



GALAXY
DIGITAL

Galaxy Digital Holdings LP

Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

(Expressed in US Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Board of Managers of
Galaxy Digital Holdings GP LLC in its capacity as general partner of Galaxy Digital Holdings LP

Opinion

We have audited the accompanying consolidated financial statements of Galaxy Digital Holdings LP (the "Partnership"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Digital Assets

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Partnership invests in digital assets that are subject to risks unique to the asset class and different from traditional financial assets. Additionally, certain assets are held on cryptocurrency exchanges that are limited in oversight by regulatory authorities. Our opinion is not modified in respect of this matter.

Other Information

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

April 7, 2020

Galaxy Digital Holdings LP

Consolidated Statements of Financial Position
(Expressed in US Dollars)

	December 31, 2019	December 31, 2018
Assets		
Current assets		
Cash	\$ 106,262,780	\$ 66,488,012
Digital assets (Note 7)	85,980,731	69,765,339
Investments (Note 8)	158,163,420	179,365,696
Receivable for digital asset trades (Note 7)	330,609	8,579,058
Digital asset loans receivable (Note 10)	16,061,945	—
Assets posted as collateral (Note 10)	10,585,819	—
Receivables (Note 9)	1,853,169	1,238,694
Prepaid expenses and other assets (Note 11)	2,580,255	2,002,880
Loans receivable (Note 12)	11,719,738	2,369,024
	<u>393,538,466</u>	<u>329,808,703</u>
Loans receivable (Note 12)	—	15,892,320
Right of use asset (Note 13)	5,182,993	—
Property and equipment (Note 13)	4,057,662	4,223,252
	<u>9,240,655</u>	<u>20,115,572</u>
Total assets	\$ 402,779,121	\$ 349,924,275
Liabilities		
Current liabilities		
Digital assets sold short (Note 15)	\$ 18,616,860	\$ 18,666,957
Accounts payable and accrued liabilities (Note 14)	11,719,494	14,558,914
Payable for digital asset trades (Note 7)	250,158	9,832,737
Digital asset loans payable (Note 10)	11,134,329	—
Collateral payable (Notes 10, 11)	434,498	—
Lease liability (Note 17)	772,003	—
Due to related party (Note 16)	—	1,177,498
	<u>42,927,342</u>	<u>44,236,106</u>
Lease liability (Note 17)	4,747,214	—
Total liabilities	47,674,556	44,236,106
Equity		
Partners' capital (Note 18)	347,785,081	301,520,591
Non-controlling interests (Note 19)	7,319,484	4,167,578
Total equity	355,104,565	305,688,169
Total liabilities and equity	\$ 402,779,121	\$ 349,924,275

Nature and continuance of operations (Note 1)
Commitments and contingencies (Note 27)
Subsequent event (Note 29)

The consolidated financial statements were authorized for issuance by the Board of Managers of Galaxy Digital Holdings GP LLC on April 6, 2020 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 consolidated financial statements.

Galaxy Digital Holdings LP

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

	Year ended December 31, 2019	Year ended December 31, 2018
Income (loss)		
Advisory and management fees	\$ 5,329,819	\$ 4,192,808
Net realized gain (loss) on digital assets	71,971,480	(101,394,823)
Net realized gain on investments	37,922,360	—
Interest income	4,229,684	1,361,203
Net derivative gain (Note 11)	12,425,065	—
Other income	464,554	1,085,092
	132,342,962	(94,755,720)
Operating expenses		
Equity based compensation (Note 18)	28,131,160	31,281,892
Compensation and compensation related (Notes 20, 23)	28,579,918	26,875,317
General and administrative (Note 22)	13,834,596	11,777,456
Professional fees (Note 21)	7,003,271	11,391,527
Interest (Notes 15, 16)	3,133,143	4,798,337
Insurance	1,322,089	2,188,081
Director fees	200,000	50,000
	(82,204,177)	(88,362,610)
Net unrealized loss on digital assets	(11,973,090)	(75,494,453)
Net unrealized loss on investments	(12,521,148)	(8,459,854)
Unrealized foreign currency gain	147,986	35,196
Realized foreign currency gain (loss)	(197,065)	612,407
Goodwill impairment (Note 6)	—	(6,216,914)
	(24,543,317)	(89,523,618)
Income (loss) for the year	\$ 25,595,468	\$ (272,641,948)
Income (loss) attributed to:		
Unit holders of the Partnership	\$ 25,770,304	\$ (267,930,435)
Non-controlling interests (Note 19)	(174,836)	(4,711,513)
	\$ 25,595,468	\$ (272,641,948)
Other comprehensive income (loss)		
Foreign currency translation adjustment	\$ 254,448	\$ (35,766)
Comprehensive income (loss) for the year	\$ 25,849,916	\$ (272,677,714)
Comprehensive income (loss) attributed to:		
Unit holders of the Partnership	\$ 26,024,752	\$ (267,966,201)
Non-controlling interests (Note 19)	(174,836)	(4,711,513)
	\$ 25,849,916	\$ (272,677,714)

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

Galaxy Digital Holdings LP

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

	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)	—	6,871,918	—	24,055,851	—	30,927,769
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	9,010,633	540,230,498
Distributions (Note 18, 19)	—	(169)	—	—	(131,542)	(131,711)
Vesting of Class B Units	—	—	3,838,800	—	—	—
Exchange of Class B Units	3,966,107	5,814,843	(3,966,107)	(5,814,843)	—	—
Cancellation of Class B Units withheld	—	—	(1,232,935)	(1,088,927)	—	(1,088,927)
Foreign currency translation adjustment	—	—	—	(35,766)	—	(35,766)
Loss for the year	—	(37,317,313)	—	(230,613,122)	(4,711,513)	(272,641,948)
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 (Note 19)	—	—	—	—	(140,316)	(140,316)
Equity based compensation (Note 18)	—	6,533,282	—	21,597,878	—	28,131,160
Contributions (Note 19)	—	—	—	—	4,363,017	4,363,017
Distributions (Note 19)	—	—	—	—	(895,959)	(895,959)
Vesting of Class B Units	—	—	11,939,207	—	—	—
Exchange of Class B Units	2,834,669	3,669,451	(2,834,669)	(3,669,451)	—	—
Cancellation of Class A Units	(1,315,434)	(1,224,760)	—	—	—	(1,224,760)
Cancellation of Class B Units withheld	—	—	(5,485,586)	(6,666,662)	—	(6,666,662)
Foreign currency translation adjustment	—	—	—	254,448	—	254,448
Income for the year	—	5,846,146	—	19,924,158	(174,836)	25,595,468
Balance at December 31, 2019	66,636,540	\$ 219,406,045	219,332,907	\$ 128,379,036	\$ 7,319,484	\$ 355,104,565

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

Galaxy Digital Holdings LP

Consolidated Statements of Cash Flows
(Expressed in US Dollars)

