GALAXY

DIGITAL

Galaxy Digital Holdings Ltd.

Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

(Expressed in US Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Galaxy Digital Holdings Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Galaxy Digital Holdings Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, prepared under the conditions mentioned above, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying Value of Investment in Associate

As at December 31, 2020, the carrying value of the investment in associate is $246,992,523 and accounts for 100% of the net assets of the Company. The Company holds a 29% interest in Galaxy Digital Holdings LP. Management has determined it has significant influence over the investment and has accounted for it using the equity method under IAS 28.

Accounting for the investment in associate requires management to exercise judgement on its level of influence over the investment and ensuring it's carried at no more than its recoverable amount, including assessing if there are any impairment indicators. As a result, we considered this a key audit matter.

Our audit procedures included, but were not limited to:

- Auditing the consolidated financial statements of Galaxy Digital Holdings LP for the year ended December 31, 2020.
- Assessing the accounting method related to significant influence versus control.
- Utilizing our internal valuation expert to evaluate management's assessment of impairment indicators and complete an independent assessment.

The accounting policy for the investment in associate is set out in Note 3 and the use of estimates and judgements in applying accounting policies is set out in Note 2. Disclosure in relation to the carrying value of the investment in associate can be found in Note 6.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Carmen Newnham.

Davidson & Company LLP

Vancouver, Canada | Chartered Professional Accountants

March 29, 2021

Galaxy Digital Holdings Ltd.

Consolidated Statements of Financial Position
(Expressed in US Dollars)

	December 31, 2020	December 31, 2019
Assets		
Current assets		
Investment receivable from warrant exercise (Note 8)	$ 20,781,207	$ —
	20,781,207	**—**
Investment in associate (Note 6)	246,992,523	81,040,806
Total assets	**$ 267,773,730**	**$ 81,040,806**
Liabilities		
Warrant liability (Notes 8,13)	$ 20,781,207	$ —
Total liabilities	**20,781,207**	**—**
Shareholders' equity		
Share capital (Note 8)	301,305,535	240,637,540
Reserves (Note 8)	14,998,852	13,101,410
Accumulated other comprehensive income	791,444	791,444
Deficit	(70,103,308)	(173,489,588)
Total shareholders' equity	**246,992,523**	**81,040,806**
Total liabilities and shareholders' equity	**$ 267,773,730**	**$ 81,040,806**

Nature and continuance of operations (Note 1)

Commitments and contingencies (Note 10)

Approved and authorized for issuance by the Board of Directors of Galaxy Digital Holdings Ltd. on March 29, 2021.

"Bill Koutsouras" Director

"Michael Novogratz" Director

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

Galaxy Digital Holdings Ltd.

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

	Year ended December 31, 2020	Year ended December 31, 2019
Operating expenses		
Directors fees (Note 7)	$ 498,154	$ 530,000
Professional fees	1,038,742	428,046
General and administrative	366,150	333,307
Recoveries from associate - reimbursable expenses (Note 7)	(1,903,046)	(1,291,184)
	—	**(169)**
Equity income from associate (Note 6)	103,386,280	5,846,146
Net unrealized loss on warrant liability (Note 8)	(14,318,125)	—
Recoveries from associate - warrant liability (Note 8)	14,318,125	—
Impairment on investment in associate (Note 6)	—	(138,365,239)
	103,386,280	**(132,519,093)**
Income (loss) and comprehensive income (loss) for the year	**$ 103,386,280**	**$ (132,519,262)**
Basic income (loss) per share (Note 9)	**$ 1.51**	**$ (2.00)**
Diluted income (loss) per share (Note 9)	**$ 1.28**	**$ (2.00)**
Weighted average number of common shares outstanding - basic (Note 9)	**68,512,122**	**66,378,053**
Weighted average number of common shares outstanding - diluted (Note 9)	**301,178,603**	**66,378,053**

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

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

	Share Capital			Accumulated Other Comprehensive		
	Number	Amount	Reserves	Income	Deficit	Total
Balance at December 31, 2018	**65,117,305**	**$ 236,953,554**	**$ 7,807,423**	**$ 791,444**	**$ (40,970,326)**	**$ 204,582,095**
Issuance of common stock	2,834,669	3,669,451	—	—	—	3,669,451
Repurchase of common stock	(1,315,434)	(1,224,760)	—	—	—	(1,224,760)
Equity based compensation from investment in associate (Note 6, 8)	—	1,239,295	5,293,987	—	—	6,533,282
Loss for the year	—	—	—	—	(132,519,262)	(132,519,262)
Balance at December 31, 2019	**66,636,540**	**$ 240,637,540**	**$ 13,101,410**	**$ 791,444**	**$ (173,489,588)**	**$ 81,040,806**
Issuance of common stock (Note 6, 8)	5,472,493	4,832,895	—	—	—	4,832,895
Repurchase of common stock (Note 6, 8)	(3,600,997)	(2,874,623)	—	—	—	(2,874,623)
Shares issued for PIPE transaction (net of issuance costs) (Note 8)	19,070,000	49,277,614	—	—	—	49,277,614
Warrant liability allocation	—	(6,463,082)	—	—	—	(6,463,082)
Shares issued for acquisitions (Note 6, 8)	3,670,471	14,938,093	—	—	—	14,938,093
Equity based compensation from investment in associate (Note 6, 8)	—	957,098	1,897,442	—	—	2,854,540
Income for the year	—	—	—	—	103,386,280	103,386,280
Balance at December 31, 2020	**91,248,507**	**$ 301,305,535**	**$ 14,998,852**	**$ 791,444**	**$ (70,103,308)**	**$ 246,992,523**

