



GALAXY
DIGITAL

Galaxy Digital Holdings LP

Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2019 and 2018

(Expressed in US Dollars)

(Unaudited)

Galaxy Digital Holdings LP

Condensed Consolidated Interim Statements of Financial Position
(Expressed in US Dollars)
(Unaudited)

	September 30, 2019	December 31, 2018
Assets		
Current assets		
Cash	\$ 78,375,006	\$ 66,488,012
Digital assets (Note 7)	124,697,695	69,765,339
Investments (Note 8)	156,540,340	179,365,696
Receivable for digital asset trades (Note 7)	2,472,350	8,579,058
Digital asset loans receivable (Note 10)	7,359,896	—
Assets posted as collateral (Note 10)	11,236,848	—
Receivables (Note 9)	2,056,531	1,238,694
Prepaid expenses and other assets (Note 11)	2,749,186	2,002,880
Loans receivable (Note 12)	14,890,368	2,369,024
	<u>400,378,220</u>	<u>329,808,703</u>
Loans receivable (Note 12)	13,810,751	15,892,320
Right of use asset (Note 13)	5,335,434	—
Property and equipment (Note 13)	4,116,657	4,223,252
	<u>23,262,842</u>	<u>20,115,572</u>
Total assets	<u>\$ 423,641,062</u>	<u>\$ 349,924,275</u>
Liabilities		
Current liabilities		
Digital assets sold short (Note 15)	\$ 8,892,355	\$ 18,666,957
Accounts payable and accrued liabilities (Note 14)	11,468,306	14,558,914
Payable for digital asset trades (Note 7)	7,444,945	9,832,737
Digital asset loans payable (Note 10)	6,945,202	—
Collateral payable (Note 10)	579,871	—
Lease liability (Note 17)	785,022	—
Due to related party (Note 16)	—	1,177,498
	<u>36,115,701</u>	<u>44,236,106</u>
Lease liability (Note 17)	4,796,833	—
Total liabilities	<u>40,912,534</u>	<u>44,236,106</u>
Equity		
Partners' capital (Note 18)	375,171,378	301,520,591
Non-controlling interests (Note 19)	7,557,150	4,167,578
Total equity	<u>382,728,528</u>	<u>305,688,169</u>
Total liabilities and equity	<u>\$ 423,641,062</u>	<u>\$ 349,924,275</u>

Nature and continuance of operations (Note 1)
Commitments and contingencies (Note 27)
Subsequent events (Notes 12, 18)

The condensed consolidated interim financial statements were authorized for issuance by the Board of Managers of Galaxy Digital Holdings GP LLC on November 25, 2019 and were signed on its behalf by:

"Ashwin Prithipaul" Chief Financial Officer

"Michael Novogratz" Chief Executive Officer

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

Galaxy Digital Holdings LP

Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)

(Expressed in US Dollars)

(Unaudited)

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Income (loss)				
Advisory and management fees	\$ 1,260,725	\$ 1,473,297	\$ 4,110,936	\$ 2,806,510
Net realized gain (loss) on digital assets	(8,532,363)	(38,067,497)	107,038,137	(52,733,347)
Net realized gain (loss) on investments	(18,159)	—	38,082,476	—
Interest income	1,272,231	349,395	2,898,153	646,469
Other income	5,187,275	185,837	10,886,584	205,659
	(830,291)	(36,058,968)	163,016,286	(49,074,709)
Operating expenses				
Equity based compensation (Note 18, 23)	6,297,963	14,311,084	23,441,735	14,311,084
Compensation and compensation related (Notes 20, 23)	7,551,497	5,031,095	22,230,967	19,147,279
Professional fees (Note 21)	2,269,488	6,161,619	5,886,115	9,391,601
General and administrative (Note 22)	5,466,079	2,671,498	9,875,149	5,634,518
Interest (Notes 10, 15, 16, 17)	637,525	1,310,341	2,264,779	4,294,669
Insurance	282,876	480,675	1,039,980	1,752,465
Director fees	50,000	25,000	150,000	25,000
	(22,555,428)	(29,991,312)	(64,888,725)	(54,556,616)
Net unrealized gain (loss) on digital assets	(39,957,814)	366,717	(29,009,140)	(83,357,300)
Net unrealized gain (loss) on investments	(4,761,276)	(4,172,597)	(10,583,501)	16,545,019
Unrealized foreign currency gain (loss)	(136,911)	(1,474,820)	143,687	92,065
Realized foreign currency gain (loss)	16,704	893,387	(183,034)	893,387
Goodwill impairment (Note 6)	—	(6,216,914)	—	(6,216,914)
	(44,839,297)	(10,604,227)	(39,631,988)	(72,043,743)
Income (loss) for the period	\$ (68,225,016)	\$ (76,654,507)	\$ 58,495,573	\$ (175,675,068)
Income (loss) attributed to:				
Unit holders of the Partnership	\$ (63,531,407)	\$ (75,148,680)	\$ 57,004,219	\$ (174,169,241)
Non-controlling interest (Note 19)	(4,693,609)	(1,505,827)	1,491,354	(1,505,827)
	\$ (68,225,016)	\$ (76,654,507)	\$ 58,495,573	\$ (175,675,068)
Other comprehensive income (loss)				
Foreign currency translation adjustment	\$ (13,128)	\$ (7,298)	\$ (101,396)	\$ (7,298)
Comprehensive income (loss) for the period	\$ (68,238,144)	\$ (76,661,805)	\$ 58,394,177	\$ (175,682,366)
Comprehensive income (loss) attributed to:				
Unit holders of the Partnership	\$ (63,544,535)	\$ (75,155,978)	\$ 56,902,823	\$ (174,176,539)
Non-controlling interest (Note 19)	(4,693,609)	(1,505,827)	1,491,354	(1,505,827)
	\$ (68,238,144)	\$ (76,661,805)	\$ 58,394,177	\$ (175,682,366)

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

Galaxy Digital Holdings LP

Condensed Consolidated Interim Statements of Changes in Equity
(Expressed in US Dollars)
(Unaudited)

	Class A Unit Capital		Class B Unit Capital		Non-controlling Interests in Consolidated Subsidiaries	Total
	Number	Amount	Number	Amount		
Balance at December 31, 2017	—	\$ —	—	\$ 1,741,809	\$ —	\$ 1,741,809
Equity based compensation (Note 18)	—	3,216,927	—	11,094,157	—	14,311,084
Acquisition of First Coin Capital (Note 6)	—	—	—	6,686,445	—	6,686,445
Contributions (Notes 18, 19, 23)	61,151,198	229,212,647	217,074,197	302,007,218	8,242,860	539,462,725
Distributions (Note 18)	—	—	—	—	(463)	(463)
Vesting of Class B Units	—	—	319,200	—	—	—
Exchange of Class B Units	1,483,835	2,358,630	(1,483,835)	(2,358,630)	—	—
Cancellation of Class B Units withheld	—	—	(25,152)	—	—	—
Foreign currency translation adjustment	—	—	—	(7,298)	—	(7,298)
Loss for the period	—	(16,012,192)	—	(158,157,049)	(1,505,827)	(175,675,068)
Balance at September 30, 2018	62,635,033	\$ 218,776,012	215,884,410	\$ 161,006,652	\$ 6,736,570	\$ 386,519,234
Balance at December 31, 2018	65,117,305	\$ 204,581,926	215,713,955	\$ 96,938,665	\$ 4,167,578	\$ 305,688,169
Purchase of additional interest	—	—	—	—	(140,316)	(140,316)
Equity based compensation (Note 18)	—	5,438,868	—	18,002,867	—	23,441,735
Contributions (Note 19)	—	—	—	—	2,317,676	2,317,676
Distributions (Note 19)	—	—	—	—	(279,142)	(279,142)
Vesting of Class B Units	—	—	11,818,450	—	—	—
Exchange of Class B Units	1,973,628	2,537,564	(1,973,628)	(2,537,564)	—	—
Cancellation of Class B Units withheld	—	—	(5,398,704)	(6,693,771)	—	(6,693,771)
Foreign currency translation adjustment	—	—	—	(101,396)	—	(101,396)
Income for the period	—	13,133,489	—	43,870,730	1,491,354	58,495,573
Balance at September 30, 2019	67,090,933	\$ 225,691,847	220,160,073	\$ 149,479,531	\$ 7,557,150	\$ 382,728,528

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

Galaxy Digital Holdings LP

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in US Dollars)

(Unaudited)

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Operating activities		
Income (loss) for the period	\$ 58,495,573	\$ (175,675,068)
Adjustments for:		
Depreciation	796,739	24,916
Equity based compensation	23,441,735	14,311,084
Interest expense	2,264,779	4,294,669
Interest income	(2,898,153)	—
Net realized (gain) loss on digital assets	(107,038,137)	52,733,347
Net realized gain on investments	(38,082,476)	—
Net unrealized loss on digital assets	29,009,140	83,357,300
Net unrealized (gain) loss on investments	10,583,501	(16,545,019)
Unrealized foreign currency gain	(143,687)	(92,065)
Goodwill impairment	—	6,216,914
Changes in operating assets and liabilities:		
Net proceeds of digital assets	12,903,029	(22,281,913)
Receivable for digital asset trades	6,106,708	—
Digital asset loans receivable	(7,359,896)	—
Assets posted as collateral	(11,236,848)	—
Receivables	(271,782)	(367,431)
Prepaid expenses and other assets	(746,306)	(1,683,650)
Payable for digital asset trades	(2,387,792)	—
Digital asset loans payable	6,945,202	—
Collateral payable	579,871	—
Accounts payable and accrued liabilities	(3,366,390)	12,230,098
Due to related party	(1,177,498)	—
Due to exchange	—	(7,830,891)
Net cash provided by (used in) operating activities	<u>(23,582,688)</u>	<u>(51,307,709)</u>
Investing activities		
Loans receivable	(18,353,522)	(17,461,032)
Repayment of loans receivable	8,128,619	—
Receipt of interest on loans receivable	1,858,862	—
Return of investments	143,819	—
Purchase of property and equipment	(328,224)	(997,829)
Disposal of property and equipment	35,072	—
Purchase of investments	(24,829,349)	(90,206,625)
Proceeds from disposition of investments	73,861,925	3,018,728
Consideration for business combination, net of cash acquired	—	381,635
Net cash provided by (used in) investing activities	<u>40,517,202</u>	<u>(105,265,123)</u>
Financing activities		
Contribution	—	229,212,647
Borrowings from related party	—	102,374,924
Repayments of amounts due to related party	—	(122,374,924)
Repayments of interest on due to related party	—	(2,243,615)
Repayment of interest on due from broker	—	(401,825)
Cash paid for principal portion of lease liability	(150,571)	—
Purchase of additional interest in subsidiary	(140,316)	—

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Galaxy Digital Holdings LP

Condensed Consolidated Interim Statements of Cash Flows
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Capital contributions from non-controlling interests	2,317,676	8,242,860
Distributions to non-controlling interests	(279,142)	(463)
Cancellation of Class B Units withheld	(6,693,771)	—
Net cash provided by (used in) financing activities	(4,946,124)	214,809,604
Impact of exchange rate change on cash	(101,396)	(7,298)
Net increase in cash	11,886,994	58,229,474
Cash, beginning of period	66,488,012	32,098,217
Cash, end of period	\$ 78,375,006	\$ 90,327,691

Supplemental disclosure of cash flow information and non-cash financing activities:

Cash paid during the period for:

Interest	\$ —	\$ 2,645,440
Taxes	\$ 25,751	\$ —

Non-cash activities:

Contribution of assets (Note 23)	\$ —	\$ 302,007,218
Interest paid in digital assets	\$ 1,819,010	\$ 1,935,233
Reclassification between investments and digital assets	\$ 1,400,000	\$ 295,000
Organizational costs in prepaid expenses and other assets	\$ —	\$ 671,012
Reclassification from related party loan to contribution of assets	\$ —	\$ 22,650,240
Net assets acquired in business combination (Note 6)	\$ —	\$ 469,531
Recognition of right of use asset and lease liability	\$ 5,732,426	\$ —

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

Galaxy Digital Holdings LP

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2019 and 2018
(Expressed in US Dollars)
(Unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

Galaxy Digital Holdings LP ("GDH LP" and together with its consolidated subsidiaries, the "Partnership") is a Cayman Islands exempted limited partnership formed on May 11, 2018. GDH LP was formed following the combination of Galaxy Digital LP ("Galaxy LP") and First Coin Capital Corp. ("First Coin") according to a definitive agreement (the "Arrangement"). The Partnership's principal address is 107 Grand Street, 8th Floor, New York, New York, 10013.

On February 14, 2018, the Arrangement was entered into between Galaxy LP, First Coin and Bradmer Pharmaceuticals Inc. ("Bradmer"), in respect of a proposed transaction which was completed on July 31, 2018 by way of a plan of arrangement under the provisions of the Business Corporations Act (Ontario) (Note 5). In connection with the Arrangement, as indicated above, Galaxy LP and First Coin combined to form GDH LP, an operating partnership that is managed by the board of managers and officers of the general partner, who are also the principals of Galaxy LP. Upon completion of the Arrangement, Bradmer acquired a minority investment in the operating partnership and changed its name to Galaxy Digital Holdings Ltd. ("GDH Ltd.") and resumed an active public listing on the TSX Venture Exchange ("TSX-V") under the ticker "GLXY".

Galaxy LP is a limited partnership formed under the laws of the Cayman Islands on November 30, 2017. Galaxy LP's trading business commenced operations on December 6, 2017. On January 9, 2018 (the "Date of Contribution"), the initial limited partner, Galaxy Group Investments LLC ("GGI"), which is controlled by the Chief Executive Officer ("CEO") of the general partner, contributed approximately \$302 million of assets to Galaxy LP (Note 23).

As GDH LP is managed by the board of managers and officers of the general partner, who are also the principals of Galaxy LP, the transaction between these two parties is considered a transaction under common control and is excluded from the scope of IFRS 3 - Business Combinations. At the time of the Arrangement, the assets and liabilities of Galaxy LP were transferred at their carrying values using the continuity of interest method of accounting. For accounting purposes, the Partnership is considered to have continued Galaxy LP's business; accordingly, these condensed consolidated interim financial statements include the historical operations and financial position of Galaxy LP to July 31, 2018 and those of the Partnership thereafter.

First Coin was incorporated under the British Columbia Business Corporations Act on September 14, 2017 and was a Vancouver-based technology company focusing on advising, technology implementation and brokerage services for clients in connection with digital assets. The Partnership began closing the First Coin office in Vancouver during November 2018 (Note 6).

The Partnership continues to build a full-service merchant banking business in the cryptocurrency and blockchain space. The intention is to capitalize on market opportunities made possible by the ongoing evolution of the digital assets space through four primary business lines: trading, principal investments, asset management, and advisory services.

The Partnership's cryptocurrency related assets may be subject to significant fluctuations in value. Additionally, certain assets are held on crypto-currency exchanges that are limited in oversight by regulatory authorities (Note 25).

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 GGI and the General Partner has a Board of Managers.

Interim Financial Statements

These condensed consolidated interim financial statements are prepared on a going concern basis which assumes that the Partnership 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 Partnership are dependent upon obtaining necessary financing to meet its commitments as they come due and to continue building an institutional merchant banking business in the cryptocurrency and blockchain sectors. At September 30, 2019, the Partnership had cash of \$78,375,006 (December 31, 2018 - \$66,488,012) and partners' capital of \$375,171,378 (December 31, 2018 - \$301,520,591). Management estimates that the Partnership has sufficient financial resources to maintain its operations and activities for the upcoming year.

Galaxy Digital Holdings LP

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2019 and 2018
(Expressed in US Dollars)
(Unaudited)

2. BASIS OF PRESENTATION

Statement of Compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in the December 31, 2018 audited consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with GDH LP’s audited consolidated financial statements for the year ended December 31, 2018.