	Year ended December 31, 2019	Year ended December 31, 2018
Operating activities		
Income (loss) for the year	\$ 25,595,468	\$ (272,641,948)
Adjustments for:		
Bad debt expense	2,308,406	526,871
Depreciation	1,083,126	130,876
Equity based compensation	28,131,160	30,927,769
Interest expense	3,133,143	4,798,337
Interest income	(4,229,684)	(1,129,469)
Net realized (gain) loss on digital assets	(71,971,480)	101,394,823
Net realized gain on investments	(37,922,360)	—
Net unrealized loss on digital assets	11,973,090	75,494,453
Net unrealized loss on investments	12,521,148	8,459,854
Unrealized foreign currency gain	(147,986)	(35,196)
Goodwill impairment	—	6,216,914
Changes in operating assets and liabilities:		
Net proceeds of digital assets	42,312,361	(23,487,624)
Receivable for digital asset trades	8,248,449	(8,579,058)
Digital asset loans receivable	(16,061,945)	—
Assets posted as collateral	(10,585,819)	—
Receivables	(2,016,624)	(1,520,376)
Due to related party	(1,177,498)	1,177,498
Prepaid expenses and other assets	(563,557)	(1,777,841)
Payable for digital asset trades	(9,582,579)	9,832,737
Digital asset loans payable	11,134,329	—
Collateral payable	434,498	—
Accounts payable and accrued liabilities	(3,407,616)	10,945,471
Due to exchange	—	(9,344,613)
Net cash used in operating activities	(10,791,970)	(68,610,522)
Investing activities		
Loans receivable	(19,760,339)	(17,918,333)
Repayment of loans receivable	26,775,247	—
Receipt of interest on loans receivable	2,466,413	641,762
Purchase of property and equipment	(403,175)	(3,231,130)
Disposal of property and equipment	35,072	—
Purchase of investments	(29,607,022)	(112,490,784)
Proceeds from investments	75,583,983	20,523,468
Consideration for business combination, net of cash acquired	—	381,635
Net cash provided by (used in) investing activities	55,090,179	(112,093,382)
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)
Receipt of interest on due from broker	—	365,999
Cash paid for principal portion of lease liability	(213,209)	—

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

Galaxy Digital Holdings LP

Consolidated Statements of Cash Flows (Expressed in US Dollars)

Purchase of additional interest in subsidiary	(140,316)	—
Capital contributions from non-controlling interests	4,363,017	9,010,633
Distributions to non-controlling interests	(895,959)	(131,711)
Cancellation of Class A Units withheld	(1,224,760)	—
Cancellation of Class B Units withheld	(6,666,662)	(682,663)
Net cash provided by (used in) financing activities	(4,777,889)	215,129,465
Impact of exchange rate change on cash	254,448	(35,766)
Net increase in cash	39,774,768	34,389,795
Cash, beginning of year	66,488,012	32,098,217
Cash, end of year	\$ 106,262,780	\$ 66,488,012

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

Cash paid during the year for:

Interest	\$ —	\$ 2,645,440
Taxes	\$ 65,760	\$ —

Non-cash activities:

Contribution of assets (Note 23)	\$ —	\$ 302,007,218
Interest paid in digital assets	\$ 2,520,540	\$ 2,076,655
Reclassification between investments and digital assets	\$ 1,100,000	\$ 406,501
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	\$ —
Property and equipment additions included in accounts payable and accrued liabilities	\$ —	\$ 1,093,927
Repurchase of Class B Units included in accounts payable and accrued liabilities	\$ —	\$ 406,264
Interest income included in receivables	\$ —	\$ 121,708
Purchase of investment included in accounts payable and accrued liabilities	\$ 132,798	\$ —
Proceeds from investments included in prepaid expenses and other assets	\$ 13,818	\$ —

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

Galaxy Digital Holdings LP

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Galaxy Digital Holdings 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 was considered a transaction under common control and was 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 consolidated 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 digital assets may be subject to significant fluctuations in value and risks unique to the asset class and different from traditional financial assets. Additionally, certain assets are held on cryptocurrency 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.

Financial Statements

These consolidated 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 generating sufficient cash flow and/or 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 December 31, 2019, the Partnership had cash of \$106,262,780 (2018 - \$66,488,012) and partners' capital of \$347,785,081 (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 Consolidated Financial Statements
For the Years Ended December 31, 2019 and 2018
(Expressed in US Dollars)

2. BASIS OF PRESENTATION

Statement of Compliance

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

These consolidated financial statements were approved by the the Board of Managers of GDH GP and authorized for issuance on April 6, 2020.

Basis of Measurement

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

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

Functional and Presentation Currency

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency 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"), the functional currency for the Ireland and United Kingdom based entities is the pound sterling ("GBP"), 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 consolidated 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 December 31, 2019 and 2018, GDH LP's subsidiaries are as follows:

Galaxy Digital Holdings LP

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

Subsidiary ¹	Place of Incorporation	December 31, 2019 Ownership %	December 31, 2018 Ownership %
Galaxy Digital 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	37%	41%
Galaxy Benchmark Crypto Index Fund, L.P.	Delaware	37%	41%
Galaxy Bitcoin Fund GP LLC	Delaware	100%	N/A
Galaxy Bitcoin Fund LP	Delaware	92%	N/A
Galaxy Institutional Bitcoin Fund GP LLC	Delaware	100%	N/A
Galaxy Institutional Bitcoin Fund LP	Delaware	94%	N/A
Galaxy Institutional Bitcoin Master Fund, LP	Cayman	93%	N/A
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 Crypto Lending LLC	Delaware	100%	N/A
Galaxy Digital Crypto GP LLC	Delaware	100%	N/A
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.

Galaxy Digital Holdings LP

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

Scope of financial statements

These consolidated 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 consolidated 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 consolidated financial statements.

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

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 consolidated 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 consolidated 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.

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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.

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 December 31, 2018, the Partnership held greater than 20% in certain of its underlying investments and as of December 31, 2019 and 2018, 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.

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Collectability of receivable for digital asset trades and digital asset loans receivable

The Partnership records an allowance for doubtful accounts related to receivable for digital asset trades and digital asset loans receivable that are considered to be uncollectible. The allowance is based on the Partnership's knowledge of the financial condition of its counterparties, if the loan has gone into default and historical experience. A change to these factors could impact the estimated allowance and the provision for bad debts. As at December 31, 2019 and 2018, the Partnership recorded bad debt expense associated with its receivable for digital asset trades and digital asset loans receivable of \$2,308,406 (2018 - \$nil).

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 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 the year ended December 31, 2018, the Partnership determined that goodwill acquired during the year was fully impaired (Note 6). Such impairments are not reversed.

Income taxes

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

Cash

Cash and cash equivalents may include cash on hand, demand deposits and short-term highly liquid investments that are readily convertible into known amounts of cash, with maturities of 90 days or less when acquired. As of December 31, 2019 and 2018, the Partnership did not classify any balances as cash equivalents.

Property and equipment

Property and equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and, where applicable, the initial estimation of any asset retirement obligation. The purchase price or construction cost is the

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aggregate amount paid and the fair value of any other consideration given to acquire the asset. Depreciation is recognized in profit or loss on a straight-line basis over the following estimated useful lives:

Furniture and fixtures	10 years
Office equipment	6 years
Computer equipment	5 years
Leasehold improvements	straight line over the shorter of the lease term or life of the asset

Any item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in profit or loss in the period the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted if necessary.

In addition, right-of-use assets are depreciated on a straight line basis over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Partnership applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described above.

Revenue recognition

The Partnership recognized revenue from advisory services, management fees and interest earned on loans receivable. Revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the fair value of the consideration to which the Partnership expects to be entitled to upon completion of the Partnership's performance obligation for those goods or services. Revenue from services performed is recognized when the amount of revenue can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the Partnership.

The Partnership recognizes revenue from the provision of advisory services upon completion of the delivery of the services stated in the contract. The Partnership earns management fees on each of its managed funds at a fixed percentage of invested capital, committed capital or ending capital, as defined in each of the respective funds. Management fees are recognized based on contractual terms specified in the underlying investment agreements. The Partnership recognizes interest income on an accrual basis.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of each of the operating segments.