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

Consolidated Statements of Cash Flows
(Expressed in US Dollars)

	Year ended December 31, 2020	Year ended December 31, 2019
Operating activities		
Income (loss) for the year	$ 103,386,280	$ (132,519,262)
Adjustments for:		
Equity income from associate	(103,386,280)	(5,846,146)
Net unrealized loss on warrant liability	14,318,125	—
Recoveries from associate - warrant liability	(14,318,125)	—
Impairment on investment in associate	—	138,365,239
Net cash used in operating activities	—	(169)
Investing activities		
Investment in associate	(49,277,614)	—
Net cash used in investing activities	(49,277,614)	—
Financing activities		
Proceeds from PIPE transaction	50,000,000	—
Share issuance costs	(722,386)	—
Net cash provided by financing activities	49,277,614	—
Net decrease in cash	—	(169)
Cash, beginning of year	—	169
Cash, end of year	$ —	$ —
Supplemental disclosure of cash flow information and non-cash financing activities:		
Initial recognition of warrant liability from equity and related recovery from associate	$ 6,463,082	$ —
Shares issued for acquisitions	$ 14,938,093	$ —

1. NATURE AND CONTINUANCE OF OPERATIONS

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

Effective July 6, 2020, the Company has an active public listing on the Toronto Stock Exchange ("TSX") under the ticker "GLXY". The Company was previously listed on the TSX Venture Exchange ("TSX-V") under the same ticker. GDH Ltd.'s ordinary shares are dual-listed on the Frankfurt Stock Exchange under the symbol "7LX".

The Company is listed on the TSX via TSX Sandbox. TSX Sandbox is an initiative intended to facilitate listing applications that may not satisfy the original listing requirements of the TSX, but due to facts or situations unique to a particular issuer otherwise warrant a listing on the TSX. The TSX has exercised its discretion to waive the requirements of subsection 309(c)(i) of its manual (C$10 million in treasury resulting from public raise) which the Company did not meet. GDH Ltd.'s approval pursuant to TSX Sandbox was conditioned upon public filing of an Annual Information Form and prominent quarterly disclosure of digital assets and investments, which the Company has completed and agreed to continue to provide. The Company will remain listed pursuant to TSX Sandbox until such time as it has completed a twelve-month period without significant compliance issues after graduation. In addition, GDH Ltd. and Galaxy Digital Holdings LP ("GDH LP" or the "Partnership") are required to disclose the following two risk factors that were also included in the most recent Annual Information Form for the year-ended 2020: (1) The Company has limited operating history and its business lines are nascent and subject to material legal, regulatory, operational and other risks in every jurisdiction; and (2) the market price and trading volume of the Company's ordinary shares has been volatile and will likely continue to be so in response to, among other factors, market fluctuations in digital assets generally or the digital assets that the Partnership holds or trades.

The Company has a minority interest in the Partnership. The Partnership is building a diversified financial services and investment management business in the cryptocurrency and blockchain space, and intends to capitalize on market opportunities made possible by the ongoing evolution of the digital assets space through five primary business lines: trading, principal investing, asset management, investment banking and mining. GDH LP's cryptocurrency related assets may be subject to significant fluctuations in value and are subject to risks unique to the asset class and different from traditional financial assets. Additionally, certain assets are held on cryptocurrency exchanges that are limited in oversight by regulatory authorities. Refer to GDH LP's consolidated financial statements for the year ended December 31, 2020 and 2019 for risks associated with these asset classes.

Corporate Transaction

The Company owns a minority interest in GDH LP. GDH LP, an operating partnership which was formed on May 11, 2018, is managed by the board of managers and officers of the Partnership's general partner. Galaxy Digital Holdings GP LLC ("GDH GP" or the "General Partner"), is a limited liability company incorporated under the laws of the Cayman Islands on July 26, 2018 and serves as the general partner of GDH LP. The sole LLC member of the General Partner is Galaxy Group Investments LLC ("GGI"), which is controlled by the Chief Executive Officer ("CEO") of the Company.

These consolidated financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are to manage its minority interest in GDH LP and are dependent on financial support from GDH LP, who has the obligation to reimburse the Company for all reasonable operational expenses (Note 5). At December 31, 2020, the Company had total equity of $247.0 million (December 31, 2019 - $81.0 million). Management estimates that, based on the financial support from GDH LP, the Company has the ability to maintain its operations and activities for the upcoming year.

2. BASIS OF PRESENTATION

Statement of Compliance

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

These consolidated financial statements were approved by the Company's Board of Directors and authorized for issuance on March 29, 2021.

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value. In addition, the consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow disclosure.

Functional and Presentation Currency

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

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

Basis of Consolidation

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

Use of estimates and judgments

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

Significant judgments in applying accounting policies

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

Influence over Investment in associate

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

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

Significant estimates

Deferred tax assets

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

Investment in associate

The underlying values of the equity investment includes valuations of digital assets and investments in private companies. Digital assets may be subject to significant fluctuations in value and when the fair value of the investments in private companies cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair value and this value may not be indicative of recoverable value.