The accounting policies applied in these unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in the Partnership’s audited financial statements for the year ended December 31, 2018. The Partnership’s interim results are not necessarily indicative of its results for a full year.

These unaudited condensed consolidated interim financial statements were approved by the the Board of Managers of GDH GP and authorized for issuance on November 25, 2019.

Basis of Measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value and digital assets which are measured at fair value less cost to sell.

In addition, the condensed consolidated interim 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 determinations were conducted through an analysis of the consideration factors identified in International Accounting Standard (“IAS”) 21. The functional currency for First Coin is the Canadian dollar (“C\$”), the functional currency for the Japan based entities is the Japanese Yen (“JPY”), and the functional currency for the parent entity and all remaining subsidiaries is the United States dollar (“US dollar”). The presentation currency for the Partnership 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.

The results and financial position of entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows: (i) assets and liabilities for each statement of financial position presented are translated at the rate of exchange in effect as at the date of the statement of financial position; (ii) income and expense items are translated at the average rates of exchange in effect during the reporting period; and (iii) all resulting exchange differences are recognized in accumulated other comprehensive income (loss).

Basis of Consolidation

The condensed consolidated interim financial statements include the financial statements of GDH LP and its consolidated subsidiaries, which are controlled by the Partnership. The reporting period, as well as the accounting policies, of the financial statements are consistent across all entities included in the consolidation. All inter-company transactions, balances, income and expenses and unrealized gains and losses are eliminated in full upon consolidation. As of September 30, 2019 and December 31, 2018, GDH LP’s subsidiaries are as follows:

Galaxy Digital Holdings LP

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2019 and 2018
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Subsidiary ¹	Place of Incorporation	September 30, 2019 Ownership %	December 31, 2018 Ownership %
Galaxy Digital LLC	Delaware	100%	100%
Galaxy Prime Services LLC	Delaware	100%	100%
Galaxy Digital Trading LLC	Delaware	100%	100%
Galaxy Digital Trading Cayman LLC	Cayman	100%	100%
Galaxy Digital Labs LLC	Delaware	100%	100%
Galaxy Digital Labs Cayman LLC	Cayman	100%	100%
Galaxy Digital Assets Fund GP LLC	Cayman	100%	100%
Galaxy Digital Capital Management GP LLC	Cayman	100%	100%
Galaxy Digital Capital Management LP	Cayman	100%	100%
Galaxy Digital Ventures LLC	Delaware	100%	100%
Galaxy Digital Ventures Cayman LLC	Cayman	100%	100%
Galaxy Digital Services LLC	Delaware	100%	100%
Galaxy Digital Services II LLC	Delaware	100%	N/A
Galaxy Digital Lending LLC	Delaware	100%	100%
Galaxy Digital Advisors LLC	New York	100%	20%
Galaxy EOS VC Fund GP LLC	Cayman	100%	100%
Galaxy Benchmark Crypto Index Fund GP, LLC	Cayman	100%	100%
Galaxy Benchmark Crypto Index Master Fund, L.P.	Cayman	35%	41%
Galaxy Benchmark Crypto Index Fund, L.P.	Delaware	35%	41%
Galaxy Benchmark Crypto Index Offshore Fund, Ltd.	Cayman	100%	100%
Galaxy Digital Trading Japan Quant GK	Japan	100%	100%
Galaxy Digital Trading Japan KK	Japan	100%	100%
Galaxy Digital Trading Ireland Limited	Ireland	100%	100%
GD Operations LLC	Delaware	100%	100%
First Coin Capital Corp.	British Columbia, Canada	100%	100%
Galaxy Digital GP LLC	Cayman	100%	100%
Galaxy Digital Lending Services LLC	Cayman	100%	100%
Galaxy Digital LP	Cayman	100%	100%
Galaxy Digital Services HK Limited	Hong Kong	100%	100%
Galaxy Digital Trading Cayman II LLC	Cayman	100%	100%
Galaxy Digital Trading HK Limited	Hong Kong	100%	100%
Galaxy Digital UK Limited	United Kingdom	100%	100%
Galaxy Lending SPV I LLC	Delaware	95%	90%

¹ Excludes subsidiaries that are dormant.

Scope of financial statements

These condensed consolidated interim financial statements represent the financial position of the Partnership and do not include the other assets and liabilities, and income and expenses of the partners. Income taxes are the responsibility of the partners through an allocation of GDH LP's taxable income (loss), and not that of GDH LP. Accordingly, no provision for income taxes has been recorded in these condensed consolidated interim financial statements other than for the entities in the consolidated GDH LP group subject to income taxes. The allocation of taxable income to members may vary substantially from net income reported in these condensed consolidated interim financial statements.

Galaxy Digital Holdings LP

Notes to the Condensed Consolidated Interim Financial Statements
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Current income tax assets and liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries, based on the tax rates and laws enacted or substantively enacted at the statement of financial position dates. Current income tax assets and liabilities are included in trade receivables and other current assets and accounts payable and accrued liabilities, respectively, if any.

Deferred tax is recognized on taxable temporary differences between the tax bases and the carrying amounts of assets and liabilities. Deferred tax is not recognized if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit. Deferred income tax assets are recognized for all deductible temporary differences, carry forwards of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent it is no longer probable that the income tax assets will be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets are realized or the liabilities settled, using the tax rates and laws enacted or substantively enacted at the statement of financial position dates.

Current and deferred income taxes relating to items recognized directly in Other comprehensive income ("OCI") are also recognized directly in OCI.

Allocation of income and loss

Income and loss arising from the Partnership's ordinary course of operations is to be allocated between the Class A Units and Class B Units pro rata in accordance with the weighted average number of such Units outstanding for the respective periods.

Use of estimates and judgments

The preparation of the condensed consolidated interim 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.

Many aspects of the digital currency and blockchain industry have not yet been addressed by current IFRS guidance. The Partnership is required to make significant assumptions and judgments as to its accounting policies and the application thereof, which is disclosed in the notes to these condensed consolidated interim financial statements. If specific guidance is enacted by the IASB in the future, the impact may result in changes to the Partnership's profit or loss and financial position as currently presented.

Significant judgments in applying accounting policies

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

Digital assets - accounting

There is limited guidance on the recognition and measurement of digital assets. The Partnership has assessed that it acts in a capacity as a commodity broker trader as defined in IAS 2, *Inventories*, in characterizing certain of its holdings as inventory, or more specifically, digital assets. If assets held by commodity broker-traders are principally acquired for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin, such assets are accounted for as inventory, and changes in fair value (less cost to sell) are recognized in profit or loss.

Valuation techniques

The fair values of all investments are measured using the cost, market or income approaches (Note 25). The determination of fair value requires significant judgment by the Partnership. The Partnership maintains a valuation policy which requires an appointed Valuation Committee (the "VC"), which is composed of employees of the Partnership, to act in good faith to fair value its investments on the Date of Contribution and on a quarterly basis thereafter, consistent with fair value accounting guidance in accordance with IFRS 13, *Fair Value Measurement*.

The VC, on behalf of the Partnership, has engaged an independent consultant to provide independent valuations of its investments on the Date of Contribution and on a quarterly basis thereafter.

Galaxy Digital Holdings LP

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Functional currency

The Partnership's functional currency has been assessed by management with consideration given to the currency and economic factors that mainly influence the Partnership's business and investments, operating costs and related transactions. Specifically, the Partnership considers the currencies in which its investments are most commonly denominated, the currencies in which its expenses are settled by the Partnership and its subsidiaries, as well as the currency in which the Partnership may receive or raise financing. Changes to these factors may have an impact on the judgment applied in the determination of the Partnership's functional currency.

Business combination

The determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Partnership to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits. The acquisition of First Coin was determined to be an acquisition of a business (Note 6). The Arrangement with Bradmer was determined to be an equity investment by Bradmer in GDH LP as the criteria for control by either party was not met.

Classification of investments requires judgment on whether the Partnership 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 Partnership has over an investment, management considers ownership percentages, board representation as well as other relevant provisions in shareholder agreements. As at September 30, 2019 and December 31, 2018, the Partnership held greater than 20% in certain of its underlying investments and had board representation in others however, after completing an analysis under IAS 28, the Partnership has concluded that it does not have significant influence in any investments.

Deferred income taxes

In applying the Partnership's policy, judgments are made in determining the probability of whether deductions, tax credits and tax losses can be utilized.

Key sources of estimation uncertainty

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

Digital assets and investments - valuation

Although many of the Partnership's digital assets are traded in active markets and are valued based upon quoted prices (less costs to sell), a portion of such digital assets, as well as the majority of the Partnership's investments, are not actively traded and are valued based upon quoted prices for similar assets or based upon unobservable inputs (Note 25). These valuations require the Partnership to make significant estimates and assumptions.

Digital assets are generally considered to be commodities or similar to commodities and are treated as inventory for financial reporting purposes. Realized gains and losses from the disposition of digital assets and investments, whether by conversion to cash or other digital assets, are recorded as net realized gain (loss) on digital assets, and net realized gain (loss) on investments, respectively. Unrealized gains and losses on digital assets and investments are recorded as net unrealized gain (loss) on digital assets, and net unrealized gain (loss) on investments, respectively.

Estimated useful lives of property and equipment

Depreciation of property and equipment, including right of use assets, are dependent upon estimates of useful lives and estimates of when assets become available for use, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of such assets.

Valuation of equity based compensation

The Partnership uses the Black-Scholes Option Pricing Model and other valuation models for the valuation of its equity based compensation. These models require the input of subjective assumptions including expected price volatility, risk-free interest

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rate, forfeiture rate, estimated weighted average fair value per unit calculations and expected term. If different input assumptions are used, the changes can materially affect the fair value estimate.

Valuation and economic recoverability of goodwill

Goodwill costs incurred are capitalized if they are expected to have future economic benefits and are expected to be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including anticipated cash flows and estimated economic life. Goodwill is tested at least annually for impairment, or when indicators of impairment exist. The assessment of the recoverable amount used in the goodwill impairment analysis requires management to make estimates and assumptions about expected revenues, for which management considers historical results and current market trends, as well as the acquired company's current projects, their expected output, costs and timing. These estimates and assumptions are subject to risk and uncertainty. During 2018, the Partnership determined that goodwill acquired during the year was fully impaired (Note 6). Such impairments are not reversed.

Income taxes

The condensed consolidated interim financial statements include estimates and assumptions for determining the future tax rates applicable to subsidiaries and identifying the temporary differences that relate to each subsidiary. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply during the year when the assets are realized or the liabilities settled, using the tax rates and laws enacted or substantively enacted at the consolidated statement of financial position dates. Operating plans and forecasts are used to estimate when the temporary difference will reverse.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in the Partnership's audited financial statements for the year ended December 31, 2018.

4. NEW ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

New accounting policies

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

IFRS 16, *Leases* ("IFRS 16")

In January 2016, the IASB issued IFRS 16, *Leases*, which replaced IAS 17, *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Partnership adopted this standard on January 1, 2019, the date of initial application. On initial application of the standard, the Partnership used the practical expedient in IFRS 16 with regards to the definition of a lease and applied IFRS 16 to the lease previously classified as an operating lease under IAS 17 (Note 27). The Partnership applied the standard retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. As a result, on January 1, 2019, the Partnership recognized a lease liability of approximately \$4.8 million for leases previously classified as operating leases applying IAS 17. The lease liability was measured at the present value of the remaining lease payments as of January 1, 2019.

After the date of initial application, the Partnership will measure the lease liability by increasing its carrying amount to reflect the interest applicable on the lease liability, decreasing the carrying amount for the lease payments made and adjusting the carrying amount for any relevant revision or reassessment of lease terms.

In addition, on January 1, 2019, the Partnership recognized a right-of-use asset of approximately \$4.8 million, which value represents the lease liability on the date of initial application. After January 1, 2019, the Partnership will measure the right-of-use asset using the cost model (i.e. the right-of-use asset will be measured at cost less any accumulated depreciation and any accumulated impairment losses, if any, and adjusted for any remeasurement of the lease liability as applicable). The Partnership will depreciate the right-of-use asset on a straight line basis over the remaining term of the lease (Note 13).

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5. ARRANGEMENT

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

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

On completion of the Arrangement on July 31, 2018:

- Galaxy LP and First Coin became wholly owned subsidiaries of GDH LP.
 - GGI, the sole limited partner of Galaxy LP, transferred its full limited partnership interest in Galaxy LP and its ownership interest in Galaxy Digital GP LLC ("Galaxy GP"), the general partner of Galaxy LP, to GDH LP in exchange for 213,696,000 Class B Units. The Class B Units are subject to certain escrow conditions and will be released 25% commencing on July 31, 2018 and each six-month period thereafter.
 - GDH LP acquired 100% of the issued share capital of First Coin. The transaction met the definition of a business combination between the entities (Note 6).
- Bradmer acquired a minority equity interest in GDH LP. The funds used to purchase the interest were raised through a partially-brokered private placement offering completed by Bradmer on February 14, 2018 of 60,969,746 subscription receipts at a price of C\$5.00 per subscription receipt. The private placement was considered an arm's length financing and raised an aggregate of approximately C\$305 million of proceeds. On completion of the Arrangement, the net proceeds plus accrued interest of \$229,212,647 was released from escrow in exchange for the issuance of Class A Units in GDH LP. The amount represents net proceeds of \$228.4 million and approximately \$0.8 million of interest earned on placement proceeds in escrow.
- As a condition to the completion of the Arrangement, Bradmer had completed a consolidation of its common shares on a basis of 126.38 pre-consolidated common shares for one post-consolidated common share and, on completion of the Arrangement, continued out of the Province of Ontario to become a company existing under the laws of the Cayman Islands. Furthermore, pursuant to policies of the TSX-V, the Arrangement resulted in the reactivation of the listing of Bradmer, which was an NEX-listed issuer, under the name Galaxy Digital Holdings Ltd. and ticker GLXY.
- GDH Ltd. appointed new members to its board of directors to manage its minority investment in the operating partnership on an ongoing basis.
- GDH LP, GDH GP, GDH Ltd., GDH Intermediate LLC (a wholly owned subsidiary of GDH Ltd. established as a tax-efficient blocker corporation or similar entity for US tax purposes) entered into a second amended and restated limited partnership agreement (as amended from time to time, the "LPA").

Following the completion of the Arrangement: (i) the principals and owners of Galaxy LP and First Coin held direct controlling equity interests in GDH LP through the ownership of Class B Units, which are generally economically equivalent to Class A Units held by GDH Ltd. but are exchangeable, from time to time, into ordinary shares of GDH Ltd., and (ii) GDH Ltd. became a holding company, as its only significant asset is its minority equity interest in GDH LP.

Certain key terms of the LPA include the following:

- *Units* - there are two classes of partnership interests ("Units"): Class A Units, which are held by GDH Ltd., and Class B Units, which are held by GGI and other Class B limited partners.
- *Issuance of Additional Units* - the General Partner will not cause the Partnership to issue any additional Class B Units unless 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.