Financial instruments

Financial assets

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

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Receivables, receivable for digital asset trades and loans receivable are measured at amortized cost with subsequent impairments recognized in profit or loss. Cash, derivatives within prepaid expenses and other assets and investments are classified as FVTPL.

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Impairment

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

Financial liabilities

All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities, payable for digital asset trades, collateral payable, lease liability and due to related party are classified as financial liabilities and carried on the statement of financial position at amortized cost. Digital assets sold short are classified as FVTPL.

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 holding of digital assets should be accounted for under IAS 2, Inventories, and it meets the definition of a commodity broker-trader. Under IAS 2, digital assets are measured at fair value less cost to sell, with changes in fair value recognized in profit or loss. In accordance with IAS 2, commodity broker-traders are those who buy or sell commodities for others or on their own account. The inventories 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. As these inventories are measured at fair value less costs to sell, they are excluded from only the measurement requirements of IAS 2.

The Partnership recognizes realized gains or losses on its digital assets when it either sells digital assets that it holds or buys digital assets to close out a short position on a first-in-first-out (FIFO) basis.

More specifically, with respect to arbitrage trading, realized gains or losses are recognized on the sale of the digital assets and there are generally no related receivables or payables as the times of trade and settlement are virtually similar. Realized gains or losses from over-the-counter ("OTC") trading with counterparties are recognized once terms of the trade have been mutually agreed and confirmed. Given that the times of trade and settlement can differ, this can create receivables or payables for unsettled digital asset trades.

Derivatives

As part of its trading activities, the Partnership enters into derivatives. Derivatives are instruments that derive their value from changes in an underlying reference outside the control of the Partnership (which can be foreign exchange rates or the price of a digital asset).

The most frequently used derivatives by the Partnership are bitcoin futures ("BTC Futures"), digital currency swaps and digital currency options.

- **BTC Futures** - a bitcoin futures is an exchange traded contract which represents a legal agreement to either buy or sell bitcoin at a predetermined price at a specified time in the future. Depending on exchanges, the contract can be settled in cash or both in cash and by physical delivery.
- **Digital currency swaps** - a digital currency swap is an exchange traded contract which represents a legal agreement to either buy or sell a referenced digital currency at a predetermined price at a specified time in the future. Depending on exchanges, swaps can be settled either in bitcoin or the stable coin, USDC.

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- Digital currency options - a digital currency option is an OTC traded contract, which gives the holder the right, but not the obligation, to either buy or sell a referenced digital currency at a predetermined price at a specified time in the future. Options can be settled in either cash or by physical delivery.

The Partnership uses the derivatives for trading purposes, except for a small amount for foreign currency hedging (in addition to the above derivatives, the Partnership uses foreign currency swaps for foreign currency hedging). The derivatives are carried at fair value on the Consolidated Statement of Financial Position; net derivative fair value at period end is recognized in "Prepaid expenses and other assets". The realized and unrealized gains (loss) in derivatives are recognized in "Net derivative gain".

Leases

Prior to January 1, 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the lessee obtains ownership of the asset at the end of the lease term. All other leases are classified as operating leases.

The Partnership recorded rent expense on its operating sublease (Note 27) in accordance with IAS 17, Leases. The Partnership records an expense on a straight-line basis over the lease term.

From January 1, 2019

The Partnership assesses whether a contract is or contains a lease, at inception of the contract. The Partnership recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Partnership recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Partnership uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Partnership remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payment change is due to a change in a floating interest rate, in which case a revised discount rate is used).

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- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Partnership did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Equity based compensation

Stock Options

The Partnership accounts for stock options granted to directors, officers and employees at the fair value of the options granted. Accordingly, the fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model and equity based compensation is accrued and charged to operations, with an offsetting credit to partners' capital, over the respective vesting periods. Equity based payment to employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity based payment is expensed on a staged (or graded) vesting basis, based on the Partnership's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Partnership revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity. Stock options granted to non-employees are measured at the fair value of goods or services rendered or at the fair value of the instruments issued, if it is determined that the fair value of the goods or services received cannot be reliably measured.

Compensatory Class B Units

The Partnership accounts for Class B Units granted to officers and employees at the fair value of the Class B Units granted. Accordingly, the fair value of the Class B Units at the date of the grant is determined using an applicable valuation model and equity based compensation is accrued and charged to operations on a staged (or graded) vesting basis, based on the Partnership's estimate of equity instruments that will eventually vest, with a corresponding increase in partners' capital. At the end of each reporting period, the Partnership revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

Income (loss) per unit

Basic income (loss) per unit is computed by dividing net income (loss) (the numerator) by the weighted average number of outstanding units for the period (denominator). When diluted earnings per unit is calculated, only those outstanding stock options with exercise prices below the average trading price of GDH Ltd.'s shares for the period will be dilutive.

In the periods when the Partnership reports a net loss, the effect of potential issuances of units under stock option and compensatory Class B Unit plans is anti-dilutive. Therefore basic and diluted loss per unit are the same.

Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rates prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at exchange rates at the reporting date, with any differences arising recorded in profit or loss.

Business combination

The Partnership accounts for business combinations using the acquisition method. The consideration transferred and the identifiable assets acquired and liabilities assumed of the acquiree are measured and recognized at the acquisition-date fair value.

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Goodwill is measured as the excess of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If the cost of the acquisition is less than the fair value of the net assets acquired, the difference is recognized directly in profit or loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. For impairment testing, the goodwill is allocated to a cash generating unit. The goodwill is tested for impairment annually, or more frequently when there is an indication that there may be an impairment. If the recoverable amount of the cash generating unit is less than the carrying amount of the goodwill, the impairment loss is first allocated to reduce the amount of goodwill and to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss and any impairment loss recognised for goodwill is not reversed in subsequent periods.

Non-controlling interest

Non-controlling interest in the Partnership's less than wholly owned subsidiaries are classified as a separate component of equity. On initial recognition, non-controlling interests are measured at their proportionate share of the acquisition date fair value of identifiable net assets of the related subsidiary acquired by the Partnership. Subsequent to the original transaction date, adjustments are made to the carrying amount of non-controlling interest for the non-controlling interest's share of changes to the subsidiary's equity. Changes in the Partnership's ownership interest in a subsidiary that do not result in a loss of control are recorded as equity transactions. The carrying amount of non-controlling interest is adjusted to reflect the change in the non-controlling interest's relative interest in the subsidiary, and the difference between the adjustment to the carrying amount of non-controlling interests and the Partnership's share of proceeds received and/or consideration paid is recognized directly in equity and attributed to owners of the Partnership.

Investments in subsidiaries

Subsidiaries are all entities over which the Partnership has control. The Partnership controls an entity when the Partnership is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The Partnership has determined that it is not an investment entity as defined within IFRS 10, Consolidated Financial Statements. As such, the Partnership consolidates its subsidiaries rather than accounting for them at fair value through profit or loss. Subsidiaries are fully consolidated from the date on which control is transferred to the Partnership. They are deconsolidated from the date that control ceases. Intercompany transactions and balances are eliminated.

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.

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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).

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.

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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.
- *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.

Accounting for the investment by GDH Ltd.

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

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

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

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

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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.

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.

