



GALAXY
D I G I T A L

Galaxy Digital Holdings Ltd.

Condensed Consolidated Interim Financial Statements

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

(Expressed in US Dollars)

(Unaudited)

Galaxy Digital Holdings Ltd.

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

	September 30, 2019	December 31, 2018
Assets		
Current assets		
Cash	\$ —	\$ 169
	—	169
Investment in associate (Note 6)	225,691,847	204,581,926
Total assets	\$ 225,691,847	\$ 204,582,095
Shareholders' equity		
Share capital (Note 8)	\$ 240,351,700	\$ 236,953,554
Reserves (Note 8)	12,385,709	7,807,423
Accumulated other comprehensive income	791,444	791,444
Deficit	(27,837,006)	(40,970,326)
Total shareholders' equity	\$ 225,691,847	\$ 204,582,095
Nature and continuance of operations (Note 1)		
Commitments and contingencies (Note 10)		
Subsequent event (Note 8)		

Approved and authorized for issuance by the Board of Directors of Galaxy Digital Holdings Ltd. on November 25, 2019.

"Bill Koutsouras" Director

"Michael Novogratz" Director

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

Galaxy Digital Holdings Ltd.

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

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Operating expenses				
Directors fees (Note 7)	\$ 132,500	\$ 132,500	\$ 397,500	\$ 132,500
Professional fees (Note 7)	95,712	(291,382)	136,505	260,351
General and administrative (Note 7)	31,019	11,711	173,413	76,957
Recoveries from associate (Note 7)	(259,231)	(254,557)	(707,249)	(254,557)
	<u>—</u>	<u>401,728</u>	<u>(169)</u>	<u>(215,251)</u>
Interest income	—	854,850	—	854,917
Equity income (loss) from associate (Note 6)	(14,887,933)	(16,012,192)	13,133,489	(16,012,192)
Foreign exchange gain (loss)	—	(5,783)	—	5,112
	<u>(14,887,933)</u>	<u>(15,163,125)</u>	<u>13,133,489</u>	<u>(15,152,163)</u>
Income (loss) for the period	(14,887,933)	(14,761,397)	13,133,320	(15,367,414)
Other comprehensive income (loss)				
Foreign currency translation adjustment	—	(60,761)	—	128,850
Comprehensive income (loss) for the period	\$ (14,887,933)	\$ (14,822,158)	\$ 13,133,320	\$ (15,238,564)
Basic earnings (loss) per share (Note 9)	\$ (0.22)	\$ (0.35)	\$ 0.20	\$ (1.07)
Diluted earnings (loss) per share (Note 9)	\$ (0.22)	\$ (0.35)	\$ 0.19	\$ (1.07)
Weighted average number of common shares outstanding - basic	66,943,627	42,186,275	66,176,595	14,319,757
Weighted average number of common shares outstanding - diluted	66,943,627	42,186,275	299,936,843	14,319,757

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

Galaxy Digital Holdings Ltd.

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

	Share Capital		Reserves	Accumulated Other Comprehensive Income	Deficit	Total
	Number	Amount				
Balance at January 1, 2018	155,560	\$ 1,830,372	\$ 2,022,618	\$ 662,594	\$ (4,297,791)	\$ 217,793
Cancellation of common stock	(14,108)	(54,079)	—	—	—	(54,079)
Issuance of common stock - Private placement	60,969,746	238,357,218	—	—	—	238,357,218
Share issuance costs	—	(9,945,343)	—	—	—	(9,945,343)
Issuance of common stock - other	1,523,835	2,358,630	—	—	—	2,358,630
Equity based compensation from investment in associate	—	—	3,216,927	—	—	3,216,927
Foreign currency translation adjustment	—	(64,878)	(71,692)	128,850	—	(7,720)
Loss for the period	—	—	—	—	(15,367,414)	(15,367,414)
Balance at September 30, 2018	62,635,033	\$ 232,481,920	\$ 5,167,853	\$ 791,444	\$ (19,665,205)	\$ 218,776,012
Balance at January 1, 2019	65,117,305	\$ 236,953,554	\$ 7,807,423	\$ 791,444	\$ (40,970,326)	\$ 204,582,095
Issuance of common stock (Note 6, 8)	1,973,628	2,537,564	—	—	—	2,537,564
Equity based compensation from investment in associate (Note 6, 8)	—	860,582	4,578,286	—	—	5,438,868
Income for the period	—	—	—	—	13,133,320	13,133,320
Balance at September 30, 2019	67,090,933	\$ 240,351,700	\$ 12,385,709	\$ 791,444	\$ (27,837,006)	\$ 225,691,847

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

Galaxy Digital Holdings Ltd.