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- *Allocations of Income, Gain, Loss, Deduction and Credit* - each item of income, gain, loss, deduction and credit will generally be allocated pro-rata between Class A Units and Class B Units.
- *Issuances and redemptions of common stock of GDH Ltd.* - If GDH Ltd. issues any of its ordinary shares, the General Partner will, only if either (i) the General Partner has consented to such issuance or (ii) the issuance receives approval by the limited partners holding the majority of Units, cause the Partnership to issue to GDH Ltd., in exchange for GDH Ltd. promptly contributing the net cash proceeds of the issuance to the Partnership, a number of Class A Units equal to the number of ordinary shares issued. Upon the redemption, repurchase, or other acquisition of ordinary shares by GDH Ltd., the Partnership will, at substantially the same time as the redemption, repurchase or acquire, redeem or cancel Class A Units equal to the number of ordinary shares redeemed, repurchased or acquired for an amount equal to the net cash amount paid by the GDH Ltd. for such redemption, repurchase, or other acquisition.
- *Exchanges of Class B Units* - A Class B limited partner may exchange vested Class B Units for ordinary shares of GDH Ltd. On exchange, GDH Ltd. will issue ordinary shares and the General Partner will cancel the Class B Units exchanged and issue Class A Units to GDH Ltd. equal to the number of Class B Units being surrendered, after accounting for any withholding obligation if applicable.
- *Removal of General Partner* - The General Partner may generally be removed by the limited partners holding at least 66 2/3% of the outstanding Units.
- *Reimbursable Expenses* - All expenses reasonably incurred by GDH Ltd. in the conduct of its business, including fees related to professional advisors, required or advisable licenses and filings, and meetings and compensation of directors, will be reimbursable by GDH LP.
- *General Partner Board* - As long as GDH Ltd. owns more than 10% of the outstanding Units of GDH LP, GDH Ltd. will have the right to appoint one person to the board of the general partner. In addition, if GDH Ltd. owns more than 40%, but not more than 50%, of the outstanding Units, GDH Ltd. will have the right to appoint another person to the board of the general partner.

6. BUSINESS COMBINATION

In accordance with the Arrangement (Note 5), on July 31, 2018, Galaxy LP and First Coin completed a business combination by way of the approved plan of arrangement pursuant to which they combined to form GDH LP, an operating partnership of which Galaxy LP and First Coin became wholly owned subsidiaries.

First Coin was a Vancouver-based technology company, incorporated under the British Columbia Corporation Act on September 14, 2017, that focused on advising, technology implementation and brokerage services for clients in connection with digital assets, before the Partnership began closing it in November 2018.

As part of the business combination, GDH LP acquired 100% of the issued share capital of First Coin. As consideration, GDH LP issued 5,319,618 Class B Units, paid cash of \$47,272 to non-participating First Coin shareholders and agreed to exchange all outstanding share purchase options of First Coin for new stock options to acquire common shares of GDH Ltd. at an agreed exchange ratio resulting in 155,035 new GDH Ltd. stock options being issued ("First Coin Replacement Options"). As of July 31, 2018, the First Coin Replacement Options had an exercise price of C\$4.64, were subject to a vesting schedule, and an expiration throughout November 2022 and January 2023.

As of July 31, 2018, First Coin met the definition of a business under IFRS 3, and was identified as the accounting acquiree, whereas GDH LP was identified as the accounting acquirer. The acquisition of First Coin was accounted for using the acquisition method. The consideration transferred was measured at fair value, which was calculated as the fair value of cash and equity interests issued by GDH LP in exchange for the net identifiable assets of First Coin on July 31, 2018.

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Fair value of consideration transferred

Class B Units ⁽ⁱ⁾	\$	6,432,086
First Coin Replacement Options ⁽ⁱⁱ⁾		207,087
Cash		47,272
	\$	<u>6,686,445</u>

Less: Identifiable net assets acquired, at fair value

Assets:		
Cash	\$	428,907
Digital assets		427,706
Notes receivable		343,011
Other receivables		123,481
Property and equipment		29,071
Prepaid expenses and deposits		225,039
Goodwill		6,216,914
		<u>7,794,129</u>
Liabilities:		
Accrued expenses		339,434
Other liabilities		768,250
	\$	<u>6,686,445</u>

⁽ⁱ⁾ Of the 5,319,618 Class B Units granted, 3,378,197 vested on the Arrangement date and the remaining 1,941,421 vest daily over an approximate 14-month or 26-month vesting period. The fair value of the Class B units vested on the transaction date has been included in the consideration and the fair value of the Class B Units unvested as at the transaction date will be included in equity based compensation over the vesting term (Note 18). The fair value was based on the 10-day volume weighted average share price of GDH Ltd. beginning August 1, 2018, the date of listing on the TSX-V.

⁽ⁱⁱ⁾ The fair value of the 155,035 First Coin Replacement Options measured as of July 31, 2018 has been included in the consideration.

The options were valued using a Black-Scholes valuation model with the following inputs:

Inputs to the Black Scholes Model

Share price ⁽ⁱⁱⁱ⁾	\$2.75
Exercise price	\$4.64
Expected annual volatility	100%
Expected term (years)	4.26 - 4.48
Dividend yield	0%
Risk-free interest rate ^(iv)	2.22% - 2.23%
Forfeiture rate	0%

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

^(iv) Risk-free interest rate calculated based on interpolating Government of Canada bond yields.

Impairment of Goodwill

At the date of acquisition, the Partnership recorded \$6,216,914 of goodwill. Goodwill represented the future economic benefit arising from other assets acquired that could not be individually identified and separately recognized. Goodwill was attributed to the expected synergies from combining operations with GDH LP and the expected future cash flows of the business.

As of September 30, 2018, the Partnership performed an impairment test using a one-step approach and determined the goodwill was impaired. The impairment loss is the amount by which the cash-generating units carrying amount exceeds its

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recoverable amount. The Partnership impaired the full amount of goodwill and recorded an expense of \$6,216,914 for the year ended December 31, 2018. Based on the regulatory framework and the opportunities it identified, the Partnership decided to reposition its advisory services business from focusing on small ICO advisory and blockchain consulting to instead serve larger, more institutional clients in the space. As a result, the Partnership began closing the First Coin office in Vancouver during November 2018. The Partnership did not expect to realize any of the benefits contemplated when the Arrangement was entered into in early 2018.

7. DIGITAL ASSETS

The Partnership's digital assets are primarily traded in active markets and are purchased with the intent to resell in the near future, generating a profit from the fluctuations in prices or margins. As a result, the Partnership has determined that its holdings of cryptocurrency, both restricted and unrestricted, are considered to be digital assets and, as a result, are accounted for as inventory with changes in fair value less cost to sell recognized in profit or loss. Below are the Partnership's digital asset holdings as of September 30, 2019 and December 31, 2018:

	September 30, 2019	December 31, 2018
Cryptocurrency:		
Unrestricted	\$ 123,427,400	\$ 69,757,601
Restricted	1,270,295	7,738
	<u>\$ 124,697,695</u>	<u>\$ 69,765,339</u>

Cryptocurrency: Digital assets that are typically part of a decentralized system of recording transactions and issuance of new units and that rely on cryptography to secure its transactions, to control the creation of additional units, and to verify the transfer of assets. The Partnership holds both unrestricted and restricted cryptocurrency, as defined below.

Unrestricted – Digital assets held by the Partnership, typically acquired through direct purchase or via pre-ICO investment whereby the related company or project has completed its token generated event or ICO and distributes such digital assets to the holder.

Restricted – Pre-ICO investments, typically pursuant to a Simple Agreement For Equity and/or Tokens (“SAFE-T”), which entitle the holder to receive certain cryptocurrency at a later date. Such restricted cryptocurrency has not yet been distributed to the Partnership, however is expected to be distributed over time.

The Partnership engages in several trading strategies with respect to its digital assets, including cross-exchange arbitrage as well as market neutral trading strategies across a variety of crypto assets and exchanges. Realized gains and losses are recognized in profit or loss.

The Partnership's realized gain or loss on a digital asset is calculated as the proceeds received from the sale of the digital asset less its assigned original cost. The Partnership's unrealized gain or loss on a digital asset consists of both the change in fair value on a digital asset from the beginning of the period and the reversal of any previously recognized unrealized gain or loss on a digital asset sold during the period.

Digital assets trades

As of September 30, 2019, there were a number of unsettled trades. The amounts receivable and payable were \$2,472,350 (December 31, 2018 - \$8,579,058) and \$7,444,945 (December 31, 2018 - \$9,832,737), respectively.

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8. INVESTMENTS

The Partnership's holdings of investments generally are not traded in active markets. Investments are accounted for as financial assets which are initially recognized at fair value and subsequently measured at fair value through profit or loss. Below are the Partnership's investments as of September 30, 2019 and December 31, 2018:

	September 30, 2019	December 31, 2018
Pre-ICO	\$ 6,602,001	\$ 3,444,204
Convertible Notes	3,706,828	1,250,000
Preferred Stock	75,369,122	59,586,719
Common Stock	30,247,973	80,483,775
LP/LLC Interests	39,016,786	33,248,472
Warrants/Trust Units	1,597,630	1,352,526
	<u>\$ 156,540,340</u>	<u>\$ 179,365,696</u>

Pre-ICO: Contributions made to companies or start-up blockchain projects, typically documented via a SAFE-T, that entitles the holder to receive cryptocurrency at a future date once the related company or project has completed its token generated event or ICO.

Convertible Notes: Class of debt that entitles the holders to convert such debt into equity of the issuer under certain circumstances.

Preferred Stock: Class of ownership in a corporation that typically entitles the holder to a priority claim on the assets and future earnings of the corporation above that of common stock holders, as well as certain voting and governance rights over the operations of the corporation.

Common Stock: Class of ownership in a corporation that entitles the holders to a claim on the assets and future earnings of the corporation, as well as certain voting and governance rights over the operations of the corporation.

Limited Partnership / Limited Liability Company Interests: Class of ownership in a limited partnership or limited liability company that entitles the holders to a claim on the assets and future earnings of the limited partnership or limited liability company, as well as certain voting or governance rights over the operations of the limited partnership or limited liability company.

Warrants/ Trust Units: Warrants represent a security that entitles the holders to purchase the underlying stock of the issuing company at a pre-determined price until the stated expiry date. Trust units are a class of ownership in a unit trust (typically an unincorporated mutual fund) that entitles the holders to a claim on the assets and future earnings of the trust as well as certain voting and governance rights over the operations of the trust.

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Continuity schedule of investments

The below table shows components of the change in investments:

	<u>Investments</u>
Balance as at January 1, 2018	\$ —
Contributions	96,264,735
Purchases	113,418,584
Proceeds from investments	(20,523,467)
Transfer to digital assets	(1,334,302)
Net unrealized loss on investments	(8,459,854)
Balance as at December 31, 2018	179,365,696
Purchases	24,829,349
Proceeds from investments ⁽ⁱ⁾	(74,005,744)
Transfer to digital assets	(1,400,000)
Net unrealized gain on investments	27,498,975
Other ⁽ⁱⁱ⁾	252,064
Balance as at September 30, 2019	\$ 156,540,340

⁽ⁱ⁾ Proceeds from investments reflect primarily the proceeds received from the tender of a portion of the Partnership's investment in the ordinary shares of Block.one and the sale of some common stock of another company.

⁽ⁱⁱ⁾ Other includes capitalized interest and accretion of a discount from the issuance of convertible notes.

The Partnership's realized gain or loss on an investment is calculated as the proceeds received from the sale of the investment less its original cost. The Partnership's unrealized gain or loss on an investment consists of both the change in fair value on an investment from the beginning of the period and the reversal of any previously recognized unrealized gain or loss on an investment sold during the period.

9. RECEIVABLES

	<u>September 30,</u>	<u>December 31,</u>
	<u>2019</u>	<u>2018</u>
Interest receivable	\$ 251,052	\$ 141,483
Other ⁽ⁱ⁾	1,805,479	1,097,211
	\$ 2,056,531	\$ 1,238,694

⁽ⁱ⁾ 2019 amount includes \$0.7 million due to the Partnership from managed funds. 2018 amount includes \$0.9 million due to the Partnership from managed funds. These amounts represent expenses incurred by the funds that were paid on their behalf by the Partnership.

10. DIGITAL ASSET LOANS RECEIVABLE AND PAYABLE

In the ordinary course of business, the Partnership enters into facilities to borrow cryptocurrencies in order to lend to counterparties, thus earning a return through the spread between its borrowing and lending rates. In addition, the Partnership may, from time to time, lend cryptocurrencies using its holdings.

Digital asset loans receivable

During the nine months ended September 30, 2019, the Partnership loaned select cryptocurrencies to borrowers at annual rates ranging from 4% to 13.5%. There is no set term for the loans and the borrower can prepay without penalty. In addition, the Partnership can generally demand the repayment of the loans at any time by providing between five to twenty business days notice. The borrower is generally required to post collateral between 80% to 100% of the loan value in either US dollars or select cryptocurrencies.

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As of September 30, 2019, the Partnership had a digital asset loans receivable balance of \$7,359,896 (December 31, 2018 - \$nil).

As of September 30, 2019, borrowers had posted cash and cryptocurrency collateral of \$579,871 and \$8,058,289, respectively. Under the terms of the master loan agreements, the Partnership is entitled to use the cash collateral to conduct its digital currency lending and borrowing business and therefore has reflected the amount in the Partnerships' cash balance with a corresponding entry to collateral payable on the statement of financial position. The Partnership is not entitled to utilize the cryptocurrency posted as collateral by borrowers and therefore, unless there is an event of default by the borrower, the cryptocurrency posted as collateral by the borrowers has no impact on the Partnerships statement of financial position. The value of the cryptocurrency received as collateral has been netted with the obligation to return the cryptocurrency.

Digital asset loans payable

During the nine months ended September 30, 2019, the Partnership entered into master loan agreements with lenders to borrow select cryptocurrencies at annual rates of interest ranging from 2.75% to 18%. There is no set term for the loans and the Partnership can prepay the loans without penalty. In addition, the lenders can generally demand the repayment of the loans at any time by providing between five to twenty business days notice. The Partnership is generally required to post collateral between 50% to 100% of the loan value in either US dollars or in select cryptocurrencies.

Master Loan Agreements	September 30, 2019	December 31, 2018
Digital assets borrowed	\$ 34,805,095	\$ —
Digital assets sold short ⁽ⁱ⁾	(8,051,871)	—
Digital assets borrowed but not used ⁽ⁱⁱ⁾	(19,808,022)	—
	\$ 6,945,202	\$ —

⁽ⁱ⁾ See Note 15 for disclosure on digital assets sold short. The digital assets sold short balance above reflects the net traded balance of the cryptocurrency borrow.

⁽ⁱⁱ⁾ For cryptocurrencies borrowed but not used as of the end of a period, the Partnership has no net exposure.

As of September 30, 2019, the Partnership had a digital asset loans payable balance of \$6,945,202 (December 31, 2018 - \$nil).

As of September 30, 2019, the Partnership posted cash and cryptocurrency collateral of \$2,468,071 and \$8,768,777, respectively. The total collateral posted by the Partnership (\$11,236,848) is reflected as Assets posted as collateral on the statement of financial position.

During the three and nine months ended September 30, 2019, the Partnership paid interest expense of \$0.3 million and \$1.0 million, and received interest income of \$0.1 million and \$0.3 million, respectively, in connection with the aforementioned lending and borrowing activity.

11. PREPAID EXPENSES AND OTHER ASSETS

	September 30, 2019	December 31, 2018
Prepaid payroll funding and deposit	900,000	900,000
Prepaid insurance	\$ 662,946	\$ 373,004
Prepaid rent and security deposits	96,689	306,882
Other	1,089,551	422,994
	\$ 2,749,186	\$ 2,002,880

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12. LOANS RECEIVABLE

The loans receivable balance includes primarily the following loans:

Term loan to a cryptocurrency mining and blockchain infrastructure company

On September 10, 2018, the Partnership provided a loan of \$16,000,000 par amount to a cryptocurrency mining and blockchain infrastructure company (the "Borrower"). The term of the loan is 2.5 years with a maturity on March 10, 2021. The loan can be either an alternate base rate ("ABR") loan or a eurodollar loan. For an ABR loan, the interest rate is the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus ½ of 1.00% and (c) the Adjusted London Interbank Borrowing Rate ("LIBOR") applicable for an interest period of one month commencing on such day (or if such day is not a business day, the immediately preceding business day) plus 1.00%; plus an applicable margin of 9%. For a eurodollar loan, the interest rate is the greater of (a) 2.00% per annum and (b) the product of (i) the LIBOR in effect for such interest period (which can be one, two, three or six months) and (ii) Statutory Reserves, and an applicable margin of 10%. Statutory Reserves shall mean a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board of Governors of the Federal Reserve System of the United States of America ("Board") and any other banking authority, domestic or foreign, to which the administrative agent or any lender is subject for Eurocurrency Liabilities (as defined in Regulation D of the Board).