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

Inputs to the Black Scholes Model

Share price ⁽ⁱⁱⁱ⁾	C\$2.75
Exercise price	C\$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 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 December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Cryptocurrency:		
Unrestricted	\$ 85,936,838	\$ 69,757,601
Restricted	43,893	7,738
	<u>\$ 85,980,731</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

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been distributed to the Partnership, however is expected to be distributed over time.

During the years ended December 31, 2019 and 2018, the Partnership engaged 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 asset trades

As of December 31, 2019, there were a number of unsettled trades. The amounts receivable and payable were \$330,609 (2018 - \$8,579,058) and \$250,158 (2018 - \$9,832,737), respectively.

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 December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Pre-ICO	\$ 6,005,114	\$ 3,444,204
Convertible Notes	5,255,579	1,250,000
Preferred Stock	75,703,153	59,586,719
Common Stock	32,476,631	80,483,775
LP/LLC Interests	38,120,805	33,248,472
Warrants/Trust Units	602,138	1,352,526
	<u>\$ 158,163,420</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 for the years ended December 31, 2019 and 2018:

	Investments
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	29,739,820
Proceeds from investments ⁽ⁱ⁾	(75,597,801)
Transfer to digital assets	(1,100,000)
Net realized gain on investments	37,922,360
Net unrealized loss on investments	(12,521,148)
Other ⁽ⁱⁱ⁾	354,493
Balance as at December 31, 2019	\$ 158,163,420

⁽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. The amount also include a return of an investment.

⁽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

	December 31, 2019	December 31, 2018
Interest receivable	\$ 219,706	\$ 141,483
Other ⁽ⁱ⁾	1,633,463	1,097,211
	\$ 1,853,169	\$ 1,238,694

⁽ⁱ⁾ Includes \$1.2 million (2018 - \$ 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 year ended December 31, 2019, the Partnership loaned select cryptocurrencies to borrowers at annual rates ranging from 3% to 13.5%. There is no set term for the loans and the borrower can prepay without penalty. In addition, the Partnership

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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 0% to 125% of the loan value in either US dollars or select cryptocurrencies.

As of December 31, 2019, the Partnership had a digital asset loans receivable balance of \$16,061,945 (2018 - \$nil).

As of December 31, 2019, borrowers had posted cash and cryptocurrency collateral of \$434,498 (2018 - \$nil) and \$2,624,687 (2018 - \$nil), 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 Partnership's 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 Partnership's 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 year ended December 31, 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 0% to 100% of the loan value in either US dollars or in select cryptocurrencies.

Master Loan Agreements	December 31, 2019	December 31, 2018
Digital assets borrowed	\$ 46,894,236	\$ —
Digital assets sold short ⁽ⁱ⁾	(18,616,860)	—
Digital assets borrowed but not used ⁽ⁱⁱ⁾	(17,143,047)	—
	\$ 11,134,329	\$ —

⁽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 the year, the Partnership has no net exposure.

As of December 31, 2019, the Partnership had a digital asset loans payable balance of \$11,134,329 (2018 - \$nil).

As of December 31, 2019, the Partnership posted cash and cryptocurrency collateral of \$2,377,166 (2018 - \$nil) and \$8,208,653 (2018 - \$nil), respectively. The total collateral posted by the Partnership of \$10,585,819 (2018 - \$nil) is reflected as Assets posted as collateral on the statement of financial position.

During the year ended December 31, 2019, the Partnership paid interest expense of \$2.3 million (2018 - \$nil) and received interest income of \$0.7 million (2018 - \$nil) in connection with the aforementioned lending and borrowing activity.

11. PREPAID EXPENSES AND OTHER ASSETS

	December 31, 2019	December 31, 2018
Prepaid payroll funding and deposit	\$ 900,000	\$ 900,000
Prepaid insurance	380,837	373,004
Prepaid rent and security deposits	96,689	306,882
Other ¹	1,202,729	422,994
	\$ 2,580,255	\$ 2,002,880

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¹ Includes the Partnership's net derivative position of (\$1,140) as of December 31, 2019 (2018 - \$nil).

Derivatives

During the year ended December 31, 2019, the Partnership recognized \$12,425,065 of net derivative gains. The net gains were due to positioning and economic hedging.

The breakdown of the Partnership's derivatives portfolio, including their respective maturity, as of December 31, 2019 are as follows:

Type of Derivative	As of December 31, 2019	
	Notional Amount	Fair Value
Bitcoin Futures	\$ 2,386,395	\$ (4,548)
Commodity futures ¹	304,620	(12,030)
Digital currency forwards	96,508	2,336
Digital currency options	6,061,608	21,318
Digital currency swaps	1,682,517	9,559
Foreign currency swaps	4,552,700	(17,775)
	\$ 15,084,348	\$ (1,140)

Type of Derivative	As of December 31, 2019		
	Term to Maturity		
	Within 1 year	1 through 5 years	Over 5 years
Bitcoin Futures	\$ (4,548)	\$ —	\$ —
Commodity futures	(12,030)	—	—
Digital currency forwards	2,336	—	—
Digital currency options	21,318	—	—
Digital currency swaps	9,559	—	—
Foreign currency swaps	(17,775)	—	—

¹ Futures on gold, which are used as a hedge against a digital currency.

As at December 31, 2019, in connection with the open digital currency options, counterparties had posted cash and cryptocurrency collateral of \$336,749 (2018 - \$nil) and \$2,101,661 (2018 - \$nil). The cash collateral has been reflected in the Partnership's 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 the collateral has no impact to the Partnership's statement of financial position.

During the year ended December 31, 2018, the Partnership's derivative activity was nominal.

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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 was 2.5 years with a maturity on March 10, 2021. The loan could 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 could 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 would be the rate of interest otherwise applicable plus 2% per annum, if the default was related to the principal amount. If the default was related to all other cases, the default interest would be the rate applicable on an ABR loan. If any portion of the loan was repaid within one year of the closing date of the loan, the Borrower would 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 December 31, 2019.

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

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

For the years ended December 31, 2019 and 2018, the Partnership recognized interest income of \$2,076,133 and \$649,401, 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		(16,000,000)
Accretion of loan origination fee		306,659
Balance as of December 31, 2019	\$	—

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% (2018 - 90%) by Galaxy Digital Lending LLC ("GDL") and 5% (2018 - 10%) by the Non-bank Lender. When the SPV was created, GDL had a \$10.0 million commitment to buy eligible loans from the Non-bank Lender and the Non-bank Lender had a commitment of approximately \$1.1 million. In addition, GDL could commit an additional \$40 million at its sole discretion.

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The Non-bank Lender originates bitcoin, ether or litecoin backed US dollar loans, which are generally underwritten at 50% 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. The SPV began buying loans from the Non-bank Lender during the third quarter of 2018.

At December 31, 2019 and 2018, the SPV loans had a carrying value of \$11,484,651 and \$2,203,828, respectively, and is recorded as a current asset. For the years ended December 31, 2019 and 2018, the Partnership recognized interest income of \$900,172 and \$113,128, respectively, on the loans.

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 was unsecured, bore interest at 5% compounded annually, and was 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.

On November 26, 2019, the loan was fully repaid. The borrower paid the principal amount of C\$250,000, and outstanding accrued and unpaid interest of C\$26,970.

