financial reporting matters brought to its attention.

(d) **Discussions with Auditors**

The Committee shall periodically discuss with the auditors such matters as are required by applicable auditing standards to be discussed by the auditors with the Audit Committee.

(e) **Audit Plan**

At least annually, the Committee shall review a summary of the auditors’ annual audit plan. The Committee shall consider and review with the auditors any material changes to the scope of the plan.

(f) **Quarterly Review Report**

The Committee shall review a report prepared by the auditors in respect of each of the interim financial statements of the Company.

(g) **Independence of Auditors**

Before the auditor issues its report on the annual financial statements, the Committee shall obtain from the auditors a formal written statement describing all relationships between the auditors and the Company; discuss with the auditors any disclosed relationships or services that may affect the objectivity and independence of the auditors; and obtain written confirmation from the auditors that they are objective and independent within the meaning of the applicable Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of chartered accountants to which the auditors belong and other Applicable Requirements. The Committee shall take appropriate action to oversee the independence of the auditors.

(h) **Evaluation of Lead Partner**

The Committee shall periodically review the qualifications and performance of the lead partner(s) of the auditor.

(i) **Requirement for Pre-Approval of Non-Audit Services**

The Committee shall approve in advance any retainer of the auditors to provide any non-audit service to the Company that it deems advisable in accordance with Applicable Requirements and Board approved policies and procedures. The Committee may delegate pre-approval authority to any member of the Committee. The decisions of any member of the Committee to whom this authority has been delegated must be presented to the full Committee at its next scheduled Committee meeting.

(j) **Approval of Hiring Policies**

The Committee shall review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.

(k) **Financial Executives**

The Committee shall review and discuss with management the appointment of key financial executives and recommend qualified candidates to the Board, as appropriate.

***Internal Controls***

(a) **General**

The Committee shall review the Company's system of internal controls.

(b) **Establishment, Review and Approval**

The Committee shall require management to implement and maintain appropriate systems of internal controls in accordance with Applicable Requirements, including internal controls over financial reporting and disclosure and to review, evaluate and approve these procedures. The Committee shall periodically consider and review with management and the auditors:

- (i) the effectiveness of, or weaknesses or deficiencies in: the design or operation of the Company's internal controls (including computerized information system controls and security); the overall control environment for managing business risks; and accounting, financial and disclosure controls (including, without limitation, controls over financial reporting), non-financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions;
- (ii) any significant changes in internal controls over financial reporting that are disclosed, or considered for disclosure, including those in the Company's periodic regulatory filings;

- (iii) any material issues raised by any inquiry or investigation by the Company's regulators;
- (iv) the Company's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the Company to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other employees who have a significant role in financial reporting; and
- (v) any related significant issues and recommendations of the auditors together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls.

### ***Risk Management***

The Committee shall be responsible for overseeing management's identification and assessment of the principal risks to the operations of the Company and the establishment and management of appropriate systems to manage such risks with a view to achieving a proper balance between risks incurred and potential return to holders of securities of the Company and to the long-term viability of the Company. In this regard, the Committee shall require management to report periodically to the Committee, and the Committee shall report periodically to the Board, on the principal risks faced by the Company and the steps implemented by management to manage these risks.

### ***Compliance with Legal and Regulatory Requirements***

The Committee shall receive reports from the Company's Corporate Secretary and other management members on: (a) legal or compliance matters that may have a material impact on the Company; (b) the effectiveness of the Company's compliance policies; and (c) any material communications received from regulators. The Committee shall review management's evaluation of and representations relating to compliance with specific applicable law and guidance, and management's plans to remediate any deficiencies identified.

### ***Audit Committee Whistleblower Procedures***

The Committee shall establish a policy and procedure for (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. Any such complaints or concerns that are received shall be reviewed by the Committee and, if the Committee determines that the matter requires further investigation, it will direct the Chair of the Committee to engage outside advisors, as necessary or appropriate, to investigate the matter and will work with management and the Company's General Counsel to reach a satisfactory conclusion.

The Committee shall review the Company's whistleblower policy on a periodic basis to determine whether the procedures established under the policy operate effectively in respect of the receipt, retention and treatment of reports and in providing a confidential and anonymous procedure as may be required by applicable laws.

### ***Audit Committee Disclosure***

The Committee shall prepare, review and recommend to the Board for approval any audit committee disclosures required by Applicable Requirements in the Company's disclosure documents.

## **5. Outside Advisors**

The Committee shall have the authority to retain and terminate external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities and to set and pay the respective compensation for these advisors. The Company shall provide appropriate funding, as determined by the Committee, for the services of these advisors.

**6. No Rights Created**

This Charter is a statement of broad policies and is intended as a component of the flexible governance framework within which the Committee, functions. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Company's constating documents, it is not intended to establish any legally binding obligations.

**7. Delegation**

The Committee may, to the extent permissible by applicable law, designate a sub-committee to review any matter within this Charter as the Committee deems appropriate.

**8. Charter Review & Committee Self-Evaluation**

The Committee shall review and update this Charter from time to time to ensure compliance with the Applicable Requirements and recommend it to the Board for approval of any applicable modifications. The Committee shall also periodically conduct a self-evaluation to evaluate its effectiveness.