The interest may be payable in cash or, upon giving at least five business days notice, in the dollar equivalent value of bitcoin of the interest payable. In the event of a default, the default interest will be the rate of interest otherwise applicable plus 2% per annum, if the default is related to the principal amount. If the default is related to all other cases, the default interest will be the rate applicable on an ABR loan. If any portion of the loan is repaid within one year of the closing date of the loan, the Borrower will be charged a make whole amount of 1.5% of the principal amount of the loan being repaid and the aggregate amount of each interest payment due until the first anniversary of the closing date, calculated using a specified LIBOR and an applicable margin of 10%.

The Partnership also charged a lender's fee of 2% of the loan's par amount. The Partnership received detachable warrants to purchase 2,222,222 common shares of the Borrower at an exercise price of C\$4.50 and an expiration of September 10, 2023. The warrants were accounted as a separate financial asset and are included in Investments as at September 30, 2019.

On September 12, 2019, the Borrower repaid \$2,000,000 of the principal balance along with a \$30,000 prepayment fee.

At September 30, 2019 and December 31, 2018, the loan had a carrying value of \$13,810,751 and \$15,693,341, respectively. For the three and nine months ended September 30, 2019, the Partnership recognized interest income of \$525,508 and \$1,614,595, respectively, on the loan.

Balance as of December 31, 2017	\$	—
Par amount of loan		16,000,000
Loan origination fee		(320,000)
Accretion of loan origination fee		13,341
Balance as of December 31, 2018		15,693,341
Prepayment of loan		(2,000,000)
Accretion of loan origination fee		117,410
Balance as of September 30, 2019	\$	13,810,751

Subsequent event

On November 20, 2019, the term loan was fully repaid. The borrower paid the principal amount of \$14 million, outstanding accrued and unpaid interest of \$42,914, and prepayment fees of \$210,000.

Galaxy Lending SPV I LLC loans

Galaxy Lending SPV I LLC (the "SPV") is a special purpose vehicle created to buy and house crypto-backed loans from a secured non-bank lender ("Non-bank Lender") that offers US dollar loans to cryptoasset owners who collateralize the loan with their cryptoassets. The SPV is owned 95% by Galaxy Digital Lending LLC ("GDL") and 5% by the Non-bank Lender. GDL

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has a \$10.0 million commitment to buy eligible loans from the Non-bank Lender and the Non-bank Lender has a commitment of approximately \$1.1 million. In addition, GDL can commit an additional \$40 million at its sole discretion.

The Non-bank Lender originates bitcoin, ether or litecoin backed US dollar loans, which are generally underwritten at 35% loan to value ("LTV") to eligible customers. The loans have a one-year maturity period and the notional interest rates are generally between 12% and 14%, unless capped by state law. The loans also generally have a 1% - 3% origination fee and several provisions built in to manage the value of the collateral and LTV of the loan. At a pre-determined LTV threshold, a 72-hour margin notification is sent and at another pre-determined LTV threshold, if the customer does not respond to a margin call, an accelerated default is triggered, and the collateral is liquidated for US dollars.

At September 30, 2019 and December 31, 2018, the SPV loans had a carrying value of \$13,466,013 and \$2,203,828, respectively and is recorded as a current asset. For the three and nine months ended September 30, 2019, the Partnership recognized interest income of \$285,766 and \$443,547, respectively, on the loans. The SPV began buying loans from the Non-bank Lender during the third quarter of 2018.

First Block Capital Inc. Promissory Note

Pursuant to the business combination with First Coin (Note 6), the Partnership acquired a promissory note held with First Block Capital Inc., a related party of First Coin, with a then carrying value of \$146,368. The promissory note was originally entered into on November 30, 2017 whereby First Coin loaned C\$350,000 for 24 months. The loan is unsecured, bears interest at 5% compounded annually, and is repayable in full plus interest on its maturity date of November 30, 2019. The loan was initially recorded at its estimated fair value using a presumed market interest rate of 20% to reflect the risk profile attached to the loan. An amount of C\$100,000 was repaid in March 2018. At September 30, 2019 and December 31, 2018, the loan had a carrying value of \$199,615 and \$165,196, respectively, recorded as a current asset.

IPowow International Corporation ("IPowow") Promissory Note

Pursuant to the business combination with First Coin (Note 6), the Partnership acquired a promissory note held with IPowow, an arm's length party, with a then carrying value of \$196,643. The promissory note was originally entered into on May 23, 2018 whereby First Coin loaned C\$250,000 to IPowow. The loan plus accrued interest is repayable on the earlier of May 21, 2020 or an event of default. The loan is pursuant to a general security agreement dated May 23, 2018. The loan bears interest at 12% per annum, and is payable quarterly. If IPowow is unable to repay the quarterly interest out of its cash flow, interest will accrue at 14% per annum. If IPowow has an event of default, interest will be calculated at 16% per annum. At September 30, 2019 and December 31, 2018, the loan had a carrying value of \$224,740 and \$198,979, respectively, and interest was accruing at 14% per annum.

13. PROPERTY AND EQUIPMENT AND RIGHT OF USE ASSET

	Furniture & Fixtures	Office Equipment	Computer Equipment	Leaseholds Improvements	Total Property and Equipment	Right of Use Asset ⁽ⁱ⁾
Balance as at December 31, 2017	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Acquired in business combination (Note 6)	19,747	—	9,324	—	29,071	—
Additions/ Initial adoption ⁽ⁱⁱⁱ⁾	612,677	15,971	434,730	3,261,679	4,325,057	—
Depreciation	(12,796)	(2,218)	(59,626)	(56,236)	(130,876)	—
Balance as at December 31, 2018	\$ 619,628	\$ 13,753	\$ 384,428	\$ 3,205,443	\$ 4,223,252	\$ —
Additions	10,477	—	80,563	237,184	328,224	5,732,426
Depreciation	(55,358)	(1,996)	(66,839)	(275,554)	(399,747)	(396,992)
Other	(35,072)	—	—	—	(35,072)	—
Balance as at September 30, 2019	\$ 539,675	\$ 11,757	\$ 398,152	\$ 3,167,073	\$ 4,116,657	\$ 5,335,434

⁽ⁱ⁾ On January 1, 2019, the Partnership adopted IFRS 16. See Notes 4 and 17.

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⁽ⁱⁱ⁾ Leasehold improvements primarily relate to expenditures for renovation and build out of office space, architect and design costs. The completion date largely occurred during October 2018, at which time the assets became available for use and depreciation commenced on November 1, 2018.

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2019	December 31, 2018
Compensation and compensation related	\$ 7,175,771	\$ 10,164,844
Professional fees	2,757,034	1,938,968
Interest	155,985	102,793
Other	1,379,516	2,352,309
	\$ 11,468,306	\$ 14,558,914

15. DIGITAL ASSETS SOLD SHORT

In the ordinary course of business, the Partnership enters into facilities to borrow cryptocurrencies to facilitate trading. For certain of those cryptocurrencies, the Partnership has taken a strategy to short the borrowed cryptocurrency. In those instances, these borrowings have been reflected as digital assets sold short on the statement of financial position. In addition, from time to time, the Partnership sells cryptocurrencies that it does not hold in its inventory or that it has not borrowed. The Partnership will then, at a later date, buy the respective cryptocurrencies to close out the transaction. Such sales have also been reflected as digital assets sold short.

Realized gains and losses are recognized only on a purchase of the identical asset made in order to close out the future position at the settlement date. All other trading activity is recognized in unrealized gains and losses.

November 2018 Facility

The Partnership entered into a loan agreement dated March 22, 2018 ("March 2018 Loan Agreement") and effective through December 15, 2018, whereby the Partnership borrowed certain cryptocurrency from a counterparty. Interest of 12.0% per annum was payable, in such cryptocurrency, upfront in four installments over the term of the loan. On November 20, 2018, the Partnership entered into a new revolving cryptocurrency facility with the same counterparty ("November 2018 Facility"), whereby the Partnership may borrow certain cryptocurrencies from the counterparty. On December 15, 2018, the March 2018 Loan Agreement was terminated and the amount of cryptocurrency borrowed was rolled into the November 2018 Facility. Under the November 2018 Facility, interest of 10.0% per annum is payable on the borrowed cryptocurrencies in such cryptocurrency. There is an additional fee for the facility of 0.125% of the total value of the facility, payable each quarter in US dollars. The November 2018 Facility was terminated in the second quarter of 2019 and the cryptocurrencies outstanding were rolled into new master loan agreements with the counterparty. See Master Loan Agreements section for more detail.

November 2018 Facility	September 30, 2019	December 31, 2018
Digital assets borrowed	\$ —	\$ 21,142,942
Digital assets borrowed but not used ⁽ⁱ⁾	—	(2,475,985)
Digital assets sold short	\$ —	\$ 18,666,957

⁽ⁱ⁾ For cryptocurrencies borrowed but not used as of the end of a period, the Partnership has no net exposure. The balance above reflects the net traded balance of the cryptocurrency borrow.

During the three and nine months ended September 30, 2019, the Partnership recognized \$nil and \$0.8 million in interest expense related to the November 2018 Facility. During the three and nine months ended September 30, 2018, the Partnership recognized approximately \$0.9 million and \$1.0 million, respectively, in interest expense related to the March 2018 Loan Agreement.

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Master Loan Agreements

During the nine months ended September 30, 2019, the Partnership entered into master loan agreements with lenders to borrow select cryptocurrencies. For certain of these borrowings the Partnership has taken a strategy to short the borrowed cryptocurrency and therefore these borrowings have been reflected as digital assets sold short on the statement of financial position.

As of September 30, 2019, the digital assets sold short balance under the Master Loan Agreements was \$8,051,871 (Note 10). As of December 31, 2018, the digital assets sold short balance under the November 2018 Facility was \$18,666,957.

Other

In addition, as of September 30, 2019, as a result of the sale of cryptocurrencies that the Partnership does not hold in its inventory or that it has not borrowed, the Partnership recorded a digital assets sold short balance of \$840,484.

16. DUE TO RELATED PARTY

On February 7, 2018, the Partnership entered into a \$100 million Revolving Loan Agreement (the “RLA”) with GGI, a Delaware limited liability company. The Partnership entered into the RLA as a source of additional capital to fund its operations and prospective investments until such time that the Arrangement was complete and the related financing proceeds were released from escrow (Note 5). On June 13, 2018, the Partnership upsized its \$100 million RLA by \$30 million to a maximum borrow of \$130 million. Each borrowing was unsecured and accrued simple interest at 5% per annum on the unpaid principal amount.

The Partnership repaid the entire outstanding balance of \$114.4 million upon closing of the Arrangement, consisting of \$112.4 million of principal and \$2.0 million in interest. As of December 31, 2017, the formal RLA agreement had not been entered into, however the Partnership owed an aggregate of \$42.7 million to GGI, consisting of \$42.7 million of principal and \$45,000 accrued interest.

During the three and nine months ended September 30, 2018, the Partnership recognized \$0.5 million and \$2.2 million, respectively, in interest expense on the RLA.

The change in the due to related party balance is as follows:

	September 30, 2019	December 31, 2018
Opening balance	\$ 1,177,498	\$ 42,650,240
Borrowings - cash	—	102,374,924
Repayments - cash	(1,177,498)	(122,374,924)
Contribution of digital assets (Note 23)	—	(22,650,240)
Expenses incurred on behalf of Partnership ⁽ⁱ⁾	—	1,177,498
Ending balance	\$ —	\$ 1,177,498

⁽ⁱ⁾ Consists of expenses incurred by GGI on behalf of the Partnership during 2018. For administrative convenience, these expenses were paid by GGI and were reimbursed in 2019.

17. LEASE LIABILITY

Lease liability	September 30, 2019	December 31, 2018
Lease liability	\$ 5,581,855	\$ —
Less: current portion	(785,022)	—
Classified as a long-term liability	\$ 4,796,833	\$ —

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Undiscounted lease payments	September 30, 2019	December 31, 2018
Later than a year	\$ 8,372,376	\$ —
Not later than a year	898,578	—
	\$ 9,270,954	\$ —

As indicated in Note 4, the Partnership adopted a new lease standard and recognized \$4.8 million of lease liability on January 1, 2019. The lease liability was measured at the present value of the remaining lease payments of \$8.3 million as of January 1, 2019, discounted using an incremental borrowing rate at that date of 12%. The Company recorded a right of use asset of the same amount (Note 13) which relates to its long-term office lease. Depreciation of the right of use asset is calculated using the straight line method over the remaining lease term.

In addition, effective August 1, 2019, the Partnership recognized \$0.9 million of lease liability related to another lease agreement which became effective during the period. The lease liability was measured at the present value of the lease payments of \$1.6 million as of August 1, 2019, discounted using an incremental borrowing rate at that date of 12%. The Company recorded a right of use asset of the same amount (Note 13) for this lease. Depreciation of the right of use asset is calculated using the straight line method over the remaining lease term.

Details of the above leases are disclosed in Note 27.

For the three and nine months ended September 30, 2019, the Partnership recognized interest expense on the lease liability of \$159,431 and \$445,769, respectively, which was recorded within interest expense.

The Partnership elected not to apply the new lease standard to short term leases with an initial term of 12 months or less but rather recognize the lease expense on a straight line basis. The Partnership leases office space in London, Hong Kong and Tokyo on short term leases with initial terms of 12 months or less. For the three and nine months ended September 30, 2019, the Partnership recognized \$105,741 and \$328,064, respectively, of lease expense, classified within general and administrative expenses (Note 22), related to those short term leases.

18. EQUITY

Issued Partnership Capital

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

- (i) GDH LP Class A Units, which were subdivided into GDH LP A-1 Units, all of which are held by GDH Ltd., and GDH LP A-2 Units, all of which are held indirectly by GDH Ltd., through GDH Ltd.'s wholly owned U.S. blocker subsidiary, GDH Intermediate LLC, which was established as a tax-efficient blocker corporation or similar entity for U.S. tax purposes; and
- (ii) GDH LP Class B Units, all of which are held by GGI, employees of GDH LP as part of the GDH LP employee compensation plan and former First Coin shareholders (other than Non-Participating First Coin shareholders).

The GDH LP Class A Units and GDH LP Class B Units generally rank pari passu as to all distributions from GDH LP and they otherwise rank equally in all material respects, including from an economic and from a voting perspective.

Under the terms of the LPA, GDH LP Class B Units will, subject to certain limitations, be exchangeable for GDH Ltd. 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 GDH Ltd. shares to an exchanging GDH LP Class B Unit holder. On receipt of a request to exchange, the Partnership or the General Partner will cancel the Class B Units and will cause GDH Ltd. to issue common shares. In addition, GDH LP will issue Class A Units.

Private Placement

On February 14, 2018, Bradmer announced the closing of a partially-brokered private placement offering of 60,969,746 subscription receipts at a price of C\$5.00 per subscription receipt ("Private Placement"). The Private Placement was considered an arm's length financing and raised an aggregate of approximately C\$305 million of proceeds. These proceeds were held in escrow until such time of release upon satisfying all the conditions under the Arrangement (Note 5). On completion of the Arrangement, the net proceeds were used by Bradmer to acquire a minority equity interest in GDH LP. As a result, Bradmer (renamed GDH Ltd.) received 60,969,746 Class A Units of GDH LP in exchange for a net contribution of approximately

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\$229.2 million. The net contribution reflects net proceeds of approximately \$228.4 million and approximately \$0.8 million of interest earned on placement proceeds in escrow.