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

Valuation of warrant liability

The warrants issued in connection with the private investment in public equity (Note 8) are recorded as a derivative financial liability as these warrants are exercisable in Canadian dollars, differing from the Company's functional currency, which is US Dollars. The Company measures the initial warrant liability and subsequent revaluations of the warrant liability by reference to the fair value of the warrants at the date at which they were issued and subsequently revalues them at each reporting date. Estimating fair value for these warrants requires management to determine the most appropriate valuation model. The Company uses the Black-Scholes Option Pricing Model to determine the fair value of its warrant liability. This estimate also requires management to make significant judgments about the capacity in which warrant holders receive warrants, and to make assumptions about the most appropriate inputs to the valuation model including the expected life of the warrants, volatility and dividend yield. If different input assumptions are used, the changes can materially affect the fair value estimate.

COVID-19

In March 2020, the World Health Organization declared COVID-19 (Coronavirus) a global pandemic. For the safety and well-being of its employees, the Company has implemented its business continuity plans, including remote work arrangements. Nonetheless, the COVID-19 pandemic has caused global economic uncertainty and the current and expected impacts on global commerce has been and are anticipated to continue to be far-reaching. To date, globally, there has been significant volatility in markets and foreign exchange rates, restriction on conduct of business in many jurisdictions, including travel restrictions and supply chain disruptions. The Company has evaluated the potential impacts arising from COVID-19 on all aspects of its business and, to date, the Company has not been uniquely impacted by COVID-19. Given the economic uncertainty, it is not possible to predict the duration or magnitude of the adverse results of the outbreak and its effect on the Company at this time.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Cash

Cash and cash equivalents may include cash on hand, demand deposits and short-term highly liquid investments that are readily convertible into known amounts of cash, with maturities of 90 days or less when acquired. As of December 31, 2020 and 2019, the Company did not classify any balances as cash equivalents.

Financial instruments

Financial assets

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

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash, as applicable, and investment receivable from warrant exercise are classified as FVTPL.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities, as applicable, are classified as financial liabilities and carried on the statement of financial position at amortized cost. Warrant liability is classified as FVTPL.

Investment in associate

The Company accounts for its investment in its associate using the equity method. Under the equity method, the Company's investment in associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of earnings and losses of the associate and for impairment losses after the initial recognition date. The Company's share of an associate's losses that are in excess of its investment in the associate are recognized only to the extent that the Company has

incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of earnings and losses of associates are recognized through profit or loss during the period. Distributions received from an associate are accounted for as a reduction in the carrying amount of the Company's investment in the associate.
Intercompany transactions between the Company and its associates are recognized only to the extent of unrelated investors' interests in the associate.

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

Equity based compensation

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

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

Earnings (Loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) (the numerator) by the weighted average number of outstanding common shares for the period (denominator). When diluted earnings per share is calculated, only those outstanding share options and warrants and other convertible instruments with exercise prices below the average trading price of the Company's common shares for the period will be dilutive.

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

Comprehensive income (loss)

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

Income taxes

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

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

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

4. NEW ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

There are no new accounting policies or recent accounting pronouncements adopted in the year ended December 31, 2020.

5. KEY TERMS OF LIMITED PARTNERSHIP AGREEMENT

On July 31, 2018, the Company, GDH LP, GDH GP, GDH Intermediate LLC entered into a second amended and restated limited partnership agreement (as amended from time to time, the "LPA"). Certain key terms of the LPA include the following:

- *Units* - there are two classes of partnership interests ("Units"): Class A Units, which are held by GDH Ltd., and Class B Units, which are held by GGI and other Class B limited partners.
- *Issuance of Additional Units* - the General Partner will not cause the Partnership to issue any additional Class B Units unless (i) the General Partner determines there is a bona fide business or strategic reason to raise equity capital through the issuance of Class B Units, provided that the aggregate amount of Class B Units that may be issued is less than or equal to 70,000,000 or the GDH Ltd. board of directors approves such issuance.
- *Allocations of Income, Gain, Loss, Deduction and Credit* - each item of income, gain, loss, deduction and credit will generally be allocated pro-rata between Class A Units and Class B Units.
- *Issuances and redemptions of common stock of GDH Ltd.* - If GDH Ltd. issues any of its ordinary shares, the General Partner will, only if either (i) the General Partner has consented to such issuance or (ii) the issuance receives approval by the limited partners holding the majority of Units, cause the Partnership to issue to GDH Ltd., in exchange for GDH Ltd. promptly contributing the net cash proceeds of the issuance to the Partnership, a number of Class A Units equal to the number of ordinary shares issued. Upon the redemption, repurchase, or other acquisition of ordinary shares by GDH Ltd., the Partnership will, at substantially the same time as the redemption, repurchase or acquire, redeem or cancel Class A Units equal to the number of ordinary shares redeemed, repurchased or acquired for an amount equal to the net cash amount paid by the GDH Ltd. for such redemption, repurchase, or other acquisition.
- *Exchanges of Class B Units* - A Class B limited partner may exchange vested Class B Units for ordinary shares of GDH Ltd. On exchange, GDH Ltd. will issue ordinary shares and the General Partner will cancel the Class B Units exchanged and issue Class A Units to GDH Ltd. equal to the number of Class B Units being surrendered, after accounting for any withholding obligation if applicable.