At December 31, 2018, the loan had a carrying value of \$165,196 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 December 31, 2019 and 2018, the loan had a carrying value of \$235,087 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 ⁽ⁱⁱ⁾	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	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	—	155,514	237,184	403,175	5,732,426
Depreciation	(70,249)	(2,662)	(94,741)	(366,041)	(533,693)	(549,433)
Other	(35,072)	—	—	—	(35,072)	—
Balance as at December 31, 2019	\$ 524,784	\$ 11,091	\$ 445,201	\$ 3,076,586	\$ 4,057,662	\$ 5,182,993

⁽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

	December 31, 2019	December 31, 2018
Compensation and compensation related	\$ 7,682,508	\$ 10,164,844
Professional fees	1,719,410	1,938,968
Interest	198,747	102,793
Other	2,118,829	2,352,309
	<u>\$ 11,719,494</u>	<u>\$ 14,558,914</u>

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 was payable on the borrowed cryptocurrencies in such cryptocurrency. There was 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.

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

⁽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 year ended December 31, 2019, the Partnership recognized \$0.7 million (2018 - \$0.1 million) in interest expense related to the November 2018 Facility. During the year ended December 31, 2018, the Partnership recognized approximately \$1.9 million in interest expense related to the March 2018 Loan Agreement.

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Master Loan Agreements

During the year ended December 31, 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 December 31, 2019, the digital assets sold short balance under the Master Loan Agreements was \$18,616,860 (2018 - \$nil) (Note 10).

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 year ended December 31, 2018, the Partnership recognized \$2.2 million in interest expense on the RLA.

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

	December 31, 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	December 31, 2019	December 31, 2018
Lease liability	\$ 5,519,217	\$ —
Less: current portion	(772,003)	—
Classified as a long-term liability	\$ 4,747,214	\$ —

Undiscounted lease payments	December 31, 2019	December 31, 2018
Later than a year	\$ 8,130,185	\$ —
Not later than a year	911,297	—
	\$ 9,041,482	\$ —

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,

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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 year. 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 year ended December 31, 2019, the Partnership recognized interest expense on the lease liability of \$612,603 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 year ended December 31, 2019, the Partnership recognized \$425,322 (2018 - \$306,493) 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 \$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.

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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 year ended December 31, 2019, the Partnership issued 2,834,669 (2018 - 3,966,107) Class A Units, post withholding taxes, to GDH Ltd. on exchange of Class B Units.

During September 2019, GDH Ltd. received approval from its Board of Directors and TSX-V to purchase up to approximately 7.3% of its issued and outstanding ordinary shares and 10% of its public float (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. On the repurchase of the shares of GDH Ltd., an equivalent number of Class A Units in GDH LP will be cancelled.

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

Consistent with the LPA, the Partnership will provide financial support to GDH Ltd. for the execution of the Share Repurchase Program.

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 year ended December 31, 2019, 2,834,669 (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 193,242 (2018 - 1,232,935) Class B Units, associated with the withholding obligation on the vested compensatory Class B Units.

As of December 31, 2019, there were 66,636,540 (2018 - 65,117,305) Class A Units and 219,332,907 (2018 - 215,713,955) Class B Units outstanding. The change during the year was due to exchanges of Class B Units for common shares of GDH Ltd. (and into Class A Units of GDH LP), vesting of Class B Units awarded and cancelled Class A Units on repurchase of GDH Ltd. shares.

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 years ended December 31, 2019 and 2018, equity based compensation expense was recognized as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Stock options	\$ 11,195,999	\$ 9,148,273
Compensatory Class B Unit awards ⁽ⁱ⁾ :		
Standard Units	9,247,778	17,873,574
Profit Interest Units	7,242,022	2,872,637
Class B Units to First Coin	445,361	1,387,408
	\$ 28,131,160	\$ 31,281,892

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⁽ⁱ⁾ Year ended December 31, 2019 includes a cash payment of \$226,530 (2018 - \$354,123).

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, measured as of the grant date, was \$1,703,451 (or approximately \$1.1561 per Standard Unit) based on the 10-day volume weighted average share price of GDH Ltd. from January 17, 2019 through January 30, 2019 ("10-day WA") and on the number of Standard Units expected to vest (87.5% to 100%). The fair value will be recognized over the vesting period.
- Profit Interest Units - 3,047,273 of the Profit Interest Units vest 50% on each of September 1, 2020 and September 1, 2021. For 711,864 of the Profit Interest Units, 211,864 vest on September 1, 2020, while 250,000 vest on each of September 1, 2021 and September 1, 2022. Similar to the July 31, 2018 grants, once a Profit Interest Unit has vested and has been fully "caught up", such Profit Interest Unit may be exchanged for one share of GDH Ltd. for no additional consideration. The fair value of the Profit Interest Units granted was \$2,686,791 (or approximately \$0.8485 per Profit Interest Unit). The fair value of the Profit Interest Units was estimated using the probability-weighted expected return method. In applying this method, a payoff was determined for a Profit Interest Unit under three potential scenarios, each payoff was weighted by an estimated probability of the corresponding scenario, and then the probability-weighted payoffs were discounted to the date of grant and summed. The scenarios, probabilities, and other

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inputs into the model consider, among other things, the results of a one-period trinomial model, the results of a standard Black-Scholes option pricing model under different assumptions, and the estimated fair value of a common share of GDH Ltd. The scenarios probability ranged from 2.50% to 70%, the annual discount rate used was 1.85%, the term used was 5.92 years, and the share price used ranged from C\$0 to C\$50. The number of Profit Interest Units expected to vest ranged from 77.5% to 87.5%.

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 December 31, 2019 were 340,243 (2018 - 523,800)

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	(1,969,594)
Forfeited/ Transferred	(12,871,818)
Balance, December 31, 2019	18,604,790
Class B Units exercisable, December 31, 2019	5,042,517
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 \$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 \$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	December 31, 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 years ended December 31, 2019 and 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, December 31, 2019	17,684,300	2.74
Options exercisable as of December 31, 2019	4,250,450	
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 years ended December 31, 2019 and 2018. For stock options outstanding as of December 31, 2019, the weighted average remaining contractual life is 3.81 years (2018 - 4.58 years).

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

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

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.

Net Income (loss) per Unit

The table below presents the basic and diluted net income per unit for the year ended December 31, 2019.

	Class A Unitholders	Class B Unitholders	Total Class A and Class B Unitholders
Basic income per unit	\$ 0.088	\$ 0.091	\$ 0.090
Diluted income per unit	N/A	N/A	\$ 0.086
Net income used in the calculation of basic and diluted income per unit	\$ 5,846,146	\$ 19,924,158	\$ 25,770,304
Weighted average number of units for the purposes of basic income per unit	66,378,053	218,437,042	284,815,095
Weighted average number of units for the purposes of diluted income per unit	N/A	N/A	299,626,118

For the year ended December 31, 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.

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:

	Year ended December 31, 2019
Weighted average number of units for the purposes of basic income per unit	284,815,095
Diluted units:	
Compensatory Class B Unit awards	14,504,865
Stock options	306,158
Weighted average number of units for the purposes of diluted income per unit	<u>299,626,118</u>

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The below table presents the basic and diluted net loss per unit for the year ended December 31, 2018.

	Class A Unitholders	Class B Unitholders	Total Class A and Class B Unitholders
Basic and diluted loss per unit	\$ (0.59)	\$ (1.07)	\$ (0.97)
Net loss used in the calculation of basic loss per unit	(37,317,313)	(230,613,122)	(267,930,435)
Weighted average number of units of the purposes of basic loss per unit	63,005,918	214,557,541	277,563,459

19. NON-CONTROLLING INTERESTS

During the year ended December 31, 2018, the Partnership formed the SPV (Note 12) and Galaxy Benchmark Crypto Index Fund, L.P. ("Galaxy Index Fund").