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in US Dollars)
(Unaudited)

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Operating activities		
Income (loss) for the period	\$ 13,133,320	\$ (15,367,414)
Adjustments for:		
Equity (income) loss from associate	(13,133,489)	16,012,192
Interest income	—	(854,917)
Foreign currency translation adjustment	—	(7,720)
Changes in operating assets and liabilities:		
Receivables	—	2,515
Prepaid expenses and other assets	—	1,259
Accounts payable and accrued liabilities	—	(104,860)
Net cash used in operating activities	(169)	(318,945)
Investing activities		
Investment in associate	—	(229,212,647)
Net cash used in investing activities	—	(229,212,647)
Financing activities		
Issuance of common stock for cash	—	238,357,218
Share issuance costs	—	(9,945,343)
Cash paid for cancellation of shares	—	(54,079)
Interest income on financing proceeds held in escrow	—	854,917
Net cash provided by financing activities	—	229,212,713
Net decrease in cash	(169)	(318,879)
Cash, beginning of period	169	318,879
Cash, end of period	\$ —	\$ —

There were no significant non-cash transactions for the periods presented.

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

Galaxy Digital Holdings Ltd.

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

1. NATURE AND CONTINUANCE OF OPERATIONS

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

GDH Ltd.'s ordinary shares are publicly listed on the Toronto Stock Exchange's Venture Exchange (the "TSX-V") under the symbol "GLXY" and on the Frankfurt Stock Exchange under the symbol "7LX".

The Company has a minority interest in Galaxy Digital Holdings LP ("GDH LP" or the "Partnership"). The Partnership is building a full-service merchant banking business in the cryptocurrency and blockchain space, and intends to capitalize on market opportunities made possible by the ongoing evolution of the digital assets space through four primary business lines: trading, principal investing, asset management, and advisory services. GDH LP's cryptocurrency related assets may be subject to significant fluctuations in value. Refer to GDH LP's condensed consolidated interim financial statements for the three and nine months ended September 30, 2019 for risks associated with these asset classes.

Corporate Transaction

On July 31, 2018, the Company completed a transaction (Note 5) pursuant to which it acquired a minority interest in GDH LP. GDH LP is an operating partnership which was formed on May 11, 2018 and effective July 31, 2018, Galaxy Digital LP ("Galaxy LP") and First Coin Capital Corp. ("First Coin") combined to become its wholly-owned subsidiaries. GDH LP is managed by the board of managers and officers of the Partnership's general partner, who are also the principals of Galaxy LP. Galaxy Digital Holdings GP LLC ("GDH GP" or the "General Partner"), is a limited liability company incorporated under the laws of the Cayman Islands on July 26, 2018 and serves as the general partner of GDH LP. The sole LLC member of the General Partner is Galaxy Group Investments LLC ("GGI"), which is controlled by the Chief Executive Officer ("CEO") of the Company.

These condensed consolidated interim financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are to manage its minority interest in GDH LP and are dependent on financial support from GDH LP, who has the obligation to reimburse the Company for all reasonable operational expenses (Note 5). At September 30, 2019, the Company had total equity of \$225.7 million (December 31 - \$204.6 million). Management estimates that, based on the financial support from GDH LP, the Company has the ability to maintain its operations and activities for the upcoming year.

GDH LP's cryptocurrency assets may be subject to significant fluctuations in value. Additionally, certain assets are held in cryptocurrency exchanges that are limited in oversight by regulatory authorities.

2. BASIS OF PRESENTATION

Statement of Compliance

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

The accounting policies applied in these unaudited condensed consolidated interim financial statements, except for any new policies discussed below, are consistent with those applied and disclosed in GDH Ltd.'s audited consolidated financial statements for the year ended December 31, 2018. The Company's interim results are not necessarily indicative of its results for a full year.