Issued Capital

Class A Units

On July 31, 2018, in connection with the Arrangement (Note 5), the Partnership issued 141,452 Class A Units to the original shareholders of Bradmer and 60,969,746 Class A Units to subscription holders who participated in the GDH Ltd. financing completed in February 2018. In addition, on August 1, 2018, the Partnership issued 40,000 Class A Units to a financial advisor of GDH Ltd.

During the nine months ended September 30, 2019, the Partnership issued 1,973,628 Class A Units valued at \$2,537,564, post withholding taxes, to GDH Ltd. on exchange of Class B Units. During the year ended December 31, 2018, the Partnership issued 3,966,107 Class A Units, post withholding taxes, to GDH Ltd. on exchange of Class B Units.

Class B Units

On July 31, 2018, in connection with the Arrangement (Note 5), the Partnership issued 213,696,000 Class B Units to GGI, and 5,319,618 Class B Units to First Coin shareholders (of which 1,941,421 are deemed to be compensatory Class B Units). In addition, the Partnership awarded 30,870,000 compensatory Class B Units to officers and employees of the Partnership, which are subject to a vesting schedule.

During the nine months ended September 30, 2019, 1,973,628 Class B Units valued at \$2,537,564 were exchanged for common shares of GDH Ltd. The number of Units exchanged is after the withholding and cancellation of 106,345 Class B Units, associated with the withholding obligation on the vested compensatory Class B Units. During the year ended December 31, 2018, 3,966,107 Class B Units were exchanged for common shares of GDH Ltd. The number of Units exchanged is after the withholding and cancellation of 1,232,935 Class B Units, associated with the withholding obligation on the vested compensatory Class B Units.

As of September 30, 2019, there were 67,090,933 Class A Units and 220,160,073 Class B Units outstanding. The change during the nine month period was due to exchanges of Class B Units for common shares of GDH Ltd. (and into Class A Units of GDH LP) and vesting of Class B Units awarded.

Distributions

Distributions primarily relate to income distributions made to non-controlling interests in a consolidated subsidiary.

Equity Based Compensation

The Partnership has awarded compensatory Class B Units and stock options (equity instruments) to eligible officers and employees. For the three and nine months ended September 30, 2019, equity based compensation expense was recognized as follows:

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Stock options	\$ 2,554,903	\$ 4,479,778	\$ 8,286,870	\$ 4,479,778
Compensatory Class B Unit awards ⁽ⁱ⁾ :				
Standard Units	1,830,713	7,073,875	9,241,659	7,073,875
Profit Interest Units	1,812,841	1,534,589	5,429,181	1,534,589
Class B Units to First Coin	99,506	1,222,842	484,025	1,222,842
	<u>\$ 6,297,963</u>	<u>\$ 14,311,084</u>	<u>\$ 23,441,735</u>	<u>\$ 14,311,084</u>

⁽ⁱ⁾ Nine months ended September 30, 2019 includes a cash payment of \$226,530.

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Compensatory Class B Unit Awards and Stock Option Plan

The Partnership has awarded Class B Unit awards and stock options (equity instruments) to eligible officers and employees.

Compensatory Class B Unit Awards

On July 31, 2018, the Partnership granted 30,870,000 Class B Units of GDH LP to certain officers and employees as compensation. The Class B Units granted are comprised 50% of subtype R units ("Standard Units") and 50% of subtype P units ("Profit Interest Units"). The terms of the Class B Units are as follows:

- Standard Units - The Standard Units vest 50% on each of February 1, 2019 and September 1, 2019. Once vested, each Standard Unit can be exchanged for one share of GDH Ltd. for no additional consideration. The fair value of the Standard Units granted was \$29,388,204 (or approximately \$1.9040 per Standard Unit) based on the 10-day volume weighted average share price of GDH Ltd. from August 1, 2018 through August 15, 2018 ("10-day WA") and will be recognized over the vesting period.
- Profit Interest Units - The Profit Interest Units vest 50% on each of September 1, 2020 and September 1, 2021. The Profit Interest Units receive "catch up" allocations with respect to book income which enable such units to accumulate capital accounts equal to those of Standard Units. Initially, the Profit Interest Units will have a capital account balance of \$nil, which will be adjusted upon a liquidation or capital event, or when the capital accounts of the GDH LP unit holders are marked to market to reflect the fair value of GDH LP's assets. Such "catch up" allocations will terminate once the Profit Interest Units have accumulated capital accounts equal to those of other Standard Units. 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 \$23,088,412 (or approximately \$1.50 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 2.25% to 75%, the annual discount rate used was 2.27%, the term used was 6.42 years, and the share price used ranged from C\$0 to C\$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 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

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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%.

First Coin

On July 31, 2018, in connection with the First Coin business combination (Note 6), the Partnership granted 1,941,421 Class B Units which vest daily over an approximate 14-month or 26-month vesting period. The fair value of the Class B Units granted was \$3,696,454 based on the 10-day WA and will be recognized over the vesting period. The First Coin Class B Units that were exercisable as of September 30, 2019 were 841,673.

The following table summarizes the activity related to the compensatory Class B Units during the respective periods:

Description	Class B Units
Balance, December 31, 2017	—
Granted ⁽ⁱ⁾	32,811,421
Exchanged ⁽ⁱⁱ⁾	(3,567,000)
Forfeited	(1,078,914)
Balance, December 31, 2018	28,165,507
Granted/ Transferred ⁽ⁱⁱⁱ⁾	5,280,695
Exchanged	(1,330,498)
Forfeited/ Transferred	(12,720,675)
Balance, September 30, 2019	19,395,029
Class B Units exercisable, September 30, 2019	5,622,922
Class B Units exercisable, December 31, 2018 ^(iv)	523,800

⁽ⁱ⁾ Includes 1,941,421 Class B Units granted to First Coin (Note 6).

⁽ⁱⁱ⁾ At the discretion of the Partnership, a portion of the Class B Standard Unit awards of certain terminated employees were accelerated.

⁽ⁱⁱⁱ⁾ Relates to the transfer of Class B Units to existing employees from terminated employees.

^(iv) Relates to Class B Units granted to First Coin.

Under the terms of the LPA, the General Partner may elect, at its sole discretion, to pay an amount of cash equal to the current market price of the applicable number of shares in lieu of delivering the applicable number of shares. However, as the Partnership does not have a present obligation to settle in cash, the Class B Units are accounted for as equity settled awards.

Equity Plan

The Partnership has granted stock options to employees, officers, directors and consultants of the Partnership under the GDH Ltd. stock option plan (the “Plan”), subject to the approval of the board of directors of GDH Ltd. Under the Plan, 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 exchanged basis. In addition, the exercise price of each option may not be less than the market price of GDH Ltd.’s shares at the date of grant. Options granted under the Plan will have a term not to exceed 5 years and will be subject to vesting provisions as determined by the board of directors of GDH Ltd., who administer the Plan. On exercise of an option, the holder will receive one common share in GDH Ltd. and GDH LP will issue one Class A Unit to GDH Ltd. 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 GDH Ltd. on a fully exchanged basis.

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Modification of Equity Plan

Effective June 24, 2019, the shareholders of GDH Ltd. 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 GDH Ltd. 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 GDH Ltd. (15% of the issued share capital, as April 30, 2019, on a fully exchanged basis). None of the other aforementioned terms were changed under the Amended and Restated Stock Option Plan.

Stock Option Grants

During the year ended December 31, 2018, the Partnership granted 27,584,000 stock options with a fair value of \$38,033,079 (or weighted average fair value of approximately \$1.3788 per option). 26,834,000 of the stock options granted are exercisable into one common share of GDH Ltd. at a weighted average exercise price of C\$5.00 per option for a period of five years, while 750,000 of the stock options granted are exercisable at a weighted average exercise price of C\$1.15 per option for a period of five years. 26,834,000 of the options vest 25% annually commencing on March 1, 2019 and 750,000 of the options vest 25% annually commencing on June 1, 2019.

On July 31, 2018, in connection with the First Coin business combination (Note 6), the Partnership granted 155,035 First Coin Replacement Options. The fair value of the First Coin Replacement Options was included in the consideration of the purchase price equation.

On June 25, 2019, the Partnership granted 3,885,000 stock options ("June 2019 Grant") with a fair value of \$4,426,140 (or a weighted average fair value of approximately of \$1.1393). The stock options granted are exercisable into one common share of GDH Ltd. at an exercise price of C\$2.15 per option for a period of five years and vest 25% annually commencing on December 1, 2019.

On September 4, 2019, the Partnership granted 682,500 stock options ("September 2019 Grant") with a fair value of \$694,869 (or a weighted average fair value of approximately of \$1.0181). The stock options granted are exercisable into one common share of GDH Ltd. at an exercise price of C\$1.95 per option for a period of five years and vest 25% annually commencing on March 1, 2020.

Modification of stock options previously granted

On June 24, 2019, the shareholders of GDH Ltd. 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").

The C\$5.00 options and the C\$3.00 options were both fair valued at the date of modification and their fair value were compared. The fair value of the C\$3.00 options was less than the fair value of the C\$5.00 options and as a result, the decrease in fair value was not considered in the calculation of the equity based compensation. The Partnership will therefore continue to recognize the equity based compensation related to the C\$5.00 options based on their initial grant date fair value in 2018, updated for the options that eventually vest.

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The fair value of the options granted, excluding the First Coin Replacement Options (Note 6), was measured using the Black-Scholes option pricing model with the following weighted average inputs:

Inputs to the Black-Scholes Model	September 30, 2019	December 31, 2018
Share price ⁽ⁱ⁾	C\$1.95 - C\$2.15	C\$1.15 - C\$2.75
Exercise price	C\$1.95 - C\$2.15	C\$1.15 - C\$5.00
Expected annual volatility ⁽ⁱⁱ⁾	90%	100%
Expected term (years)	5.00	4.87 - 5.00
Dividend yield	0%	0%
Risk-free interest rate ⁽ⁱⁱⁱ⁾	1.15% - 1.33%	2.16% - 2.24%
Forfeiture rate ^(iv)	15.4% - 18.8%	0%

⁽ⁱ⁾ For the options granted on July 31, 2018, the opening price of GDH Ltd. shares on August 1, 2018 was used. For all other options granted, the closing price of GDH Ltd. shares on the respective grant dates were used.

⁽ⁱⁱ⁾ Volatility was selected based on the holdings of the Partnership and a review of the historical volatility of digital assets and academic studies of historical venture equity volatility. In addition, for the June 2019 and September 2019 Grants, the historical trading volatility of the shares of GDH Ltd. was also considered.

⁽ⁱⁱⁱ⁾ The risk-free interest rate was calculated by interpolating Government of Canada bond yields over the expected terms of the respective option grants.

^(iv) The forfeiture rate for the June 2019 Grant and the September 2019 Grant is a weighted average of the estimated forfeiture rates for the respective vesting dates (ranging from 4% to 30%).

The following table summarizes the activity related to the stock options during the nine months ended September 30, 2019 and year ended December 31, 2018:

Description	Number of Options	Weighted Average Exercise Price (C\$)
Balance, December 31, 2017	—	
Granted ⁽ⁱ⁾	27,739,035	4.89
Forfeited	(6,048,000)	5.00
Balance, December 31, 2018	21,691,035	4.86
Forfeited	(1,757,897)	4.97
Balance, March 31, 2019 (before repricing adjustment)	19,933,138	4.85
Reduction in number of options due to repricing adjustment	(5,713,200)	5.00
Balance, June 25, 2019 (after repricing adjustment)	14,219,938	2.92
Granted	4,567,500	2.12
Forfeited	(1,103,138)	2.56
Balance, September 30, 2019	17,684,300	2.74
Options exercisable as of September 30, 2019	3,429,200	
Options exercisable as of December 31, 2018 ⁽ⁱⁱ⁾	50,366	

⁽ⁱ⁾ Includes 155,035 of First Coin Replacement Options (Note 6).

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⁽ⁱⁱ⁾ Relates to the First Coin Replacement Options.

There were no options exercised during the nine months ended September 30, 2019. For stock options outstanding as of September 30, 2019, the weighted average remaining contractual life is 4.06 years.

A summary of the stock options outstanding as at September 30, 2019 is as follows:

Grant Date	Number Outstanding	Number Exercisable	Exercise Price (C\$)	Expiry Date
Employees and Officers:				
July 31, 2018	12,737,200	3,184,300	3.00	July 23, 2023
July 31, 2018	126,000	31,500	5.00	July 23, 2023
September 10, 2018	103,600	25,900	3.00	July 23, 2023
December 3, 2018	750,000	187,500	1.15	December 3, 2023
June 25, 2019	3,285,000	—	2.15	June 25, 2024
September 4, 2019	682,500	—	1.95	September 4, 2024
Total	17,684,300	3,429,200		

Under certain circumstances, the options may be settled by cash payments at the election of the Partnership. However, as the Partnership does not have a present obligation to settle in cash, the stock options are accounted for as equity settled awards.

Loss per Unit

The table below presents the basic and diluted net loss per unit for the three months ended September 30, 2019.

	Class A Unitholders	Class B Unitholders	Total Class A and Class B Unitholders
Basic loss per unit	\$ (0.222)	\$ (0.223)	\$ (0.223)
Diluted loss per unit	N/A	N/A	\$ (0.223)
Net loss used in the calculation of basic and diluted loss per unit	\$ (14,887,933)	\$ (48,643,474)	\$ (63,531,407)
Weighted average number of units for the purposes of basic loss per unit	66,943,627	218,299,997	285,243,624
Weighted average number of units for the purposes of diluted loss per unit ¹	N/A	N/A	285,243,624

¹ Potentially dilutive Compensatory B Units awards and Stock options were excluded from the computation of diluted loss per unit for the three months ended September 30, 2019 because their effect would have been antidilutive.

The table below presents the basic and diluted net income per unit for the nine months ended September 30, 2019.

	Class A Unitholders	Class B Unitholders	Total Class A and Class B Unitholders
Basic income per unit	\$ 0.198	\$ 0.201	\$ 0.201
Diluted income per unit	N/A	N/A	\$ 0.190
Net income used in the calculation of basic and diluted income per unit	\$ 13,133,489	\$ 43,870,730	\$ 57,004,219
Weighted average number of units for the purposes of basic income per unit	66,176,595	217,955,013	284,131,608
Weighted average number of units for the purposes of diluted income per unit	N/A	N/A	299,936,843

For the three months and nine months ended September 30, 2019, the weighted average number of total Units (Class A and Class B Units) for the purposes of diluted income per unit assumes the potential vesting of the Class B Units and dilutive stock options under the GDH LP equity compensation plan.

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Reconciliation of weighted average number of units for the purposes of basic income per unit to weighted average number of units for the purposes of diluted income per unit:

	Three months ended September 30, 2019	Nine months ended September 30, 2019
Weighted average number of units for the purposes of basic income (loss) per unit	285,243,624	284,131,608
Diluted units ¹ :		
Compensatory Class B Unit awards	—	15,463,780
Stock options	—	341,455
Weighted average number of units for the purposes of diluted income per unit¹	285,243,624	299,936,843

¹ Potentially dilutive Compensatory B Units awards and stock options were excluded from the computation of diluted income per unit for the three months ended September 30, 2019 because their effect would have been antidilutive.

GDH Ltd.'s Ordinary Share Repurchase

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

GDH Ltd. began repurchasing shares on October 2, 2019 and, as of November 21, 2019, has repurchased a total of 792,054 shares for a total cost of C\$990,088. Consistent with the LPA, the Partnership will provide financial support to GDH Ltd. for the execution of the Share Repurchase Program.

19. NON-CONTROLLING INTERESTS

During 2018, the Partnership formed the SPV (Note 12) and Galaxy Benchmark Crypto Index Fund, L.P. ("Galaxy Index Fund").

Set out below is a summary of the financial information for GDL (Note 12) and Galaxy Index Fund, the subsidiaries for which the Partnership is subject to a non-controlling interest.