During the year ended December 31, 2019, the Partnership formed Galaxy Institutional Bitcoin Master Fund, L.P. ("GIBF") and Galaxy Bitcoin Fund L.P. ("GBF").

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

	GDL	Galaxy Index Fund	GBF	GIBF	Total
Non-controlling interests, January 1, 2018	\$ —	\$ —	\$ —	\$ —	\$ —
Contributions	420,633	8,590,000	—	—	9,010,633
Distributions	(131,542)	—	—	—	(131,542)
Share of 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	988,017	1,450,000	425,000	1,500,000	4,363,017
Distributions	(582,525)	(313,301)	—	(133)	(895,959)
Share of income (loss)	37,632	5,688	(41,714)	(176,442)	(174,836)
Non-controlling interests, December 31, 2019	\$ 583,438	\$ 5,029,335	\$ 383,286	\$ 1,323,425	\$ 7,319,484

⁽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 Index Fund, GIBF, and GBF.

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

	GDL	Galaxy Index Fund	GBF	GIBF	Total
Non-controlling %	5%	63%	8%	7%	
Assets					
Current	\$ 11,690,311	\$ 8,507,825	\$ 4,966,327	\$ 19,366,281	\$ 44,530,744
	11,690,311	8,507,825	4,966,327	19,366,281	44,530,744
Liabilities					
Current	21,528	551,443	184,594	390,067	1,147,632
	21,528	551,443	184,594	390,067	1,147,632
Net Assets	11,668,783	7,956,382	4,781,733	18,976,214	43,383,112
Non-controlling interest, December 31, 2019	\$ 583,438	\$ 5,029,335	\$ 383,286	\$ 1,323,425	\$ 7,319,484

	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 years ended December 31, 2019 and 2018.

	Year ended December 31, 2019	Year ended December 31, 2018
Net income (loss)	\$ 25,595,468	\$ (272,641,948)
Net comprehensive income (loss) attributable to non-controlling interests:		
GDL	37,632	(8,461)
Galaxy Index Fund	5,688	(4,703,052)
GBF	(41,714)	—
GIBF	(176,442)	—
	\$ (174,836)	\$ (4,711,513)

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20. COMPENSATION AND COMPENSATION RELATED

	Year ended December 31, 2019	Year ended December 31, 2018
Base compensation and accrued bonuses	\$ 23,072,687	\$ 21,533,035
Benefits	1,995,865	1,267,805
Payroll taxes	1,304,187	1,241,476
Consulting	1,057,677	619,061
Placement Fees	1,050,283	2,192,000
Temporary staff	99,219	21,940
	\$ 28,579,918	\$ 26,875,317

21. PROFESSIONAL FEES

	Year ended December 31, 2019	Year ended December 31, 2018
Legal	\$ 3,197,474	\$ 7,873,948
Audit and related	2,420,071	2,289,831
Tax	1,045,763	848,161
Valuations	339,963	379,587
	\$ 7,003,271	\$ 11,391,527

22. GENERAL AND ADMINISTRATIVE

	Year ended December 31, 2019	Year ended December 31, 2018
Technology	\$ 2,842,606	\$ 1,725,627
Bad debt expense ⁽ⁱ⁾	2,308,406	526,871
Travel and entertainment	1,422,766	1,745,645
Consulting	1,174,220	1,303,779
Depreciation (Note 13)	1,083,126	130,876
Fund administration	743,958	452,135
Occupancy	608,733	1,291,682
Trading Fees	134,476	1,081,054
Other ⁽ⁱⁱ⁾	3,516,305	3,519,787
	\$ 13,834,596	\$ 11,777,456

⁽ⁱ⁾ Bad debt expense for the year ended December 31, 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 \$1,291,184 for the year ended December 31, 2019 (2018 - \$742,566)

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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 twelve individuals (December 31, 2018 - fourteen individuals), consisting of officers, former officers and certain employees, who are considered to have decision making authority. Compensation provided to key management personnel for the years ended December 31, 2019 and 2018 are as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Equity based compensation	\$ 21,211,583	\$ 23,228,115
Base compensation and accrued bonuses*	5,907,901	7,251,600
Benefits	272,124	344,108
Total	\$ 27,391,608	\$ 30,823,823

*For the years ended December 31, 2019 and 2018, amounts include approximately \$1.6 million and \$3.6 million, respectively, of accrued bonuses within accounts payable and accrued liabilities.

During the year ended December 31, 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 \$404,000 in software development technology expenses during the year ended December 31, 2019 (2018 - \$355,633), of which \$36,500 is included in accounts payable at December 31, 2019 (2018 - \$84,921).

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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 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

During the years ended December 31, 2019 and 2018, 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, the company is no longer a related party. 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. As at December 31, 2019, the Partnership had an investment valued at \$9.0 million (2018 - \$5.6 million).

In December 2018, the Partnership entered into a share sale and transfer agreement with a fund that it manages for an amount of \$7.5 million. The transaction with the related party resulted in no gains or losses. The value of the transaction was determined by the Partnership's normal investment valuation process.

In accordance with the LPA (Note 5), the Partnership will reimburse or pay for all reimbursable expenses of GDH Ltd. For the years ended December 31, 2019 and 2018, the Partnership paid or accrued \$1,291,184 and \$742,566 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).

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Asset Management

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

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 December 31, 2019 are as follows:

	Trading	Principal Investments	Asset Management	Advisory Services	Corporate and Other	Totals
Total assets	\$ 177,226,904	\$ 199,678,202	\$ 1,415,135	\$ 1,102,055	\$ 23,356,825	\$ 402,779,121
Total liabilities	\$ 30,329,154	\$ 403,187	\$ 1,377,492	\$ 96,273	\$ 15,468,450	\$ 47,674,556

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 years ended December 31, 2019 and 2018 are as follows:

	Trading	Principal Investments	Asset Management	Advisory Services	Corporate and Other	Totals
Income (loss)						
Advisory and management fees	\$ —	\$ —	\$ 5,126,694	\$ 203,125	\$ —	\$ 5,329,819
Net realized gain (loss) on digital assets	76,212,748	(4,241,268)	—	—	—	71,971,480
Net realized gain on investments	—	37,922,360	—	—	—	37,922,360
Interest income	988,715	3,171,168	—	65,613	4,188	4,229,684
Net derivative gain	12,425,055	—	—	—	—	12,425,055
Other income	(37,131)	430,000	(56,266)	127,951	—	464,554
	89,589,387	37,282,260	5,070,428	396,689	4,188	132,342,952
Operating expenses	24,435,663	7,147,840	17,420,511	8,082,934	25,117,229	82,204,177
Net unrealized gain (loss) on digital assets	(12,910,038)	936,948	—	—	—	(11,973,090)
Net unrealized loss on investments	—	(12,521,148)	—	—	—	(12,521,148)
Unrealized foreign currency gain (loss)	168,742	—	—	(20,713)	(43)	147,986
Realized foreign currency loss	(197,065)	—	—	—	—	(197,065)
	(12,938,361)	(11,584,200)	—	(20,713)	(43)	(24,543,317)
Net income (loss)	\$ 52,215,363	\$ 18,550,220	\$ (12,350,083)	\$ (7,706,958)	\$ (25,113,084)	\$ 25,595,458