(Expressed in US Dollars)

- *Removal of General Partner* - The General Partner may generally be removed by the limited partners holding at least 66 2/3% of the outstanding Units.
- *Reimbursable Expenses* - All expenses reasonably incurred by GDH Ltd. in the conduct of its business, including fees related to professional advisors, required or advisable licenses and filings, and meetings and compensation of directors, will be reimbursable by GDH LP.
- *General Partner Board* - As long as GDH Ltd. owns more than 10% of the outstanding Units of GDH LP, GDH Ltd. will have the right to appoint one person to the board of the general partner. In addition, if GDH Ltd. owns more than 40%, but not more than 50%, of the outstanding Units, GDH Ltd. will have the right to appoint another person to the board of the general partner.

6. INVESTMENT IN ASSOCIATE

The Company holds a 29.0% interest in GDH LP as of December 31, 2020 (23.3% at December 31, 2019), which is subject to key terms of the LPA (Note 5).

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

As of December 31, 2020, the carrying value of the investment in GDH LP was $246,992,523 (December 31, 2019 - $81,040,806).

Summarized financial information for GDH LP

Summarized Statements of Financial Position	**December 31, 2020**	**December 31, 2019**
Current assets		
Cash	$ 135,765,978	$ 106,262,780
Other current assets	1,302,875,677	287,275,686
	1,438,641,655	393,538,466
Non-current assets	17,583,705	9,240,655
Total assets	**$ 1,456,225,360**	**$ 402,779,121**
Liabilities	**$ 372,058,391**	**$ 47,674,556**
Non-controlling interests	**285,955,518**	**7,319,484**
	$ 658,013,909	**$ 54,994,040**
Net Assets	**$ 798,211,451**	**$ 347,785,081**
The Company's share of net assets - 29.0% (December 31, 2019 - 23.3%)	$ 246,992,523	$ 81,040,806

(Expressed in US Dollars)

	Year ended December 31, 2020	Year ended December 31, 2019
Income	**$ 304,159,961**	**$ 132,342,962**
Operating expenses	**(79,873,171)**	**(82,204,177)**
Net unrealized gain (loss) on digital assets	239,719,806	(11,973,090)
Net unrealized gain (loss) on investments (Note 8)	90,587,112	(12,521,148)
Net unrealized loss on warrant liability	(14,318,125)	—
Unrealized foreign currency gain (loss)	(517,442)	147,986
Realized foreign currency loss	(870,755)	(197,065)
	314,600,596	**(24,543,317)**
Income for the year	**$ 538,887,386**	**$ 25,595,468**
Income (loss) attributed to:		
Unit holders of the Partnership	$ 385,502,231	$ 25,770,304
Non-controlling interests	153,385,155	(174,836)
	$ 538,887,386	**$ 25,595,468**
Foreign currency translation adjustment	16,615	254,448
Comprehensive income for the year	**$ 538,904,001**	**$ 25,849,916**
The Company's share of comprehensive income	$ 103,386,280	$ 5,846,146

Impairment of investment in associate

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

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

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

(Expressed in US Dollars)

Impairment amount

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

Reconciliation to carrying amount of investment in GDH LP:

	Year ended December 31, 2020	Year ended December 31, 2019
Balance, beginning	$ 81,040,806	$ 204,581,926
Shares issued for PIPE transaction net of issuance costs[1] (Note 8)	42,814,532	—
Shares issued for acquisitions (Note 8)	14,938,093	—
Equity based compensation allocation	2,854,540	6,533,282
Increase in ownership interest as a result of GDH LP Class B unit exchanges (Note 8)	4,832,895	3,669,451
Cancellation of Class A common stock repurchased (Note 8)	(2,874,623)	(1,224,760)
Allocation of comprehensive income	103,386,280	5,846,146
Impairment of investment	—	(138,365,239)
Balance, ending	**$ 246,992,523**	**$ 81,040,806**

[1] Net of $722,386 cash issuance costs and $6,463,082 warrant liability.

As at December 31, 2020, the Company determined there were no indicators of impairment.

Accounting for the investment by GDH Ltd.

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

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

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

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

Business Combinations

Drawbridge Lending, LLC

On November 12, 2020, GDH Ltd. acquired Drawbridge Lending, LLC (“Drawbridge" or "DBL”). Drawbridge is a Delaware limited liability company that was established in March 2018 and operates as a Chicago-based CFTC-regulated Commodity Trading Advisor and Commodity Pool Operator. Drawbridge utilizes derivatives to provide hedged financial products to eligible contract participants through its platform. Its flagship product is a crypto-backed fiat loan with no margin call and an option hedge overlay.