These unaudited condensed consolidated interim financial statements were approved by the Company's Board of Directors and authorized for issuance on November 25, 2019.

Galaxy Digital Holdings Ltd.

Notes to the Condensed Consolidated Interim Financial Statements
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Basis of Measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value.

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

Functional and Presentation Currency

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

The Company changed its functional currency from the Canadian dollar (“C\$”) to the US dollar effective July 31, 2018. After completion of the corporate transaction (Note 5), the Company's only significant asset is a minority interest in GDH LP. GDH LP's primary economic environment is the US, as its activities are driven mainly by the competitive forces and regulation in the US.

Prior to the completion of the corporate transaction, as the functional currency was different from the presentation currency, the statement of financial position accounts including share capital and reserves were translated using the exchange rate on the reporting date, except for deficit which was translated at the historical rate and income and expenses which were translated at exchange rates at the dates of the transactions. Resulting exchange differences were recognized in other comprehensive income (loss).

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

Basis of Consolidation

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

Use of estimates and judgments

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

Significant judgments in applying accounting policies

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

Functional currency

The Company's functional currency has been assessed by management with consideration given to the currency and economic factors that mainly influence the Company's business and its investment in GDH LP. Specifically, the Company considers the currency in which its investment is denominated, the currencies in which its expenses are settled by the Company, as well as the currency in which the Company may receive or raise financing. Changes to these factors may have an impact on the judgment

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applied in the determination of the Company's functional currency. The Company has determined that its functional currency is the US dollar.

Investment in associate

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

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

Significant estimates

Deferred tax assets

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

Investment in associate

The underlying values of the equity investment includes valuations of digital assets and investments in private companies.

3. SIGNIFICANT ACCOUNTING POLICIES

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

4. NEW ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

New accounting policies

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

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

In January 2016, the IASB issued IFRS 16, *Leases*, which would replace IAS 17, *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company adopted this standard on January 1, 2019, the date of initial application. The adoption of IFRS 16 did not have an impact on the Company's condensed consolidated interim financial statements.

5. CORPORATE TRANSACTION

On February 14, 2018, the Arrangement was entered into between Galaxy LP, First Coin and Bradmer Pharmaceuticals Inc. ("Bradmer"), in respect of a proposed transaction which was to be completed by way of a plan of arrangement under the provisions of the Business Corporations Act (Ontario). In connection with the Arrangement, Galaxy LP and First Coin would combine to form GDH LP, an operating partnership that would be managed by the board of managers and officers of the general partner, who are also the principals of Galaxy LP. Bradmer would acquire and hold a minority investment in the

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operating partnership, and, upon completion of the Arrangement, would change its name to Galaxy Digital Holdings Ltd. and resume an active public listing on the TSX-V.

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

On completion of the Arrangement on July 31, 2018:

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

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

Certain key terms of the LPA include the following:

- *Units* - there are two classes of partnership interests ("Units"): Class A Units, which are held by GDH Ltd., and Class B Units, which are held by GGI and other Class B limited partners.
- *Issuance of Additional Units* - the General Partner will not cause the Partnership to issue any additional Class B Units unless (i) the General Partner determines there is a bona fide business or strategic reason to raise equity capital through the issuance of Class B Units, provided that the aggregate amount of Class B Units that may be issued is less than or equal to 70,000,000 or the GDH Ltd. board of directors approves such issuance.
- *Allocations of Income, Gain, Loss, Deduction and Credit* - each item of income, gain, loss, deduction and credit will generally be allocated pro-rata between Class A Units and Class B Units.
- *Issuances and redemptions of common stock of GDH Ltd.* - If GDH Ltd. issues any of its ordinary shares, the General Partner will, only if either (i) the General Partner has consented to such issuance or (ii) the issuance receives approval

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by the limited partners holding the majority of Units, cause the Partnership to issue to GDH Ltd., in exchange for GDH Ltd. promptly contributing the net cash proceeds of the issuance to the Partnership, a number of Class A Units equal to the number of ordinary shares issued. Upon the redemption, repurchase, or other acquisition of ordinary shares by GDH Ltd., the Partnership will, at substantially the same time as the redemption, repurchase or acquire, redeem or cancel Class A Units equal to the number of ordinary shares redeemed, repurchased or acquired for an amount equal to the net cash amount paid by the GDH Ltd. for such redemption, repurchase, or other acquisition.