	GDL	Galaxy Index Fund	Total
Non-controlling interests, January 1, 2018	\$ —	\$ —	\$ —
Contributions	420,633	8,590,000	9,010,633
Distributions	(131,542)	—	(131,542)
Share of net loss	(8,461)	(4,703,052)	(4,711,513)
Non-controlling interests, December 31, 2018	\$ 280,630	\$ 3,886,948	\$ 4,167,578
Sale of interest to the Partnership	(140,316)	—	(140,316)
Contributions ¹	867,676	1,450,000	2,317,676
Distributions	(279,142)	—	(279,142)
Share of net income	19,798	1,471,556	1,491,354
Non-controlling interests, September 30, 2019	\$ 748,646	\$ 6,808,504	\$ 7,557,150

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⁽¹⁾ Contributions include capital contributed by Non-bank Lender towards the purchase of the crypto-backed loans housed in the SPV and contributions from third party investors in the Galaxy Benchmark Crypto Index Fund, LP.

The following tables present the non-controlling interests at September 30, 2019 and December 31, 2018. The information below is before inter-company eliminations.

	GDL	Galaxy Index Fund	Total
Non-controlling %	5%	65%	
Assets			
Current	\$ 14,999,735	\$ 10,731,860	\$ 25,731,595
	14,999,735	10,731,860	25,731,595
Liabilities			
Current	26,814	220,242	247,056
	26,814	220,242	247,056
Net Assets	14,972,921	10,511,618	25,484,539
Non-controlling interest, September 30, 2019	\$ 748,646	\$ 6,808,504	\$ 7,557,150

	GDL	Galaxy Index Fund	Total
Non-controlling %	10%	59%	
Assets			
Current	\$ 2,818,795	\$ 7,397,939	\$ 10,216,734
	2,818,795	7,397,939	10,216,734
Liabilities			
Current	12,500	793,744	806,244
	12,500	793,744	806,244
Net Assets	2,806,295	6,604,195	9,410,490
Non-controlling interest, December 31, 2018	\$ 280,630	\$ 3,886,948	\$ 4,167,578

The following table reflects the net income (loss) and net comprehensive income (loss) attributable to non-controlling interests for the three and nine months ended September 30, 2019 and 2018, respectively.

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Net income (loss)	\$ (68,225,016)	\$ (76,654,507)	\$ 58,495,573	\$ (175,675,068)
Net comprehensive income (loss) attributable to non-controlling interests:				
GDL	13,032	(11,004)	19,798	(11,004)
Galaxy Index Fund	(4,706,641)	(1,494,823)	1,471,556	(1,494,823)
	\$ (4,693,609)	\$ (1,505,827)	\$ 1,491,354	\$ (1,505,827)

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20. COMPENSATION AND COMPENSATION RELATED

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Base compensation and accrued bonuses	\$ 6,010,259	\$ 4,052,095	\$ 18,165,240	\$ 15,248,398
Benefits	528,900	405,974	1,425,732	837,574
Consulting	424,237	93,082	702,097	349,318
Payroll taxes	292,880	70,002	1,104,971	1,189,655
Placement fees	276,875	405,000	750,133	1,508,250
Temporary staff	18,346	4,942	82,794	14,084
	\$ 7,551,497	\$ 5,031,095	\$ 22,230,967	\$ 19,147,279

21. PROFESSIONAL FEES

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Legal	\$ 1,306,765	\$ 5,370,028	\$ 2,744,507	\$ 7,078,860
Audit and related	662,456	368,333	2,018,638	1,400,833
Tax	213,879	352,383	885,382	612,383
Valuations	86,388	70,875	237,588	299,525
	\$ 2,269,488	\$ 6,161,619	\$ 5,886,115	\$ 9,391,601

22. GENERAL AND ADMINISTRATIVE

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Bad debt expense ⁽ⁱ⁾	\$ 2,094,006	\$ 375,000	\$ 2,094,006	\$ 375,000
Technology	611,918	481,209	1,985,626	897,539
Travel and entertainment	345,759	150,269	770,695	433,273
Depreciation (Note 13)	289,734	14,968	796,739	24,916
Consulting	255,426	292,805	1,002,368	401,205
Fund administration	196,027	127,855	540,359	349,867
Occupancy	170,416	531,668	440,740	819,143
Other ⁽ⁱⁱ⁾	1,502,793	697,724	2,244,616	2,333,575
	\$ 5,466,079	\$ 2,671,498	\$ 9,875,149	\$ 5,634,518

⁽ⁱ⁾ Bad debt expense in the three months ended September 30, 2019 reflects amounts receivable from two counterparties that were determined to be uncollectible after their default on payment.

⁽ⁱⁱ⁾ Includes GDH Ltd. Reimbursable Expenses of \$259,231 and \$707,249 for the three and nine months ended September 30, 2019, respectively.

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23. RELATED PARTY TRANSACTIONS

The Partnership's related parties include its subsidiaries, 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 Partnership, directly or indirectly. Key management personnel include officers, directors, companies controlled by officers or directors and companies with common directors of the Partnership.

Contribution of assets

On January 9, 2018, GGI contributed assets to the Partnership, with a fair value of approximately \$302.0 million. Fair value by asset class on the Date of Contribution is as follows:

	Fair Value at January 9, 2018
Cryptocurrency	\$ 267,990,957
Pre-ICO	2,601,962
Preferred Stock	14,650,000
Common Stock	27,170,973
Limited Partnership/Limited Liability Company Interests	51,534,040
Warrants/Trust Units	307,760
Digital Assets Sold Short	(62,248,474)
Total	\$ 302,007,218

Due to related party

On February 7, 2018, the Partnership entered into the RLA with GGI (Note 16).

For the year ended December 31, 2018, for administrative convenience, GGI paid \$1.2 million of expenses incurred in the ordinary course of business by the Partnership. The amount paid by GGI was reimbursed by the Partnership in March 2019.

Compensation of Key Management Personnel

Key management personnel include ten individuals (September 30, 2018 - nine individuals), consisting of officers and certain employees, who are considered to have decision making authority. Compensation provided to key management personnel for the three and nine months ended September 30, 2019 and 2018 are as follows:

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Equity based compensation	\$ 4,687,399	\$ 10,528,769	\$ 17,914,208	\$ 10,528,769
Base compensation and accrued bonuses*	1,183,027	1,118,737	4,662,003	4,789,677
Benefits	71,172	79,462	205,842	207,233
Total	\$ 5,941,598	\$ 11,726,968	\$ 22,782,053	\$ 15,525,679

*For the nine months ended September 30, 2019, amounts include approximately \$1.4 million of accrued bonuses within accounts payable and accrued liabilities. The amount of accrued bonuses within accounts payable and accrued liabilities for the three months ended September 30, 2019 was not material. For the three and nine months ended September 30, 2018, amounts include approximately \$0.2 million and \$2.2 million, respectively, of accrued bonuses within accounts payable and accrued liabilities.

In 2018, the Partnership entered into an agreement with an entity owned by a member of key management for software development consulting services. The Partnership incurred \$124,500 and \$279,000 respectively during the three and nine months ended September 30, 2019 (three and nine months ended September 30, 2018 - \$92,075 and \$270,712), of which \$81,500 is included in accounts payable at September 30, 2019 (September 30, 2018 - \$239,712).

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Employment Related

Galaxy Investment Partners LLC (“GIP”), an entity wholly-owned by the CEO of the general partner, served as the employer entity to Galaxy LP until April 2018. At that time, Galaxy Digital Services LLC (“GDS”), a wholly-owned subsidiary of GDH LP (Note 5) became the employer entity to GDH LP, and GDS reimbursed GIP for compensation and benefits paid on its behalf during 2018. New employment agreements with GDS became effective May 1, 2018 which were similar in substance to the previous employment agreements between GIP and the Partnership’s employees.

Sublease

GIP, which has leased the office space located on the 7th and 8th floors of 107 Grand Street, New York, New York 10013, has subleased to GDS to occupy the 8th floor on the same terms as the master lease (Note 27). In addition, effective August 1, 2019, GIP also subleased a portion of the 7th floor to GDS, including use of common areas. (Note 27).

Other

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

The CEO of the general partner of the Partnership served as a director of a cryptocurrency mining and blockchain infrastructure company. During May 2019, the CEO of the general partner of the Partnership did not stand for re-election and effective May 13, 2019, is no longer a director of the company. The Partnership and the company are no longer considered to be related parties as of September 30, 2019. The Partnership and the company were considered to be related parties as of December 31, 2018. As of December 31, 2018, the Partnership held an investment in the company, which was valued at \$6.9 million. In addition, the Partnership extended a loan to the company and the loan had a carrying value of \$15.7 million as of December 31, 2018 (Note 12). The Partnership also completes OTC trades with the company.

In addition, the Partnership's CEO was a member of the advisory board for another company, resulting in the Partnership and that company being related parties. The Partnership had an investment valued at \$5.3 million, as of September 30, 2019 and \$5.6 million as of December 31, 2018.

In accordance with the LPA (Note 5), the Partnership will reimburse or pay for all reimbursable expenses of GDH Ltd. For the three and nine months ended September 30, 2019, the Partnership paid \$259,231 and \$707,249 respectively, on behalf of GDH Ltd., which has been included in general and administrative expenses.

24. REPORTABLE SEGMENTS

The Partnership has identified four reportable segments: trading, principal investments, asset management, and advisory services. The four reportable segments represent the four lines of business for which the Partnership expects to earn income, incur costs and allocate resources. In determining the Partnership’s segment structure, the Partnership considered the basis on which the chief operating decision-maker, as well as other members of senior management, review the financial and operational performance of the Partnership. Certain reclassifications have been made based on how the chief operating decision-maker reviews the performance of the Partnership.

Trading

The trading group manages positions in cryptocurrency and other liquid digital assets contributed to the business at the outset and continues to invest and trade in those and related assets. The Partnership engages in several trading strategies (Note 7). The trading segment includes the performance of the over the counter (OTC) trading and of the short term and long term positioning of the Partnership's digital assets. The prior periods were updated to reflect the latter change and to conform to current period presentation.

Principal Investments

The principal investments business has a diverse portfolio of private principal investments across the blockchain ecosystem, including early- and later-stage equity, pre-ICO contributions, and other structured alternative investments (Note 8).

Asset Management

The asset management business manages capital on behalf of third parties in exchange for management fees and performance-based compensation.

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Advisory Services

The advisory services business partners with high quality businesses operating in and around the blockchain ecosystem. The advisory services business offers the full spectrum of advisory services, including, but not limited to: general corporate advisory, mergers and acquisition (M&A), transaction advisory, restructuring and capital raising.

Corporate and Other consists of the Partnership's unallocated corporate overhead and other unallocated costs not identifiable to any of the four reportable segments.

Assets and liabilities by each of the reportable segments as of September 30, 2019 are as follows:

	Trading	Principal Investments	Asset Management	Advisory Services	Corporate and Other	Totals
Total assets	\$ 207,572,115	\$ 195,640,729	\$ 2,150,689	\$ 943,034	\$ 17,334,495	\$ 423,641,062
Total liabilities	\$ 24,137,303	\$ 238,137	\$ 245,528	\$ 22,988	\$ 16,268,578	\$ 40,912,534

Assets and liabilities by each of the reportable segments as of December 31, 2018 are as follows:

	Trading	Principal Investments	Asset Management	Advisory Services	Corporate and Other	Totals
Total assets	\$ 121,987,903	\$ 209,065,821	\$ 2,427,877	\$ 1,081,640	\$ 15,361,034	\$ 349,924,275
Total liabilities	\$ 28,720,908	\$ 162,086	\$ 105,946	\$ 157,811	\$ 15,089,355	\$ 44,236,106

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Income and expenses by each of the reportable segments for the nine months ended September 30, 2019 and 2018 are as follows:

	Trading	Principal Investments	Asset Management	Advisory Services	Corporate and Other	Totals
Income (loss)						
Advisory and management fees	\$ —	\$ —	\$ 3,907,811	\$ 203,125	\$ —	\$ 4,110,936
Net realized gain (loss) on digital assets	110,402,993	(3,364,856)	—	—	—	107,038,137
Net realized gain on investments	—	38,082,476	—	—	—	38,082,476
Interest income	650,844	2,193,989	—	49,337	3,983	2,898,153
Other income	10,707,608	220,000	(45,000)	3,976	—	10,886,584
	121,761,445	37,131,609	3,862,811	256,438	3,983	163,016,286
Operating expenses	18,022,432	5,342,020	14,255,645	7,351,678	19,916,950	64,888,725
Net unrealized gain (loss) on digital assets	(34,809,020)	5,799,880	—	—	—	(29,009,140)
Net unrealized loss on investments	—	(10,583,501)	—	—	—	(10,583,501)
Unrealized foreign currency gain (loss)	164,443	—	—	(20,713)	(43)	143,687
Realized foreign currency loss	(183,034)	—	—	—	—	(183,034)
	(34,827,611)	(4,783,621)	—	(20,713)	(43)	(39,631,988)
Net income (loss)	\$ 68,911,402	\$ 27,005,968	\$ (10,392,834)	\$ (7,115,953)	\$ (19,913,010)	\$ 58,495,573

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	Trading	Principal Investments	Asset Management	Advisory Services	Corporate and Other	Totals
Income (loss)						
Advisory and management fees	\$ —	\$ —	\$ 1,913,170	\$ 893,340	\$ —	\$ 2,806,510
Net realized loss on digital assets	(51,587,452)	(1,145,895)	—	—	—	(52,733,347)
Interest income	482,741	151,888	—	11,840	—	646,469
Other income	192,916	—	12,743	—	—	205,659
	(50,911,795)	(994,007)	1,925,913	905,180	—	(49,074,709)
Operating expenses	13,587,220	6,980,762	7,074,267	4,578,135	22,336,232	54,556,616
Net unrealized loss on digital assets	(78,245,533)	(5,111,767)	—	—	—	(83,357,300)
Net unrealized gain (loss) on investments	(1,372,208)	17,917,227	—	—	—	16,545,019
Unrealized foreign currency gain	80,144	—	—	11,921	—	92,065
Realized foreign currency gain (loss)	(52,095)	—	—	—	945,482	893,387
Goodwill impairment	—	—	—	—	(6,216,914)	(6,216,914)
	(79,589,692)	12,805,460	—	11,921	(5,271,432)	(72,043,743)
Net income (loss)	\$(144,088,707)	\$ 4,830,691	\$ (5,148,354)	\$ (3,661,034)	\$ (27,607,664)	\$(175,675,068)

Select statement of financial position information

The fair value of each asset class by reporting segment as of September 30, 2019 is as follows:

	Trading	Principal Investments	Asset Management	Advisory Services	Corporate and Other	Totals
Digital assets:						
Cryptocurrency	\$ 114,075,206	\$ 10,622,489	\$ —	\$ —	\$ —	\$ 124,697,695
Digital assets posted as collateral (Note 10)	8,768,777	—	—	—	—	8,768,777
Investments:						
Pre-ICO	—	6,602,001	—	—	—	6,602,001
Convertible Notes	—	3,706,828	—	—	—	3,706,828
Preferred Stock	—	75,369,122	—	—	—	75,369,122
Common Stock	—	30,247,973	—	—	—	30,247,973
LP/LLC Interests	—	39,016,786	—	—	—	39,016,786
Warrants/Trust Units	—	1,597,630	—	—	—	1,597,630
	\$ 122,843,983	\$ 167,162,829	\$ —	\$ —	\$ —	\$ 290,006,812

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The fair value of each asset class by reporting segment as of December 31, 2018 is as follows:

	Trading	Principal Investments	Asset Management	Advisory Services	Corporate and Other	Totals
Digital assets:						
Cryptocurrency	\$ 62,662,014	\$ 7,103,325	\$ —	\$ —	\$ —	\$ 69,765,339
Investments:						
Pre-ICO	—	3,444,204	—	—	—	3,444,204
Convertible Notes	—	1,250,000	—	—	—	1,250,000
Preferred Stock	—	59,586,719	—	—	—	59,586,719
Common Stock	—	80,483,775	—	—	—	80,483,775
LP/LLC Interests	—	33,248,472	—	—	—	33,248,472
Warrants/Trust Units	—	1,352,526	—	—	—	1,352,526
	\$ 62,662,014	\$ 186,469,021	\$ —	\$ —	\$ —	\$ 249,131,035

25. FINANCIAL INSTRUMENTS, DIGITAL ASSETS AND RISK

The fair values of all investments and digital assets were measured using the cost, market or income approaches. The investments and digital assets 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, with the designation based upon the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy are:

Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 Inputs: Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

Level 3 Inputs: One or more inputs to the valuation are unobservable and significant to the fair value measurement of the asset or liability. (Unobservable inputs reflect management's assumptions on how market participants would price the asset or liability based on the information available.)