(Expressed in US Dollars)

On completion of the DBL acquisition on November 12, 2020:

- All of the issued and outstanding DBL membership interests and all other rights to receive DBL membership interests were cancelled and converted into the right to receive the consideration, or $4,891,217, calculated as $5,000,000 net of company transaction expenses of $108,783. The consideration consisted of 1,507,473 shares and a cash payment of $273,334. As part of the consideration, the Company issued 1,352,583 shares and held back 154,890 shares to satisfy customary representations and warranties.
- Immediately following the execution of the acquisition, GDH Ltd. contributed its membership interests in DBL to GDH LP which, immediately thereafter, contributed them to Galaxy Digital LP. DBL changed its name to Galaxy DBL, LLC.
- Galaxy Digital LP became the sole member of Galaxy DBL, LLC, and the officers of Drawbridge became the officers of Galaxy DBL, LLC.

Blue Fire Capital

On November 12, 2020, GDH Ltd. acquired BF Holdings I, LLC ("Blue Fire Capital" or "BFC"). Blue Fire Capital is a Delaware limited liability company that was established in 2007 and operates as a Chicago-based propriety trading firm specializing in providing two-sided liquidity for futures markets and digital assets.

On completion of the BFC acquisition on November 12, 2020:

- All of the issued and outstanding BFC membership interests and all other rights to receive membership interests were cancelled and converted into the right to receive the consideration, calculated as 2,317,888 shares, plus $7,488,671 of net cash and net of company transaction expenses and other adjustments.
- Immediately following the execution of the acquisition, GDH Ltd. contributed its membership interests in BFC to GDH LP which, immediately thereafter, contributed them to Galaxy Digital LP. BFC changed its name to Galaxy Blue Fire Holdings, LLC.
- Galaxy Digital LP became the sole member of Galaxy Blue Fire Holdings, LLC, and the officers of Blue Fire Capital became the officers of Galaxy Blue Fire Holdings, LLC.

7. RELATED PARTY TRANSACTIONS

Compensation to key management personnel

The Company's related parties include its subsidiary, associates over which it exercises significant influence, and key management personnel. Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers, directors, companies controlled by officers and directors and companies with common directors of the Company.

Compensation provided to key management personnel for the years ended December 31, 2020 and 2019 is as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Directors fees	$ 498,154	$ 530,000

Other

Certain key management personnel have invested in funds that GDH LP manages. In addition, some members of key management serve as board members for companies in which GDH LP or a fund it manages holds investments.

The CEO of GDH Ltd. served as a director of a cryptocurrency mining and blockchain infrastructure company. During May 2019, the CEO of GDH Ltd. did not stand for re-election and, effective May 13, 2019, the Company is no longer a related party. GDH LP also completes OTC trades with the company.

In addition, the CEO of GDH Ltd. was a member of the advisory board for another company, resulting in GDH Ltd. and that company being related parties. As of December 31, 2020, GDH LP had an investment in the company valued at $19.6 million (December 31, 2019 - $9.0 million).

In accordance with the LPA (Note 5), GDH LP will reimburse or pay for all reimbursable expenses of the Company. For the year ended December 31, 2020, GDH LP paid or accrued $1,903,046 (December 31, 2019 - $1,291,184) for the reimbursable expenses.

8. SHARE CAPITAL AND RESERVES

Authorized

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

Issued

During the year ended December 31, 2020, the Company issued 5,472,493 (December 31, 2019 - 2,834,669) ordinary shares valued at $4,832,895 (December 31, 2019 - $3,669,451) on exchange of Class B Units of GDH LP and exercise of options. As at December 31, 2020 3,670,471 shares were held in escrow.

Private Investment in Public Equity ("PIPE")

On November 12, 2020 (the "Closing"), GDH Ltd. closed a PIPE of $50 million of aggregate gross proceeds ($49,277,614 net of cash share issuance costs of $722,386). As part of the PIPE, GDH Ltd. issued 19,070,000 shares and 4,767,500 warrants. Each share was accompanied by a warrant to purchase 0.25 of an ordinary share ("security") and each security was issued at a price of C$3.50. Each warrant is exercisable into an ordinary share of the Company for a term of two years from the date of issuance at an exercise price of C$8.25. All securities issued pursuant to the PIPE will be subject to certain selling restrictions set forth the investment agreements. The investment agreements provide that: (i) no sales are permitted during the first six months from the Closing; (ii) sales of up to 33.3% of total shares issued are permitted seven to nine months after the Closing, subject to a maximum daily sale participation of no more than 10% of daily traded volume; (iii) sales of up to 66.6% of the total shares issued are permitted ten to twelve months after the Closing, subject to a maximum daily sale participation of no more than 10% of daily traded volume; and (iv) until eighteen months after the Closing, all shares remain subject to a daily selling restriction of no more than 10% of daily traded volume. The selling restrictions terminate upon certain corporate actions by GDH Ltd.

Under the terms of the LPA the Partnership will issue a Class A Unit for each GDH Ltd. common share issued and any liability associated with the warrant will be pushed down to the Partnership. Therefore, the Company has recognized a corresponding asset, investment receivable from warrant exercise, which represents the Class A units that the Partnership will issue to GDH Ltd. on exercise of the warrants. On initial recognition, the warrants were valued at $6,463,082 and are recorded as a derivative financial liability as these warrants are exercisable in Canadian dollars, differing from the Partnership's functional currency. As at December 31, 2020 the value of the warrant liability is $20,781,207 and the loss and corresponding recovery recognized in the statement of income (loss) and comprehensive income (loss) for the year ended December 31, 2020 is $14,318,125.