- *Exchanges of Class B Units* - A Class B limited partner may exchange vested Class B Units for ordinary shares of GDH Ltd. On exchange, GDH Ltd. will issue ordinary shares and the General Partner will cancel the Class B Units exchanged and issue Class A Units to GDH Ltd. equal to the number of Class B Units being surrendered, after accounting for any withholding obligation if applicable.
- *Removal of General Partner* - The General Partner may generally be removed by the limited partners holding at least 66 2/3% of the outstanding Units.
- *Reimbursable Expenses* - All expenses reasonably incurred by GDH Ltd. in the conduct of its business, including fees related to professional advisors, required or advisable licenses and filings, and meetings and compensation of directors, will be reimbursable by GDH LP.
- *General Partner Board* - As long as GDH Ltd. owns more than 10% of the outstanding Units of GDH LP, GDH Ltd. will have the right to appoint one person to the board of the general partner. In addition, if GDH Ltd. owns more than 40%, but not more than 50%, of the outstanding Units, GDH Ltd. will have the right to appoint another person to the board of the general partner.

6. INVESTMENT IN ASSOCIATE

The Company holds a 23.4% interest in GDH LP as of September 30, 2019 (23.2% at December 31, 2018). GDH LP is a Cayman Islands exempted limited partnership formed on May 11, 2018. GDH LP was formed following the combination of Galaxy LP and First Coin according to a definitive agreement (Note 5).

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

The carrying value of the investment in GDH LP was \$225,691,847 as of September 30, 2019 and \$204,581,926 as of December 31, 2018.

Summarized financial information for GDH LP

Summarized Statements of Financial Position	September 30, 2019	December 31, 2018
Current assets		
Cash	\$ 78,375,006	\$ 66,488,012
Other current assets	322,003,214	263,320,691
	400,378,220	329,808,703
Non-current assets	23,262,842	20,115,572
Total assets	\$ 423,641,062	\$ 349,924,275
Liabilities	\$ 40,912,534	\$ 44,236,106
Non-controlling interests	7,557,150	4,167,578
	\$ 48,469,684	\$ 48,403,684
Net Assets	\$ 375,171,378	\$ 301,520,591

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The Company's share of net assets - 23.4% (December 31, 2018 - 23.2%)	\$	87,790,102	\$	69,952,777
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	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Income (loss)	\$ (830,291)	\$ (36,058,968)	\$ 163,016,286	\$ (49,074,709)
Operating expenses	(22,555,428)	(29,991,312)	(64,888,725)	(54,556,616)
Net unrealized gain (loss) on digital assets	(39,957,814)	366,717	(29,009,140)	(83,357,300)
Net unrealized gain (loss) on investments	(4,761,276)	(4,172,597)	(10,583,501)	16,545,019
Unrealized foreign currency gain (loss)	(136,911)	(1,474,820)	143,687	92,065
Realized foreign currency gain (loss)	16,704	893,387	(183,034)	893,387
Goodwill impairment	—	(6,216,914)	—	(6,216,914)
	(44,839,297)	(10,604,227)	(39,631,988)	(72,043,743)
Income (loss) for the period	\$ (68,225,016)	\$ (76,654,507)	\$ 58,495,573	\$ (175,675,068)
Income (loss) attributed to:				
Unit holders of the Partnership	\$ (63,531,407)	\$ (75,148,680)	\$ 57,004,219	\$ (174,169,241)
Non-controlling interest	(4,693,609)	(1,505,827)	1,491,354	(1,505,827)
	\$ (68,225,016)	\$ (76,654,507)	\$ 58,495,573	\$ (175,675,068)
Foreign currency translation adjustment	(13,128)	(7,298)	(101,396)	(7,298)
Comprehensive income (loss) for the period	\$ (68,238,144)	\$ (76,661,805)	\$ 58,394,177	\$ (175,682,366)

The Company's share of comprehensive income (loss)	\$	(14,887,933)	\$	(16,012,192)	\$	13,133,489	\$	(16,012,192)
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Reconciliation to carrying amount of investment in GDH LP:

	Nine months ended September 30, 2019	Twelve months ended December 31, 2018
Balance, beginning of period	\$ 204,581,926	\$ —
Initial contribution	—	229,212,647
Equity based compensation allocation	5,438,868	6,871,918
Increase in ownership interest as a result of GDH LP Class B Unit exchanges (Note 10)	2,537,564	5,814,843
Return of investment	—	(169)
Allocation of comprehensive income (loss)	13,133,489	(37,317,313)
Balance, end of period	\$ 225,691,847	\$ 204,581,926

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7. RELATED PARTY TRANSACTIONS

Compensation to key management personnel

The Company's related parties include its subsidiary, associates over which it exercises significant influence, and key management personnel. Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers, directors, companies controlled by officers and directors and companies with common directors of the Company. Compensation provided to key management personnel for the three and nine months ended September 30, 2019 and 2018 is as follows:

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Directors fees	\$ 132,500	\$ 132,500	\$ 397,500	\$ 132,500

Other

The Company paid or accrued legal fees, included in professional fees, of \$135,258 during the nine months ended September 30, 2018 to a law firm, Wildeboer Dellelce LLP (“WD”), a partnership in which one of the partners was a director of the Company until July 2013 and had continued as a consultant to the Company until the date of the completion of the Arrangement. As of September 30, 2019 and December 31, 2018, there was \$nil included in accounts payable and accrued liabilities that was due to WD.

The Company paid or accrued financial and administrative services, included in general and administrative expense, of \$14,000 and \$42,200, respectively, during the three and nine months ended September 30, 2018 to WD Capital Markets Inc. (“WCM”). WCM is a related company of WD by virtue of the partners of WD also being beneficial shareholders of WCM. On completion of the Arrangement, the Company issued WCM 40,000 ordinary shares, at which time WCM ceased to be a related party. As at September 30, 2019 and December 31, 2018, there was \$nil included in accounts payable and accrued liabilities that was due to WCM.

As of September 30, 2019, certain key management personnel are invested in a fund that GDH LP manages. In addition, some members of key management serve as board members for companies in which GDH LP or the fund it manages holds investments.

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

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

In accordance with the LPA (Note 5), GDH LP will reimburse or pay for all reimbursable expenses of the Company. For the three and nine months ended September 30, 2019, GDH LP paid \$259,231 and \$707,249 respectively, on behalf of GDH Ltd. For the three and nine months ended September 30, 2018, GDH LP paid \$254,557 on behalf of GDH Ltd.

8. SHARE CAPITAL AND RESERVES

Authorized

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

Issued

On July 31, 2018, in connection with the closing of the Arrangement (Note 5), the outstanding subscription receipts automatically converted into 60,969,746 common shares.

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On August 1, 2018, the Company issued 40,000 common shares to WCM to settle the obligations of the terms of a financial advisory agreement entered into between the parties (Note 7).

During the nine months ended September 30, 2019, the Company issued 1,973,628 common shares recorded at \$2,537,564 on exchange of Class B Units of GDH LP. During the year ended December 31, 2018, the Company issued 3,966,107 common shares recorded at \$5,814,843 on exchange of Class B Units of GDH LP.

Canceled

In connection with the Arrangement (Note 5), certain non-participating shareholders received total cash payments of \$54,079 in return for cancellation of 14,108 shares.

Reserves

Up to the date of the closing of the Arrangement, the Company had its own stock option plan, which provided employees, directors, officers and consultants of the Company with the opportunity to acquire common shares of the Company through the exercise of stock options. Stock options granted under the plan were limited to a maximum term of ten years and limited to 10% of the Company's outstanding common shares. As of September 30, 2019, the following options were outstanding:

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

No options were granted, exercised or forfeited during the nine months ended September 30, 2019 or the year ended December 31, 2018, and the above noted options remain outstanding as of September 30, 2019 and December 31, 2018. In addition to the above, 3,561 options, that were outstanding as of December 31, 2018 and that were granted at a weighted average exercise price of C\$20.22, expired unexercised on June 25, 2019.

Options for share issuance cost compensation

During the year ended December 31, 2018, the Company issued 710,517 share options to the agent of its share offering as partial compensation for the agent's services in connection with the issue and sale of the subscription receipts (Note 5). The value of the share options granted was \$387,003 (or fair value of approximately \$0.54 per option). The options granted were exercisable into one common share of GDH Ltd. at an exercise price of C\$5.00 per option until July 31, 2019 (expired unexercised). On the grant date of July 31, 2018, the options were fully vested.