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	Trading	Principal Investments	Asset Management	Advisory Services	Corporate and Other	Totals
Income (loss)						
Advisory and management fees	\$ —	\$ —	\$ 3,257,875	\$ 934,933	\$ —	\$ 4,192,808
Net realized loss on digital assets	(99,209,131)	(2,185,692)	—	—	—	(101,394,823)
Interest income	558,441	762,530	—	39,394	838	1,361,203
Net derivative gain	—	—	—	—	—	—
Other income	1,085,133	(41)	—	—	—	1,085,092
	(97,565,557)	(1,423,203)	3,257,875	974,327	838	(94,755,720)
Operating expenses						
	21,176,292	14,077,846	13,601,062	8,188,667	31,318,743	88,362,610
Net unrealized loss on digital assets	(65,691,676)	(9,802,777)	—	—	—	(75,494,453)
Net unrealized gain (loss) on investments	—	(8,459,854)	—	—	—	(8,459,854)
Unrealized foreign currency gain	4,429	—	—	30,767	—	35,196
Realized foreign currency gain (loss)	(332,523)	—	—	—	944,930	612,407
Goodwill impairment	—	—	—	—	(6,216,914)	(6,216,914)
	(66,019,770)	(18,262,631)	—	30,767	(5,271,984)	(89,523,618)
Net income (loss)	\$(184,761,619)	\$ (33,763,680)	\$ (10,343,187)	\$ (7,183,573)	\$ (36,589,889)	\$(272,641,948)

Select statement of financial position information

The fair value of each asset class by reporting segment as of December 31, 2019 is as follows:

	Trading	Principal Investments	Asset Management	Advisory Services	Corporate and Other	Totals
Digital assets:						
Cryptocurrency	\$ 53,882,704	\$ 32,098,027	\$ —	\$ —	\$ —	\$ 85,980,731
Digital assets posted as collateral (Note 10)	8,208,653	—	—	—	—	8,208,653
Investments:						
Pre-ICO	—	6,005,114	—	—	—	6,005,114
Convertible Notes	—	5,255,579	—	—	—	5,255,579
Preferred Stock	—	75,703,153	—	—	—	75,703,153
Common Stock	—	32,476,631	—	—	—	32,476,631
LP/LLC Interests	—	38,120,805	—	—	—	38,120,805
Warrants/Trust Units	—	602,138	—	—	—	602,138
	\$ 62,091,357	\$ 190,261,447	\$ —	\$ —	\$ —	\$ 252,352,804

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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 December 31, 2019				As of December 31, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cryptocurrency	\$ —	\$ 85,791,558	\$ 189,173	\$ 85,980,731	\$ —	\$ 69,220,031	\$ 545,308	\$ 69,765,339
Digital Assets Posted as Collateral	—	8,208,653	—	8,208,653	—	—	—	—
Pre-ICO	—	6,005,114	—	6,005,114	—	3,444,204	—	3,444,204
Convertible Notes	—	703,500	4,552,079	5,255,579	—	1,250,000	—	1,250,000
Preferred Stock	—	58,286,806	17,416,347	75,703,153	—	56,852,457	2,734,262	59,586,719
Common Stock	13,497,273	18,979,358	—	32,476,631	65,997	74,837,778	5,580,000	80,483,775
LP/LLC Interests	—	21,348,796	16,772,009	38,120,805	—	11,588,613	21,659,859	33,248,472
Warrants/Trust Units	68,052	—	534,086	602,138	23,099	—	1,329,427	1,352,526
Digital Assets Sold Short	—	(18,616,860)	—	(18,616,860)	—	(18,666,957)	—	(18,666,957)
	\$13,565,325	\$180,706,925	\$39,463,694	\$233,735,944	\$ 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 the majority 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. These investments are classified as Level 2 as they are based on other observable inputs other than quoted prices, such as transactions in the equity of the investments.

Valuation of Assets that use Level 3 Inputs (“Level 3 Assets”). Consists of certain of the Partnership’s cryptocurrency, preferred stock, warrants, limited partnership/limited liability company interest investments and the majority of the Partnership’s convertible notes.

- 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 using 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 prior transaction approach was used with adjustments, as the transaction in the subject entity’s equity may have different characteristics than the Partnership’s preferred stock investment. The allocation of the subject entity’s equity value (based on the market approach) to its various classes of shares was determined using the Black-Scholes model.
 - One of the Partnership’s preferred stock investments used the adjusted book value method 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 some of the Partnership’s preferred stock investments, 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.
- For the Partnership’s convertible notes, the market approach is used, with further fair value adjustments (e.g. the application of unobservable probabilities).

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.

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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.

Level 3 Continuity

The following is a reconciliation of Level 3 Assets for the year ended December 31, 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 December 31, 2019
Cryptocurrency	\$ 545,308	\$ —	\$ 100,000	\$ —	\$ —	\$ (965,850)	\$ 509,715	\$ 189,173
Preferred Stock	2,734,262	—	1,169,800	—	—	3,368,562	10,143,723	17,416,347
Common Stock	5,580,000	—	—	—	—	—	(5,580,000)	—
LP/LLC Interests	21,659,859	—	4,475,570	(1,263,925)	—	(2,211,799)	(5,887,696)	16,772,009
Convertible Notes	—	—	6,775,578	—	—	(2,223,499)	—	4,552,079
Warrants/Trust Units	1,329,427	—	—	—	—	(795,341)	—	534,086
Total Digital Assets and Investments	\$ 31,848,856	\$ —	\$ 12,520,948	\$ (1,263,925)	\$ —	\$ (2,827,927)	\$ (814,258)	\$ 39,463,694

Transfers in and out of Level 3 are considered to have occurred at the beginning of the period the transfer occurred. Total transfers into Level 3 were \$15,604,269 and total transfers out of Level 3 were \$16,418,527. The transfers into/(out) of Level 3 for cryptocurrency assets were due to contractual restrictions (or removal of restrictions) for trading of certain cryptocurrencies after their ICO events and discounts for lack of access to an active market for certain cryptocurrencies. The transfers into Level 3 for investments were due to fair value determined by market approaches that utilized an option-pricing based methodology or other unobservable inputs. The transfers out of Level 3 for investments were due to the removal of trading restrictions for a publicly traded common stock and due to the the availability of an observable input (transaction in the investment entity) for a certain limited partnership/ limited liability company interest.

The following is a reconciliation of Level 3 Assets for the year ended December 31, 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 December 31, 2018
Cryptocurrency	\$ —	\$ 70,500,276	\$ 835,545	\$ (3,650,017)	\$ (287,125)	\$ (57,371,417)	\$ (9,481,954)	\$ 545,308
Preferred Stock	—	13,800,000	—	—	—	(11,065,738)	—	2,734,262
Common Stock	—	25,924,973	—	—	—	(16,839,556)	(3,505,417)	5,580,000
LP/LLC Interests	—	44,784,040	2,264,960	(13,023,469)	—	(12,365,672)	—	21,659,859
Warrants/Trust Units	—	43,960	—	—	—	1,285,467	—	1,329,427
Total Digital Assets and Investments	\$ —	\$ 155,053,249	\$ 3,100,505	\$ (16,673,486)	\$ (287,125)	\$ (96,356,916)	\$ (12,987,371)	\$ 31,848,856

Transfers in and out of Level 3 are considered to have occurred at the beginning of the period the transfer occurred. Total transfers into Level 3 were \$1,357,674 and total transfers out of Level 3 were \$14,345,045. The transfers into Level 3 for cryptocurrency assets were due to the restrictions on trading of 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, derivatives within 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. The carrying value of the Partnership's lease liability is measured as the present value of the discounted future cash flows.