The fair value of the warrant liability is calculated using the Black-Scholes Option Pricing Model. A continuity table for the change in the liability-classified warrant and the inputs used to value the warrant liability as at issuance date and December 31, 2020 are included in Note 12. These are the only warrants outstanding in GDH Ltd.

Shares issued for acquisitions

On November 12, 2020, GDH Ltd. acquired Drawbridge and Blue Fire Capital (Note 6). As part of the Drawbridge acquisition, the consideration consisted of 1,507,473 shares of which the Company issued 1,352,583 shares valued at $5,504,746 and held back 154,890 shares to satisfy customary representations and warranties. As part of the Blue Fire Capital acquisition, the Company issued 2,317,888 shares valued at $9,433,347 as part of the consideration.

Ordinary Share Repurchase

In September 2019, the Company received approval from its Board of Directors and TSX-V to purchase up to approximately 7.3% of its issued and outstanding ordinary shares and 10% of its public float ("Share Repurchase Program").

GDH Ltd. began repurchasing shares on October 2, 2019. GDH Ltd. repurchased a total of 3,600,997 shares for a total cost of C$3.9 million ($2,874,622) for the year ended December 31, 2020. Shares repurchased from October 2, 2019 through April 17, 2020 were 4,916,431 for a total cost of C$5.5 million. All repurchased shares of GDH Ltd. and the equivalent number of Class

(Expressed in US Dollars)

A Units in the Partnership were cancelled. Effective April 17, 2020, GDH Ltd. completed its normal course issuer bid program repurchases.

Reserves

Up to the date of the closing of the Arrangement, the Company had its own stock option plan, which provided employees, directors, officers and consultants of the Company with the opportunity to acquire common shares of the Company through the exercise of stock options. Stock options granted under the plan were limited to a maximum term of ten years and limited to 10% of the Company's outstanding common shares. As of December 31, 2020, the following options were outstanding:

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

No options were granted, exercised or forfeited under the above plan during the years ended December 31, 2020 or 2019.

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

Equity based compensation

During the year ended December 31, 2020, the Company recognized equity based compensation of $2,854,540 (2019 - $6,533,282) from its investment in associate (Note 6).

9. INCOME (LOSS) PER SHARE

The table below presents basic and diluted net income (loss) per share of common stock for the year ended December 31, 2020 and 2019, respectively:

	Year ended December 31, 2020	Year ended December 31, 2019
Basic income (loss) per share	$ 1.51	$ (2.00)
Diluted income (loss) per share	$ 1.28	$ (2.00)

Basic income (loss) per share

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

	Year ended December 31, 2020	Year ended December 31, 2019
Net income (loss) used in the calculation of basic income (loss) per share	$ 103,386,280	$ (132,519,262)
Weighted average number of ordinary shares for the purposes of basic income (loss) per share	68,512,122	66,378,053

Diluted income (loss) per share

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

	Year ended December 31, 2020	Year ended December 31, 2019
Net income (loss) used in the calculation of diluted income (loss) per share	$ 385,502,231	$ (132,519,262)
Weighted average number of ordinary shares for the purposes of diluted income (loss) per share	301,178,603	66,378,053

For the year ended December 31, 2020 and 2019, the weighted average number of ordinary shares for the purposes of diluted income (loss) per share assumes the potential conversion of the outstanding GDH LP Class B Units, the conversion of the Class B Units under the GDH LP equity compensation plan (Note 10) and the potential exercise of in-the-money stock options.

(Expressed in US Dollars)

Reconciliation of the net income (loss) used in the calculation of basic income (loss) per share to net income (loss) used in the calculation of diluted income (loss) per share:

	Year ended December 31, 2020	Year ended December 31, 2019
Net income (loss) used in the calculation of basic income (loss) per share	$ 103,386,280	$ (132,519,262)
Net income currently allocated to outstanding GDH LP Class B Units[1]	282,115,951	—
Net income (loss) used in the calculation of diluted income (loss) per share	**385,502,231**	**(132,519,262)**

[1] Net income allocated to GDH LP Class B Units was not included for the year ended December 30, 2019, as the calculation would be antidilutive.

Reconciliation of the weighted average number of ordinary shares used in the calculation of basic income (loss) per share to weighted average number of ordinary shares used in the calculation of diluted income (loss) per share:

	Year ended December 31, 2020	Year ended December 31, 2019
Weighted average number of ordinary shares for the purposes of basic income (loss) per share[1]	68,512,122	66,378,053
Diluted shares:		
Weighted average of outstanding Class B Units for the year	220,319,953	—
Compensatory Class B Unit awards	6,487,682	—
Stock Options	5,808,683	—
Restricted Stock	50,163	—
Weighted average number of ordinary shares for the purposes of diluted income (loss) per share	**301,178,603**	**66,378,053**

[1] Potentially dilutive Compensatory B Units awards and stock options were excluded from the computation of diluted income (loss) per unit for the year ended December 31, 2019 because their effect would have been antidilutive.