The fair value of the options granted was measured using the Black-Scholes option pricing model with the following inputs:

Inputs to the Black-Scholes Model	2019	2018
Share price ¹	—	\$2.75
Exercise price	—	\$5.00
Expected annual volatility ²	—	110%
Expected term (years)	—	1.00
Dividend yield	—	0%
Risk-free interest rate ³	—	1.83%
Forfeiture rate	—	0%

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

⁽²⁾ Volatility was selected based on the holdings of Galaxy Digital Holdings LP and a review of the historical volatilities of digital assets and venture equity.

⁽³⁾ The risk-free interest rate was calculated by interpolating Government of Canada bond yields.

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

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

Equity based compensation

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During the nine months ended September 30, 2019, the Company recognized equity based compensation of \$5,438,868 from its investment in associate (Note 6).

Ordinary Share Repurchase

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

The Company began repurchasing shares on October 2, 2019 and, as of November 21, 2019, has repurchased a total of 792,054 shares for a total cost of C\$990,088.

9. EARNINGS (LOSS) PER SHARE

The table below presents basic and diluted net earnings (loss) per share of common stock for the three and nine months ended September 30, 2019 and 2018, respectively:

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Basic earnings (loss) per share	\$ (0.22)	\$ (0.35)	\$ 0.20	\$ (1.07)
Diluted earnings (loss) per share	\$ (0.22)	\$ (0.35)	\$ 0.19	\$ (1.07)

Basic earnings (loss) per share

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

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Net income (loss) used in the calculation of basic earnings (loss) per share	\$ (14,887,933)	\$ (14,761,397)	\$ 13,133,320	\$ (15,367,414)
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	66,943,627	42,186,275	66,176,595	14,319,757

Diluted earnings (loss) per share

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

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Net income (loss) used in the calculation of diluted earnings (loss) per share	\$ (14,887,933)	\$ (14,761,397)	\$ 57,004,050	\$ (15,367,414)
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	66,943,627	42,186,275	299,936,843	14,319,757

For the three and nine months ended September 30, 2019, the weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share assumes the potential conversion of the outstanding GDH LP Class B Units, the conversion of the Class B Units under the GDH LP equity compensation plan (Note 10) and the potential exercise of in-the-money stock options.

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A reconciliation of the net income (loss) used in the calculation of basis earnings (loss) per share to the net income (loss) used in the calculation of diluted earnings (loss) per share is as follows:

	Three months ended September 30, 2019	Nine months ended September 30, 2019
Net income (loss) used in the calculation of basic earnings (loss) per share	\$ (14,887,933)	\$ 13,133,320
Net income (loss) currently allocated to outstanding GDH LP Class B Units ¹	—	43,870,730
Net income (loss) used in the calculation of diluted earnings per share	\$ (14,887,933)	\$ 57,004,050

¹Net income allocated to GDH LP Class B Units was not included for the three months ended September 30, 2019, as the calculation would be antidilutive.

A reconciliation of the weighted average number of ordinary shares used in the calculation of basic earnings (loss) per share to weighted average number of ordinary shares used in the calculation of diluted earnings (loss) per share:

	Three months ended September 30, 2019	Nine months ended September 30, 2019
Weighted average number of ordinary shares - basic earnings per share	66,943,627	66,176,595
Diluted shares ¹ :		
Weighted average of outstanding Class B Units for the period	—	217,955,013
Compensatory Class B Unit awards	—	15,463,780
Stock options	—	341,455
Weighted average number of ordinary shares - diluted earnings per share	66,943,627	299,936,843

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

For the three months ended September 30, 2018, the calculation was antidilutive.

10. COMMITMENTS AND CONTINGENCIES

GDH LP Class B Units

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

During the year ended December 31, 2018 GDH LP issued the following Class B Units:

- 213,696,000 Class B Units to GGI (Note 5);
- 5,319,618 Class B Units to First Coin shareholders (Note 5); and
- 30,870,000 Class B Units under a GDH LP equity compensation plan. These Class B Unit awards are comprised of 50% of subtype R units (Standard Units) and 50% of subtype P units (Profit Interest Units).