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Quantitative Information for certain Level 3 Assets

Financial Instrument	Fair Value at December 31, 2019	Significant Unobservable Inputs	Range
Cryptocurrency	\$189,173	Marketability discount	25% - 54.8%
Convertible Notes	\$4,552,079	Recovery rate	65% - 100%
		Scenario probability ⁽¹⁾ :	
		No deal closure and dissolution	25%
		Deal closure and partial default	67.5%
		Deal closure and full recovery	7.5%
Preferred Stock	\$17,416,347	Control discount	5%
		Marketability discount	15%
		Time to liquidity event (years)	4.25 - 5
		Annualized equity volatility	90%
		Risk free rate	1.66% - 2.06%
		Expected dividend payout ratio	—
		Enterprise value to revenue multiple	8
Warrants	\$534,086	Volatility	84%
		Exercise price	C\$4.50
		Underlying share price	C\$1.07

¹ Relates to the probability of a deal closure with a potential buyer of the underlying company, with either partial default or full recovery of the amount outstanding of the convertible notes, or no deal closure with a potential buyer and dissolution of the underlying company.

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.

For the years ended December 31, 2019 and 2018, the latest available reported net asset value of the underlying funds were used to fair value the Level 3 limited partnership/ limited liability company interests.

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 December 31, 2019 and 2018, respectively.

Category	Valuation Methods & Techniques	Key Inputs
Cryptocurrency	<ul style="list-style-type: none"> • Volume-weighted average of trading prices • Black-Scholes model • Marketability adjustments • 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 • Probability-weighted expected return model 	<ul style="list-style-type: none"> • Prior prices of subject convertible note • Scenario probabilities • Recovery rates
Preferred Stock	<ul style="list-style-type: none"> • Prior transactions method • Comparable transactions method • Backsolve method in an option pricing model framework • Equity allocation using option pricing model framework • Volume-weighted average of trading prices • Control adjustments • Marketability adjustments • Guideline public company method • 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 • Risk free rate • Expected dividend payout ratio • Current trading prices of certain cryptocurrencies • Selected discounts for lack of control • Selected discounts for lack of marketability • Enterprise value-to-revenue multiple • Net assets of subject company
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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Industry

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

Industry	December 31, 2019		December 31, 2018	
	Percentage	# of Investments	Percentage	# of Investments
Other (Cryptocurrency and Pre-ICO)	36 %	72	24 %	48
Finance	35	16	30	13
High Tech Industries	14	10	37	7
Services: Business	11	10	6	6
Banking	4	1	3	1
Media: Diversified and Production	<1	2	<1	2
Utilities: Electric	<1	1	<1	1
Total	100 %	112	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, hard fork and airdrop risks 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 (including digital asset 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 December 31, 2019, the Partnership held approximately \$4.5 million (2018 -\$21.5 million) and \$68.5 million (2018 - \$64.3 million) in digital assets at exchanges or custodians that do not have system or organization control reporting available. 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, receivables for digital asset trades and digital assets loans receivable 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 and Master Loan Agreement (MLA) counterparties for the trading business, on which the Partnership has satisfactorily performed the relevant AML and KYC procedures. As of December 31, 2019 and subsequently, the Partnership does not expect a material loss on any of its loans. As of each reporting period, the Partnership assesses if there may be expected credit losses requiring recognition of a loss allowance. As of December 31, 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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Derivative-related credit risk

Credit risk from derivative transactions is generated by the potential for the counterparty to default on its contractual obligations when one or more transactions have a positive market value to us. Therefore, derivative-related credit risk is represented by the positive fair value of the instrument and is normally a small fraction of the contract's notional amount.

The Partnership manages credit risk by transacting with counterparties that have gone through an internal due diligence approval process and requiring the posting of collateral if deemed necessary. The Partnership has also established mark-to-market provisions in its agreements with some counterparties which provide it with the right to request that the counterparties pay down or collateralize the current market value of its derivatives when the value exceeds a specified amount.

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 loan receivable with a cryptocurrency blockchain and mining company (Note 12) was exposed to interest rate risk. The interest rate was at the election of the borrower and could be either an ARB loan or a eurodollar loan settled in cash or digital assets at the option of the borrower. During the year ended December 31, 2019, the loan was settled and repaid in full. 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 December 31, 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 5 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 December 31, 2019, 37.4% (2018 - 28%) 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 year ended December 31, 2019, the Partnership minimizes exposure to digital assets transactions completed in foreign currencies by entering into foreign currency swaps, which are not significant.

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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 December 31, 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 +/- \$15.8 million (2018 - \$17.9 million).

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 December 31, 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 +/- \$7.8 million (2018 - \$5.1 million).

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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 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 December 31, 2019 and 2018, the Partnership had \$355.1 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 year ended December 31, 2019.

27. COMMITMENTS AND CONTINGENCIES

Sublease

As of December 31, 2019 and 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 began at \$11,532 per month and is to be paid monthly in advance.

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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 year ended December 31, 2018, the Partnership paid or accrued \$0.4 million of rent expense related to the Partnership's subleases.

As of December 31, 2019, the Partnership has operating lease commitments for the next five years as follows:

	Rent Due
2020	\$ 911,297
2021	983,295
2022	1,012,793
2023	1,043,177
2024	1,074,473
Total	\$ 5,025,035

Additionally, the Partnership has \$4.0 million in total commitments under the subleases for the period from 2025 to the expiration of the sublease terms on June 30, 2028.

Investment and loan commitments

As of December 31, 2019, the Partnership was obligated to three portfolio companies to fund up to \$16.5 million, of which \$2.5 million was funded subsequent to year 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 December 31, 2019 and 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. The Partnership does not believe that the ultimate outcome of these and any outstanding matters will have a material effect upon our financial position, results of operations or cash flows.

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).

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28. INCOME TAXES

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

	2019	2018
Income (loss) for the year	\$ 25,595,468	\$ (272,641,948)
Expected income tax (recovery)	\$ (1,045,000)	\$ (929,000)
Change in statutory, foreign tax, foreign exchange rates and other	78,000	1,000
Permanent differences	107,000	376,000
Investment tax credit	—	(35,000)
Change in unrecognized deductible temporary differences	860,000	587,000
Total income tax expense (recovery)	\$ —	\$ —

Statutory income tax expense is calculated at the domestic rates applicable to the profits in the country concerned. The above reconciliation has been prepared by aggregating the information of all the Partnership's subsidiaries using the domestic rate in each tax jurisdiction.

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

	2019	Expiry Date Range	2018	Expiry Date Range
Temporary Differences				
Investment tax credit	\$ 1,000	2038	\$ 35,000	2038
Property and equipment	\$ —	N/A	\$ 222,000	No expiry date
Net unrealized/realized gain (loss) on digital assets	\$ (979,000)	No expiry date	\$ —	N/A
Non-capital losses available for future periods	\$ 12,046,000	2024 to no expiry date	\$ 2,679,000	2036 to 2038
Canada	\$ 2,071,000	2036 to 2039	\$ 1,472,000	2036 to 2038
Hong Kong	\$ 4,499,000	No expiry date	\$ —	N/A
Ireland	\$ 640,000	2024	\$ —	N/A
Japan	\$ 4,836,000	2038 to 2039	\$ 1,207,000	2038

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

29. SUBSEQUENT EVENT

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