	As of September 30, 2019				As of December 31, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cryptocurrency	\$ —	\$123,229,265	\$ 1,468,430	\$124,697,695	\$ —	\$ 69,220,031	\$ 545,308	\$ 69,765,339
Digital Assets Posted as Collateral	—	8,768,777	—	8,768,777	—	—	—	—
Pre-ICO	—	6,602,001	—	6,602,001	—	3,444,204	—	3,444,204
Convertible Notes	—	3,706,828	—	3,706,828	—	1,250,000	—	1,250,000
Preferred Stock	—	70,109,122	5,260,000	75,369,122	—	56,852,457	2,734,262	59,586,719
Common Stock	7,345,655	22,902,318	—	30,247,973	65,997	74,837,778	5,580,000	80,483,775
LP/LLC Interests	—	16,753,183	22,263,603	39,016,786	—	11,588,613	21,659,859	33,248,472
Warrants/Trust Units	62,835	—	1,534,795	1,597,630	23,099	—	1,329,427	1,352,526
Digital Assets Sold Short	—	(8,892,355)	—	(8,892,355)	—	(18,666,957)	—	(18,666,957)
	\$7,408,490	\$243,179,139	\$30,526,828	\$281,114,457	\$ 89,096	\$198,526,126	\$31,848,856	\$230,464,078

Valuation of Assets that use Level 1 Inputs ("Level 1 Assets"). Consists of common stock and warrants/trust units, where quoted prices in active markets are available.

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Valuation of Assets that use Level 2 Inputs (“Level 2 Assets”). Level 2 assets consist of several of the Partnership’s investments and digital assets, including its cryptocurrency sold short, where quoted prices in active markets are available. The fair value utilized is primarily either:

- (i) the volume-weighted average of prices across principal exchanges as of 12:00 UTC, per coinmarketcap.com*, with no adjustments; or
- (ii) the quoted prices across principal exchanges as of 12:00 UTC, per coinmarketcap.com*, with no adjustments.

* Coinmarketcap.com is a pricing aggregator, as the principal market or most advantageous market is not always known. The Partnership believes any price difference amongst the principal market and an aggregated price to be immaterial.

Level 2 assets also includes all of the Partnership’s pre-ICO investments, the majority of common stock and preferred stock, certain limited partnership/limited liability company interest investments and convertible note investments. The Partnership’s pre-ICO investments are generally carried at the total contributions made to date as there are no conditions indicating a change in value and therefore cost approximates fair value. For the Partnership’s other investments classified as Level 2, the market approach is used.

Valuation of Assets that use Level 3 Inputs (“Level 3 Assets”). Consists of certain of the Partnership’s cryptocurrency, preferred stock, warrants and the majority of the Partnership’s limited partnership/limited liability company interest investments. For investments in cryptocurrency, fair value was determined utilizing a volume-weighted average of prices across principal exchanges as of 12:00 UTC, with a marketability adjustment. If the investment was either contractually or legally restricted for trading or lacked access to an active market, a discount for lack of marketability was applied to the closing prices. The discount was calculated on the Black-Scholes model to determine the cost to insure the subject asset against the risk of encountering lower prices. For the Partnership’s preferred stock investments, the adjusted book value method was used to estimate fair value. This is an approach that relies on adjusting the most recently reported book values of the subject enterprise’s assets to their market values and subtracting the corresponding liabilities. For the Level 3 preferred stock, the Partnership has taken further discounts for lack of marketability and control. For the Partnership’s investment in warrants, the black-scholes model was used to determine the fair value. For the Partnership’s limited partnership/limited liability company interest investments in funds, fair value was based on the net asset value provided by the fund.

The fair value of Level 3 Assets is inherently subjective. Because of the uncertainty of fair valuation of investments that do not have readily ascertainable market values, the VC’s conclusion of fair value for an investment on a date may differ significantly from (1) the fair value conclusions of other knowledgeable market participants and/or (2) prior or subsequently observed transaction prices, including the price paid to acquire, or received to sell, the investment itself.

Other

Adjustments to observable prices obtained for assets that are deemed to lack access to an active market are based on empirical studies designed to estimate liquidity discounts. To estimate the appropriate discount to apply, the Partnership considered the relevant facts and circumstances, including features of the subject assets, expectations related to an active market existing in the future, costs associated with accessing (or trading outside of) existing exchanges as applicable, price volatility of comparable assets, and other identified risks associated with the subject assets.

A verified prior transaction is initially given 100% weighting in a fair value conclusion (if completed at arm’s length), but subsequently such weighting is adjusted based on the merits of newly observed data. As a result, in the absence of disconfirming data, an unadjusted prior transaction price may not be considered “stale” for months or, in some cases, years.

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Level 3 Continuity

The following is a reconciliation of Level 3 Assets for the three months ended September 30, 2019:

	Fair value at June 30, 2019	Contributions	Purchases	Sales/ Distributions	Net Realized Gain (Loss) on Digital Assets and Investments	Net Unrealized Gain/(Loss) on Digital Assets and Investments	Transfers in /(out) of Level 3	Fair Value at September 30, 2019
Cryptocurrency	\$ 375,599	\$ —	\$ —	\$ —	\$ —	\$ 499,797	\$ 593,034	\$ 1,468,430
Preferred Stock	6,730,000	—	—	—	—	(1,470,000)	—	5,260,000
Common Stock	9,318,855	—	—	—	—	—	(9,318,855)	—
LP/LLC Interests	22,919,276	—	180,000	(65,242)	—	(770,431)	—	22,263,603
Warrants/Trust Units	2,541,427	—	—	—	—	(1,006,632)	—	1,534,795
Total Digital Assets and Investments	\$ 41,885,157	\$ —	\$ 180,000	\$ (65,242)	\$ —	\$ (2,747,266)	\$ (8,725,821)	\$ 30,526,828

Transfers in and out of Level 3 are considered to have occurred at the beginning of the quarter the transfer occurred. Total transfers into Level 3 were \$593,034 and total transfers out of Level 3 were \$9,318,855. The transfers into Level 3 for cryptocurrency assets were due to the restrictions on trading for certain cryptocurrencies after their ICO events, and the transfers out of Level 3 were due to the removal of trading restrictions for a publicly traded common stock.

The following is a reconciliation of Level 3 Assets for the three months ended September 30, 2018:

	Fair value at June 30, 2018	Contributions	Purchases	Sales/ Distributions	Net Realized Loss on Digital Assets	Net Unrealized Gain/(Loss) on Digital Assets and Investments	Transfers in /(out) of Level 3	Fair Value at September 30, 2018
Cryptocurrency	\$ 2,719,128	\$ —	\$ 428,524	\$ (7)	\$ (7)	\$ (2,381,725)	\$ 888,592	\$ 1,654,505
Preferred Stock	9,000,000	—	—	—	—	(2,800,000)	—	6,200,000
Common Stock	11,100,000	—	—	—	—	985,528	—	12,085,528
LP/LLC Interests	38,793,318	—	—	—	—	(4,268,409)	—	34,524,909
Warrants/Trust Units	1,680	—	—	—	—	2,699,248	—	2,700,928
Total Digital Assets and Investments	\$ 61,614,126	\$ —	\$ 428,524	\$ (7)	\$ (7)	\$ (5,765,358)	\$ 888,592	\$ 57,165,870

Transfers in and out of Level 3 are considered to have occurred at the beginning of the quarter the transfer occurred. Total transfers into Level 3 were \$1,165,420 and total transfers out of Level 3 were \$276,828. The transfers into Level 3 for cryptocurrency assets were due to the restrictions on trading for certain cryptocurrencies after their ICO events, and the transfers out of Level 3 were due to the removal of trading restrictions for certain cryptocurrencies.

The following is a reconciliation of Level 3 Assets for the nine months ended September 30, 2019:

	Fair value at December 31, 2018	Contributions	Purchases	Sales/ Distributions	Net Realized Gain (Loss) on Digital Assets and Investments	Net Unrealized Gain/(Loss) on Digital Assets and Investments	Transfers in /(out) of Level 3	Fair Value at September 30, 2019
Cryptocurrency	\$ 545,308	\$ —	\$ 100,000	\$ (5,037,262)	\$ 4,937,262	\$ 4,045	\$ 919,077	\$ 1,468,430
Preferred Stock	2,734,262	—	—	—	—	2,525,738	—	5,260,000
Common Stock	5,580,000	—	—	(2,289,839)	(1,153,663)	7,182,357	(9,318,855)	—
LP/LLC Interests	21,659,859	—	180,000	(143,819)	—	567,563	—	22,263,603
Warrants/Trust Units	1,329,427	—	—	—	—	205,368	—	1,534,795
Total Digital Assets and Investments	\$ 31,848,856	\$ —	\$ 280,000	\$ (7,470,920)	\$ 3,783,599	\$ 10,485,071	\$ (8,399,778)	\$ 30,526,828

Transfers in and out of Level 3 are considered to have occurred at the beginning of the quarter the transfer occurred. Total transfers into Level 3 were \$1,193,034 and total transfers out of Level 3 were \$9,592,812. The transfers into Level 3 for

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cryptocurrency assets were due to the restrictions on trading for certain cryptocurrencies after their ICO events. The transfers out of Level 3 were due to the removal of trading restrictions for a publicly traded common stock and due to the removal of trading restrictions for certain cryptocurrencies.

The following is a reconciliation of Level 3 Assets for the nine months ended September 30, 2018:

	Fair value at December 31, 2017	Contributions	Purchases	Sales/ Distributions	Net Realized Loss on Digital Assets	Net Unrealized Gain/(Loss) on Digital Assets and Investments	Transfers in /(out) of Level 3	Fair Value at September 30, 2018
Cryptocurrency	\$ —	\$ 70,500,276	\$ 571,124	\$ (3,650,017)	\$ (287,125)	\$ (57,447,558)	\$ (8,032,195)	\$ 1,654,505
Preferred Stock	—	13,800,000	—	—	—	(7,600,000)	—	6,200,000
Common Stock	—	25,924,973	—	—	—	(10,334,028)	(3,505,417)	12,085,528
LP/LLC Interests	—	44,784,040	2,264,960	(3,018,728)	—	(9,505,363)	—	34,524,909
Warrants/Trust Units	—	43,960	—	—	—	2,656,968	—	2,700,928
Total Digital Assets and Investments	\$ —	\$ 155,053,249	\$ 2,836,084	\$ (6,668,745)	\$ (287,125)	\$ (82,229,981)	\$ (11,537,612)	\$ 57,165,870

Transfers in and out of Level 3 are considered to have occurred at the beginning of the quarter the transfer occurred. Total transfers into Level 3 were \$1,165,420 and total transfers out of Level 3 were \$12,703,032. The transfers into Level 3 for cryptocurrency assets were due to the restrictions on trading for certain cryptocurrencies after their ICO events, and the transfers out of Level 3 were due to the recent transaction of a common stock and due to the removal of trading restrictions for certain cryptocurrencies.

The carrying values of the Partnership's cash, receivable for digital asset trades, digital asset loans receivable, assets posted as collateral, receivables, prepaid expenses and other assets, loans receivable, accounts payable and accrued liabilities, payable for digital asset trades, digital asset loans payable and collateral payable approximate fair value due to their short maturities.

Quantitative Information for certain Level 3 Assets

Financial Instrument	Fair Value at September 30, 2019	Significant Unobservable Inputs	Range
Cryptocurrency	\$1,468,430	Marketability discount	11% - 60%
Preferred Stock	\$5,260,000	Control discount	5%
		Marketability discount	15%
Warrants	\$1,534,795	Volatility	81.4%
		Exercise price	C\$4.50
		Underlying share price	C\$2.11

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Financial Instrument	Fair Value at December 31, 2018	Significant Unobservable Inputs	Range
Cryptocurrency	\$545,308	Marketability discount	15% - 25.9%
Preferred Stock	\$2,734,262	Control discount	5%
		Marketability discount	15%
Common Stock	\$5,580,000	Marketability discount	11.6%
Warrants ⁽ⁱ⁾	\$1,329,389	Volatility	100%
		Exercise price	C\$4.50
		Underlying share price	C\$1.45

⁽ⁱ⁾ Level 3 reconciliation table includes another warrant which is not deemed significant.

The prior transactions method and the latest available reported net asset value of the underlying funds were used to fair value the significant majority of the Partnership's Level 3 Assets as of September 30, 2019 and December 31, 2018. As indicated above, certain of the Level 3 Assets had adjustments applied to the prices used to determine fair value. The Partnership does not believe a change in unobservable inputs will have a significant impact on partners' capital.

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Valuation Techniques

The following tables summarize the valuation techniques and significant inputs used in the fair value measurement of the Partnership's digital assets and investments as of September 30, 2019 and December 31, 2018, respectively.