10. COMMITMENTS AND CONTINGENCIES

GDH LP Class B Units

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

On December 15, 2020, the Partnership transferred 980,932 Class B Units of GDH LP to certain officers and employees as compensation. The Class B Units transferred were comprised of 19,068 Standard Units and 961,864 Profit Interest Units. The terms of the Class B Units are as follows:

- Standard Units - 19,068 of the Standard Units vested 100% on December 15, 2020. Once vested, each Standard Unit can be exchanged for one share of GDH Ltd. for no additional consideration. The fair value of the Standard Units transferred, measured as of the grant date, was $91,078 (or approximately $4.7765 per Standard Unit) based on the 10-day volume weighted average share price of GDH Ltd. from December 2, 2020 through December 15, 2020 ("10-day WA") and on the number of Standard Units expected to vest (100%). The fair value was recognized in 2020.
- Profit Interest Units - 355,932 of the Profit Interest Units vest on December 15, 2020, 15,226 vest on December 1, 2021, 390,226 vest on December 1, 2022, 185,255 vest on December 1, 2023 and 15,226 vest on December 1, 2024. Once a Profit Interest Unit has vested and has been fully "caught up", such Profit Interest Unit may be exchanged for one share of GDH Ltd. for no additional consideration. The fair value of the Profit Interest Units granted was $3,501,531 (or approximately $3.8325 per Profit Interest Unit). The fair value of the Profit Interest Units was estimated using the probability-weighted expected return method. In applying this method, a payoff was determined for a Profit Interest Unit under three potential scenarios, each payoff was weighted by an estimated probability of the

corresponding scenario, and then the probability-weighted payoffs were discounted to the date of grant and summed. The scenarios, probabilities, and other inputs into the model consider, among other things, the results of a one-period trinomial model, the results of a standard Black-Scholes option pricing model under different assumptions, and the estimated fair value of a common share of GDH Ltd. The scenarios probability ranged from 5% to 65%, the annual discount rate used was 0.50%, the term used was 5.04 years, and the share price used ranged from C$0 to C$100. The number of Profit Interest Units expected to vest ranged from 90% to 100%.

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

- Standard Units - 1,233,422 of the Standard Units vest 50% on each of February 1, 2019 and September 1, 2019. For 288,136 of the Standard Units, 250,000 vest on September 1, 2019 and 38,136 vest on September 1, 2020. Once vested, each Standard Unit can be exchanged for one share of GDH Ltd. for no additional consideration. The fair value of the Standard Units transferred, measured as of the grant date, was $1,703,451 (or approximately $1.1561 per Standard Unit) based on the 10-day volume weighted average share price of GDH Ltd. from January 17, 2019 through January 30, 2019 ("10-day WA") and on the number of Standard Units expected to vest (87.5% to 100%). The fair value will be recognized over the vesting period.
- Profit Interest Units - 3,047,273 of the Profit Interest Units vest 50% on each of September 1, 2020 and September 1, 2021. For 711,864 of the Profit Interest Units, 211,864 vest on September 1, 2020, while 250,000 vest on each of September 1, 2021 and September 1, 2022. Similar to the July 31, 2018 grants, once a Profit Interest Unit has vested and has been fully "caught up", such Profit Interest Unit may be exchanged for one share of GDH Ltd. for no additional consideration. The fair value of the Profit Interest Units granted was $2,686,791 (or approximately $0.8485 per Profit Interest Unit). The fair value of the Profit Interest Units was estimated using the probability-weighted expected return method. In applying this method, a payoff was determined for a Profit Interest Unit under three potential scenarios, each payoff was weighted by an estimated probability of the corresponding scenario, and then the probability-weighted payoffs were discounted to the date of grant and summed. The scenarios, probabilities, and other inputs into the model consider, among other things, the results of a one-period trinomial model, the results of a standard Black-Scholes option pricing model under different assumptions, and the estimated fair value of a common share of GDH Ltd. The scenarios probability ranged from 2.50% to 70%, the annual discount rate used was 1.85%, the term used was 5.92 years, and the share price used ranged from C$0 to C$50. The number of Profit Interest Units expected to vest ranged from 77.5% to 87.5%.

As of December 31, 2020, after accounting for exchanges (Note 8) and forfeitures, there were 229,404,568 (December 31, 2019 - 232,895,180) Class B Units issued, of which 222,905,934 (December 31, 2019 - 219,332,907) were outstanding and exercisable into ordinary shares of GDH Ltd.

Stock Option Plan

The Company has a stock option plan (the "Plan") to grant options, which are exercisable into an equivalent amount of the Company's common shares, to employees, officers, directors and consultants of the Company and its affiliates (inclusive of GDH LP). The number of stock options granted to any person within a one-year period will not exceed 5% and the number granted to those individuals considered consultants or providing investor relations services may not exceed 2% in a one-year period, in each case on a fully diluted basis. Under the Plan, the exercise price of each option may not be less than the market price of the Company's shares at the date of grant. Options granted under the Plan will have a term not to exceed 5 years and be subject to vesting provisions as determined by the Board of Directors of the Company who administer the Plan. On exercise of an option, the holder will receive one common share in the Company and GDH LP will issue one Class A Unit to the Company. Up to the date of the Plan amendment on June 24, 2019, the maximum number of shares reserved for issuance under the Plan was not to exceed 10% of the issued share capital of the Company on a fully exchanged basis.