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

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

Class B Units issued in 2018:

- Standard Units - vest 50% on each of February 1, 2019 and September 1, 2019. Once vested, each Standard Unit can be exchanged for one share of GDH Ltd. for no additional consideration.
- Profit Interest Units - vest 50% on each of September 1, 2020 and September 1, 2021. The Profit Interest Units are subject to a catch up period, whereby the capital accounts balance of a Profit Interest Unit must equal the capital account of a Standard Unit. Initially, the Profit Interest Units will have a capital balance of \$nil and will be adjusted upon certain events that trigger a mark-to-market of GDH LP's assets and pick-ups of income. Once the Profit Interest Unit is fully caught up, each Profit Interest Unit can be exchanged for one share of GDH Ltd. for no additional consideration.

Class B Units transferred in 2019:

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

As of September 30, 2019, after accounting for exchanges (Note 8) and forfeitures, there were 233,932,025 Class B Units issued, of which 220,160,073 were outstanding and exercisable into ordinary shares of GDH Ltd. As at December 31, 2018, after accounting for exchanges and forfeitures, there were 243,355,662 Class B Units issued, of which 215,713,955 were outstanding and exercisable into ordinary shares of GDH Ltd.

Stock Option Plan

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

Modification of Equity Plan

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

Modification of stock options previously granted

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

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

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

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

Grant Date	Number Outstanding	Number Exercisable	Exercise Price (C\$)	Expiry Date
Employees and Officers:				
July 31, 2018	19,938,000	—	5.00	July 23, 2023
September 4, 2018	700,000	—	5.00	July 23, 2023
September 10, 2018	148,000	—	5.00	July 23, 2023
December 3, 2018	750,000	—	1.15	December 3, 2023
	21,536,000	—		
First Coin Replacement Options:				
November 3, 2017	105,109	35,037	4.64	November 3, 2022
November 14, 2017	21,022	7,007	4.64	November 14, 2022
November 27, 2017	13,138	4,380	4.64	November 27, 2022
January 22, 2018	15,766	3,942	4.64	January 22, 2023
	155,035	50,366		
Total	21,691,035	50,366		

Other

The Company has provided standard representations for agreements and customary indemnification for claims and legal proceedings. Insurance has been purchased to mitigate certain of these risks. Generally, there are no stated or notional amounts included in these indemnifications and the contingencies triggering the obligation for indemnification are not expected to occur. Furthermore, often counterparties to these transactions provide comparable indemnifications. The Company is unable to develop an estimate of the maximum payout under these indemnifications for several reasons. In addition to the lack of a stated or notional amount in a majority of such indemnifications, it is not possible to predict the nature of events that would trigger indemnification or the level of indemnification for a certain event. The Company believes, however, that the possibility of making any material payments for these indemnifications is remote. As of September 30, 2019 and December 31, 2018, there was no liability accrued under these arrangements.

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

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11. CAPITAL MANAGEMENT

GDH Ltd.'s objectives when managing capital is to safeguard its ability to continue as a going concern, to meet the needs of its ongoing operations, and to maintain a flexible capital structure which optimizes the cost of capital. The Company considers the items included in shareholders' equity as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. The Company is not subject to externally imposed capital requirements, except as disclosed in Note 6.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

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

- a. Level 1 - fair value measurement using unadjusted quoted prices in active markets for identical assets or liabilities
- b. Level 2 - fair value measurement inputs other than quoted prices that are observable for the asset or liability either directly or indirectly
- c. Level 3 - fair value measurement using inputs that are not based on observable market data

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

Risk Management

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts, if applicable. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. As at September 30, 2019, the Company is not exposed to credit risk.

Liquidity risk

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

Interest rate risk

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

Foreign exchange risk

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

Digital assets and market risks

The Company's investment in associate is impacted by the associate's investments in digital assets as well as private companies, both of which may be subject to significant changes in value. The Company seeks to minimize potential adverse effects of these risks on performance by ensuring that the risk management at GDH LP appropriately addresses these risks by, for example, employing experienced personnel, daily monitoring of the Partnership's investments and digital assets and review of the

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Partnership's investment objectives. Refer to GDH LP's condensed consolidated interim financial statements for the three and nine months ended September 30, 2019 for risks associated with these asset classes.