Category	Valuation Methods & Techniques	Key Inputs
Cryptocurrency	<ul style="list-style-type: none"> • Volume-weighted average of trading prices • Marketability adjustments • Black-Scholes model • Liquidity adjustments 	<ul style="list-style-type: none"> • Current trading prices of subject cryptocurrencies • Selected volatilities of subject cryptocurrencies • Selected discounts for lack of marketability/liquidity
Pre-ICO	<ul style="list-style-type: none"> • Prior transactions method 	<ul style="list-style-type: none"> • Prior prices of subject pre-ICO cryptocurrencies
Convertible Notes	<ul style="list-style-type: none"> • Prior transactions method 	<ul style="list-style-type: none"> • Prior prices of subject convertible note
Preferred Stock	<ul style="list-style-type: none"> • Prior transactions method • Backsolve method in an option pricing model framework • Comparable transactions method • Volume-weighted average of trading prices • Control adjustments • Marketability adjustments • Guideline public company method • Equity allocation using option pricing model framework • Adjusted book value 	<ul style="list-style-type: none"> • Prior prices of subject preferred stock • Expected time to exit • Volatility of the Company's total equity • Current trading prices of certain cryptocurrencies • Selected discounts for lack of control • Selected discounts for lack of marketability • Net assets of subject company • Enterprise value-to-revenue multiple
Common Stock	<ul style="list-style-type: none"> • Prior transactions method • Public closing price • Guideline public company method 	<ul style="list-style-type: none"> • Prior prices of subject common stock • Public closing prices of subject securities • Price-to-earnings multiples • Price-to-book value multiples
LP/LLC Interests	<ul style="list-style-type: none"> • Prior transactions method • Comparable transactions method • Net asset value provided by fund 	<ul style="list-style-type: none"> • Prior prices of subject LP/LLC interests • Net asset value provided by fund
Warrants/Trust Units	<ul style="list-style-type: none"> • Public closing price • Black-Scholes model 	<ul style="list-style-type: none"> • Public closing prices of subject securities • Selected volatility of underlying trust units

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Category	Valuation Methods & Techniques	Key Inputs
Cryptocurrency	<ul style="list-style-type: none"> • Volume-weighted average of trading price • Marketability adjustments • Black-Scholes model • Liquidity adjustments 	<ul style="list-style-type: none"> • Current trading prices of subject cryptocurrencies • Selected volatilities of subject cryptocurrencies • Selected discounts for lack of marketability/liquidity
Pre-ICO	<ul style="list-style-type: none"> • Prior transactions method 	<ul style="list-style-type: none"> • Prior prices of subject pre-ICO cryptocurrencies
Convertible Notes	<ul style="list-style-type: none"> • Prior transactions method 	<ul style="list-style-type: none"> • Prior prices of subject convertible note
Preferred Stock	<ul style="list-style-type: none"> • Prior transactions method • Comparable transactions method • Volume-weighted average of trading prices • Control adjustments • Marketability adjustments • Adjusted book value 	<ul style="list-style-type: none"> • Prior prices of subject preferred stock • Current trading prices of certain cryptocurrencies • Selected discounts for lack of control • Selected discounts for lack of marketability • Net assets of subject company
Common Stock	<ul style="list-style-type: none"> • Prior transactions method • Public closing price • Marketability adjustments • Guideline public company method 	<ul style="list-style-type: none"> • Prior prices of subject common stock • Public closing prices of subject securities • Current trading prices of certain cryptocurrencies • Historical exchange rate of certain cryptocurrencies • Selected discounts for lack of marketability • Price-to-earnings multiples • Price-to-book value multiples
LP/LLC Interests	<ul style="list-style-type: none"> • Prior transactions method • Comparable transactions method • Net asset value provided by fund 	<ul style="list-style-type: none"> • Prior prices of subject LP/LLC interests • Net asset value provided by fund
Warrants/Trust Units	<ul style="list-style-type: none"> • Public closing price • Black-Scholes model 	<ul style="list-style-type: none"> • Public closing prices of subject securities • Selected volatility of underlying trust units

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Industry

As of September 30, 2019 and December 31, 2018, details of the industry composition of the Partnership's investments, other than cryptocurrency and pre-ICO investments, are as follow:

Industry	September 30, 2019		December 31, 2018	
	Percentage	# of Investments	Percentage	# of Investments
Other (Cryptocurrency and Pre-ICO)	47 %	59	24 %	48
Finance	28	16	30	13
High Tech Industries	13	9	37	7
Services: Business	9	10	6	6
Banking	3	1	3	1
Media: Diversified and Production	<1	2	<1	2
Utilities: Electric	<1	1	<1	1
Total	100 %	98	100 %	78

In the table above, multiple portfolio Partnership investments across the capital structure are considered one investment.

Risk

The Partnership's activities may expose it to variety of financial and other risks: credit risk, interest rate risk, liquidity risk, foreign currency risk, market risk, digital asset risk, loss of access risk, irrevocability of transactions, and regulatory oversight risk, among others. The Partnership seeks to minimize potential adverse effects of these risks on performance by employing experienced personnel, daily monitoring of the Partnership's investments and digital assets, and any market events and diversifying the Partnership's business strategy as well as its investment portfolio within the constraints of the Partnership's investment objectives.

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into, causing the other party to incur a financial loss. The Partnership's cash, receivables, receivable for digital asset trades, and loans receivable are exposed to credit risk. The Partnership limits its credit risk by placing its cash with high credit quality financial institutions and with cryptocurrency exchanges on which the Partnership has performed internal due diligence procedures. The Partnership deems these procedures necessary as some exchanges are unregulated and not subject to regulatory oversight. Furthermore, crypto-exchanges engage in the practice of commingling their clients' assets in exchange wallets. When crypto-assets are commingled, transactions are not recorded on the applicable blockchain ledger but are only recorded by the exchange. Therefore, there is risk around the occurrence of transactions or the existence of period end balances represented by exchanges. As at September 30, 2019 and December 31, 2018, the Partnership held approximately \$15.3 million and \$21.5 million in cash, respectively, and \$125.8 million and \$64.3 million, respectively, in digital assets at exchanges or custodians. The Partnership's due diligence procedures around exchanges include, but are not limited to, internal control procedures around on-boarding new exchanges which includes review of the exchanges anti-money laundering ("AML") and know-your-client ("KYC") policies by the Partnership's chief compliance officer, obtaining a security ratings report by an independent third-party on certain exchanges, constant review of market information specifically regarding the exchanges security and solvency risk, setting balance limits for each exchange account based on risk exposure thresholds and preparing daily asset management reports to ensure limits are being followed and having a fail-over plan to move cash and digital assets held on an exchange in instances where risk exposure significantly changes. The Partnership limits its credit risk with respect to its receivables and receivables for digital asset trades by transacting with credit worthy counterparties that are believed to have sufficient capital to meet their obligations as they come due and, with regards to OTC counterparties for the trading business, on which the Partnership has satisfactorily performed the relevant AML and KYC procedures. As of September 30, 2019 and subsequently, the Partnership does not expect a material loss on any of its loans. Furthermore, the Partnership's material loan agreement with a cryptocurrency mining and blockchain infrastructure company is secured by the terms of a general security agreement (Note 12). As of each reporting period, the Partnership assesses if there may be expected credit losses requiring recognition of a loss allowance. As of September 30, 2019, the Partnership is exposed to credit risk. While the Partnership intends to only transact with counterparties or exchanges that it believes to be creditworthy, there can be no assurance that a counterparty will not default and that the Partnership will not sustain a material loss on a transaction as a result.

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Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. General interest rate fluctuations may have an impact on the Partnership's investment opportunities, primarily within its principal investments segment. An increase in interest rates may make it more expensive to utilize a leverage facility in the future to make investments. To the extent the Partnership invests in debt instruments, interest rate changes may affect the value of the instrument indirectly in the case of fixed rate obligations, or directly in the case of adjustable rate instruments. In general, rising rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Interest rate sensitivity generally is more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate changes would also affect its ability to earn interest income on cash balances at variable rates. The Partnership did not have a leverage facility in place, its RLA with a related party was at a fixed rate of interest (Note 16), its master loan agreements (Note 15), and its digital assets loan receivable and payable (Note 10) are at fixed rates of interest. The Partnership's loans receivable are exposed to interest rate risk. The Partnership's loan with a cryptocurrency blockchain and mining company (Note 12) is at the election of the borrower and can be either an ARB loan or a eurodollar loan and can be settled in digital assets at the option of the borrower. The Partnership's remaining loans all have fixed rates however in some cases can also be settled in digital assets at the option of the borrower. As of September 30, 2019, the Partnership's exposure to interest rate risk is limited.

Liquidity Risk

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as they come due, as well as the risk of not being able to liquidate assets at reasonable prices. The Partnership manages liquidity risk by maintaining sufficient cash balances to enable settlement of its liabilities. Accounts payable and accrued liabilities, other than accrued compensation, and payables for digital asset trades generally have maturities of 30 days or less or are due on demand, or in the case of digital assets loan payable, on 10 to 20 business days notice. The Partnership intends to manage its short-term liquidity needs through the proceeds received from the sale of its investments. In addition, as of September 30, 2019, 43.8% of the Partnership's net portfolio was in liquid, actively traded cryptocurrency which can be monetized at reasonable prices in short order.

Foreign Currency Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. To the extent these financial instruments are unhedged or not adequately hedged, the value of the Partnership's financial instruments may fluctuate with exchange rates as well as with price changes in various local markets and currencies. The value of the financial assets may therefore be unfavorably affected by fluctuations in currency rates and exchange control regulations. In 2018, the Partnership minimized its exposure to a portion of the escrowed financing proceeds that were denominated in Canadian dollars. On completion of the Arrangement, the financing proceeds were released and the Partnership is no longer exposed to foreign currency risk on the escrowed funds. Furthermore, throughout the three months and nine months ended September 30, 2019, the Partnership minimizes exposure to digital assets transactions completed in foreign currencies by entering into foreign currency swaps, which are not significant.

Market Risk

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All investments present a risk of loss of capital. The maximum risk resulting from financial instruments is equivalent to their fair value. The Partnership's investments are susceptible to other market risk arising from uncertainties about future prices of the instruments. The Partnership moderates this risk through the various investment strategies within the parameters of the Partnership's investment guidelines.

As of September 30, 2019, management's estimate of the effect on equity to a +/- 10% change in the market prices of the Partnership's investments, with all other variables held constant, is +/- \$15.7 million.

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Digital Asset Risk

Digital assets are measured at fair value less cost to sell. Digital currency or cryptocurrency prices are affected by various forces including global supply and demand, interest rates, exchanges rates, inflation or deflation and the political and economic conditions. Further, cryptocurrencies have no underlying backing or contracts to enforce recovery of invested amounts.

The profitability of the Partnership is related to the current and future market price of cryptocurrencies; in addition, the Partnership may not be able to liquidate its inventory of cryptocurrencies at its desired price if necessary. Investing in cryptocurrencies is speculative, prices are volatile, and market movements are difficult to predict. Supply and demand for such currencies change rapidly and are affected by a variety of factors, including regulation and general economic trends. Cryptocurrencies have a limited history, their fair values have historically been volatile and the value of cryptocurrencies held by the Partnership could decline rapidly. A decline in the market prices of cryptocurrencies could negatively impact the Partnership's future operations. Historical performance of cryptocurrencies is not indicative of their future performance.

Many cryptocurrency networks are online end-user-to-end-user networks that host a public transaction ledger (blockchain) and the source code that comprises the basis for the cryptographic and algorithmic protocols governing such networks. In many cryptocurrency transactions, the recipient or the buyer must provide its public key, which serves as an address for a digital wallet, to the seller. In the data packets distributed from cryptocurrency software programs to confirm transaction activity, each party to the transaction user must sign transactions with a data code derived from entering the private key into a hashing algorithm, which signature serves as validation that the transaction has been authorized by the owner of the cryptocurrency. This process is vulnerable to hacking and malware, and could lead to theft of the Partnership's digital wallets and the loss of the Partnership's cryptocurrency.

Cryptocurrencies are loosely regulated and there is no central marketplace for exchange. Supply is determined by a computer code, not a central bank. Additionally, exchanges may suffer from operational issues, such as delayed execution, that could have an adverse effect on the Partnership.

The cryptocurrency exchanges on which the Partnership may trade on are relatively new and, in many cases, largely unregulated, and therefore may be more exposed to fraud and failure than regulated exchanges for other assets.

Any financial, security, or operational difficulties experienced by such exchanges may result in an inability of the Partnership to recover money or digital assets being held on the exchange. Further, the Partnership may be unable to recover digital assets awaiting transmission into or out of the Partnership, all of which could adversely affect an investment of the Partnership. Additionally, to the extent that the digital asset exchanges representing a substantial portion of the volume in digital asset trading are involved in fraud or experience security failures or other operational issues, such digital asset exchanges' failures may result in loss or less favorable prices of digital assets, or may adversely affect the Partnership, its operations and its investments.

As of September 30, 2019, management's estimate of the effect on equity to a +/- 10% change in the market prices of the Partnership's net digital assets, including digital assets posted as collateral, with all other variables held constant, is +/- \$12.5 million.

Loss of access risk

The loss of access to the private keys associated with the Partnership's cryptocurrency holdings may be irreversible and could adversely affect an investment. Cryptocurrencies are controllable only by an individual that possesses both the unique public key and private key or keys relating to the "digital wallet" in which the cryptocurrency is held. To the extent a private key is lost, destroyed or otherwise compromised and no backup is accessible the Partnership may be unable to access the cryptocurrency.

Irrevocability of transactions

Cryptocurrency transactions are irrevocable and stolen or incorrectly transferred cryptocurrencies may be irretrievable. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer or theft generally will not be reversible, and the Partnership may not be capable of seeking compensation.

Hard fork and air drop risks

Hard forks may occur for a variety of reasons including, but not limited to, disputes over proposed changes to the protocol, significant security breach, or an unanticipated software flaw in the multiple versions of otherwise compatible software. In the

Galaxy Digital Holdings LP

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For the Three and Nine Months Ended September 30, 2019 and 2018
(Expressed in US Dollars)
(Unaudited)

event of a hard fork in a cryptocurrency held by the Partnership, it is expected that the Partnership would hold an equivalent amount of the old and new cryptocurrency following the hard fork.

Air drops occur when the promoters of a new cryptocurrency send amounts of the new cryptocurrency to holders of another cryptocurrency that they will be able to claim a certain amount of the new cryptocurrency for free.

The Partnership may not be able to realize the economic benefit of a hard fork or air drop, either immediately or ever, for various reasons. For instance, the Partnership may not have any systems in place to monitor or participate in hard forks or airdrops. Therefore, the Partnership may not receive any new cryptocurrencies created as a result of a hard fork or airdrop, thus losing any potential value from such cryptocurrencies.

Regulatory oversight risk

Regulatory changes or actions may restrict the use of cryptocurrencies or the operation of cryptocurrency networks or exchanges in a manner that adversely affects investments held by the Partnership.

26. CAPITAL MANAGEMENT

The Partnership's objectives when managing capital are to safeguard its ability to continue as a going concern, to meet the capital needs of its ongoing operations, and to maintain a flexible capital structure which optimizes the cost of capital. The Partnership considers current economic conditions as well as the risk profile of its portfolio and overall business when managing its capital structure. The Partnership has an ongoing process whereby actual expenditures and cash needs are compared against budgets to ensure that there is sufficient capital on hand to meet ongoing obligations. As of September 30, 2019 and December 31, 2018, the Partnership had \$382.7 million and \$305.7 million in equity, respectively. The Partnership has the flexibility to acquire or dispose of assets, and to issue debt or equity to adjust its capital structure in the future. The Partnership is not subject to externally imposed capital requirements other than described in Note 15 and the minimum net capital requirement for its broker dealer of \$0.1 million, nor were there any changes to the Partnership's approach to capital management during the period ended September 30, 2019.

27. COMMITMENTS AND CONTINGENCIES

Sublease

As of September 30, 2019 and December 31, 2018, the Partnership had commitments under two operating subleases (Note 23). The first sublease has a 10.5 year term commencing on February 1, 2018 and expiring on June 30, 2028. The sublease contains a standard rent escalation clause, and rent was waived until June 30, 2018. The rent began at \$756,800 per annum and is to be paid monthly in advance in equal installments.

In addition, the Partnership entered into another sublease agreement, effective August 1, 2019. The sublease starts on August 1, 2019 and ends on June 30, 2028. The sublease contains a standard rent escalation clause and rent will start at \$11,532 per month and will be paid monthly in advance.

The Partnership adopted IFRS 16 on January 1, 2019, which changed the accounting for the first operating lease (Notes, 4, 13 and 17).

For the three and nine months ended September 30, 2018, there was \$0.4 million and \$0.7 million rent expense related to the Partnership's subleases.

As of September 30, 2019, the Partnership has operating lease commitments for the next five years as follows:

	Rent Due
2019	\$ 229,472
2020	911,297
2021	983,295
2022	1,012,793
2023	1,043,177
Total	\$ 4,180,034

Galaxy Digital Holdings LP

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended June 30, 2019 and 2018
(Expressed in US Dollars)
(Unaudited)

Additionally, the Partnership has \$5.1 million in total commitments under the subleases for the period from 2024 to the expiration of the sublease terms on June 30, 2028.

Investment and loan commitments

As of September 30, 2019, the Partnership was obligated to three portfolio companies to fund up to \$17.9 million, of which \$1.3 million was funded subsequent to period end.

As of December 31, 2018, the Partnership was obligated to four portfolio companies to fund up to \$28.1 million.

Indemnification

The Partnership 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 Partnership 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 Partnership believes, however, that the possibility of making any material payments for these indemnifications is remote. As of September 30, 2019 and December 31, 2018, there was no liability accrued under these arrangements.

In the ordinary course of business, the Partnership 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.

Financial Support of GDH Ltd.

In accordance with the LPA, the Partnership will reimburse or pay for all reimbursable expenses of GDH Ltd. (Note 5).