<u>Modification of Equity Plan</u>

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

(Expressed in US Dollars)

Modification of stock options previously granted

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

A summary of stock options outstanding as at December 31, 2020 is as follows:

Grant Date	Number Outstanding	Number Exercisable	Exercise Price (C$)	Expiry Date
Employees and Officers:				
July 31, 2018	8,722,700	4,074,700	3.00	July 23, 2023
July 31, 2018	126,000	63,000	5.00	July 23, 2023
September 10, 2018	103,600	51,800	3.00	July 23, 2023
June 25, 2019	2,235,000	1,017,500	2.15	June 25, 2024
September 4, 2019	150,000	—	1.95	September 4, 2024
April 9, 2020	5,143,334	—	1.35 - 1.85	April 9, 2025
June 25, 2020	750,000	—	1.39	June 25, 2025
November 16, 2020	150,000	—	5.65	June 25, 2025
November 16, 2020	6,030,000	—	5.65	November 16, 2025
December 3, 2020	7,500,000	—	6.21	December 3, 2025
December 8, 2020	555,000	—	6.00	December 8, 2025
December 21, 2020	100,000	—	8.02	December 21, 2025
Total	31,565,634	5,207,000		

Restricted Stock

On December 15, 2020, the Partnership issued 1,079,971 restricted shares. Of the shares granted, 454,971 vest on December 1, 2023 and the remainder on December 1, 2024.

Other

The Company has provided standard representations for agreements and customary indemnification for claims and legal proceedings. Insurance has been purchased to mitigate certain of these risks. Generally, there are no stated or notional amounts included in these indemnifications and the contingencies triggering the obligation for indemnification are not expected to occur. Furthermore, often counterparties to these transactions provide comparable indemnifications. The Company is unable to develop an estimate of the maximum payout under these indemnifications for several reasons. In addition to the lack of a stated or notional amount in a majority of such indemnifications, it is not possible to predict the nature of events that would trigger indemnification or the level of indemnification for a certain event. The Company believes, however, that the possibility of making any significant payments for these indemnifications is remote. As of December 31, 2020 and December 31, 2019, there was no liability accrued under these arrangements.

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

(Expressed in US Dollars)

11. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows (2020 - 23.94%, 2019 - 23.34%):

	2020	2019
Income (loss) for the year	$ 103,386,280	$ (132,519,262)
Expected income tax (recovery)	$ 24,746,000	$ (30,925,259)
Change in statutory, foreign tax, foreign exchange rates and other	(760,000)	(3,290,539)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	488,000	—
Change in unrecognized deductible temporary differences	(24,474,000)	34,215,798
Total income tax expense (recovery)	**$ —**	**$ —**

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

	2020	Expiry Date Range	2019	Expiry Date Range
Temporary Differences				
Investment in GDH LP	$ 31,449,000	No expiry date	$ 140,765,000	No expiry date
Non-capital losses available for future periods (United States)	$ 21,105,000	No expiry date	$ 18,012,000	No expiry date

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

Tax Receivable Agreement

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

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

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

As of December 31, 2020 and 2019, the Company did not have a liability associated with the TRA.

(Expressed in US Dollars)

12. CAPITAL MANAGEMENT

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

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

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

a. Level 1 - fair value measurement using unadjusted quoted prices in active markets for identical assets or liabilities

b. Level 2 - fair value measurement inputs other than quoted prices that are observable for the asset or liability either directly or indirectly

c. Level 3 - fair value measurement using inputs that are not based on observable market data

Warrant liability

The Company's warrant liability is classified as a Level 3 financial liability. The warrant liability was deemed to be a Level 3 financial liability as one or more inputs to the valuation are unobservable and significant to the fair value measurement of the liability. The fair value of the warrant liability is calculated using the Black-Scholes Option Pricing Model. (Unobservable inputs reflect management's assumptions on how market participants would price the asset or liability based on the information available.)

Quantitative Information for Warrant Liability:

Financial Instrument	Fair Value at December 31, 2020	Significant Unobservable Inputs	Range
Warrant Liability	$20,781,207	Volatility	85%
		Time to liquidity event (years)	1.87 - 2.0
		Risk free rate	0.17% - 0.25%
		Expected dividend payout ratio	—
		Dilution factor	1.5%

Level 3 Continuity

The following is a reconciliation of the Level 3 liability for the year ended December 31, 2020:

Liabilities	Fair value at December 31, 2019	Issued	Conversions	Net Realized Gain (Loss) on Warrant Liability	Net Unrealized Gain/(Loss) on Warrant Liability	Transfers in /(out) of Level 3	Fair Value at December 31, 2020
Warrant Liability	$ —	$ 6,463,082	$ —	$ —	$ 14,318,125	$ —	$ 20,781,207

Risk Management

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company’s primary exposure to credit risk is on its cash held in bank accounts, if applicable. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. As at December 31, 2020, the Company is not exposed to significant credit risk.

Liquidity risk

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

Interest rate risk

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

Foreign exchange risk

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

Digital assets and market risks

The Company's investment in associate is impacted by the associate's investments in digital assets as well as private companies, both of which may be subject to significant changes in value. The Company seeks to minimize potential adverse effects of these risks on performance by ensuring that the risk management at GDH LP appropriately addresses these risks by, for example, employing experienced personnel, daily monitoring of the Partnership’s investments and digital assets and review of the Partnership's investment objectives. Refer to GDH LP's consolidated financial statements for the year ended December 31, 2020 and 2019 for risks associated with these asset classes.