



GALAXY
DIGITAL

Galaxy Digital Holdings Ltd.

Condensed Consolidated Interim Financial Statements

For the Three Months Ended March 31, 2020 and 2019

(Expressed in US Dollars)

(Unaudited)

Galaxy Digital Holdings Ltd.

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

	March 31, 2020	December 31, 2019
Assets		
Investment in associate (Note 6)	\$ 73,827,410	\$ 81,040,806
Total assets	\$ 73,827,410	\$ 81,040,806
Shareholders' equity		
Share capital (Note 8)	\$ 239,524,507	\$ 240,637,540
Reserves (Note 8)	13,160,395	13,101,410
Accumulated other comprehensive income	791,444	791,444
Deficit	(179,648,936)	(173,489,588)
Total shareholders' equity	\$ 73,827,410	\$ 81,040,806

Nature and continuance of operations (Note 1)

Commitments and contingencies (Note 10)

Subsequent events (Note 13)

Approved and authorized for issuance by the Board of Directors of Galaxy Digital Holdings Ltd. on May 26, 2020.

"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)

	Three months ended March 31, 2020	Three months ended March 31, 2019
Operating expenses		
Directors fees (Note 7)	\$ 132,500	\$ 132,500
Professional fees	6,451	30,357
General and administrative	46,564	26,519
Recoveries from associate	(185,515)	(189,207)
	<u>—</u>	<u>(169)</u>
Equity income (loss) from associate (Note 6)	(6,159,348)	2,885,706
	<u>(6,159,348)</u>	<u>2,885,706</u>
Comprehensive income (loss) for the period	<u>\$ (6,159,348)</u>	<u>\$ 2,885,537</u>
Basic income (loss) per share (Note 9)	\$ (0.093)	\$ 0.044
Diluted income (loss) per share (Note 9)	\$ (0.093)	\$ 0.042
Weighted average number of common shares outstanding - basic	66,412,564	65,474,325
Weighted average number of common shares outstanding - diluted	66,412,564	302,668,081

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)

	Share Capital		Reserves	Accumulated Other Comprehensive Income	Deficit	Total
	Number	Amount				
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)	581,059	619,813	—	—	—	619,813
Equity based compensation from investment in associate (Note 8)	—	252,285	2,135,860	—	—	2,388,145
Income for the period	—	—	—	—	2,885,537	2,885,537
Balance at March 31, 2019	65,698,364	\$ 237,825,652	\$ 9,943,283	\$ 791,444	\$ (38,084,789)	\$ 210,475,590
Balance at January 1, 2020	66,636,540	\$ 240,637,540	\$ 13,101,410	\$ 791,444	\$ (173,489,588)	\$ 81,040,806
Issuance of common stock (Note 6, 8)	722,995	879,279	—	—	—	879,279
Repurchase of common stock	(2,769,706)	(2,310,660)	—	—	—	(2,310,660)
Equity based compensation from investment in associate (Note 6, 8)	—	318,348	58,985	—	—	377,333
Loss for the period	—	—	—	—	(6,159,348)	(6,159,348)
Balance at March 31, 2020	64,589,829	\$ 239,524,507	\$ 13,160,395	\$ 791,444	\$ (179,648,936)	\$ 73,827,410

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)

	Three months ended March 31, 2020	Three months ended March 31, 2019
Operating activities		
Income (loss) for the period	\$ (6,159,348)	\$ 2,885,537
Adjustments for:		
Equity (income) loss from associate	6,159,348	(2,885,706)
Net cash used in operating activities	—	(169)
Net decrease in cash	—	(169)
Cash, beginning of period	—	169
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 Months Ended March 31, 2020 and 2019
(Expressed in US Dollars)

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". As announced by the Company in a press release dated May 11, 2020, the Company has been conditionally approved to be listed on the Toronto Stock Exchange ("TSX") via TSX Sandbox. The Company intends to announce a listing date later this quarter, subject to compliance with the requirements of the TSX conditional approval. TSX Sandbox is an initiative intended to facilitate listing applications that may not satisfy the original listing requirements of the TSX, but due to facts or situations unique to a particular issuer otherwise warrant a listing on the TSX. The TSX has exercised its discretion to waive the requirements of subsection 309(c)(i) of its manual (C\$10 million in treasury resulting from public raise) which the Company did not meet. GDH Ltd.'s conditional listing approval pursuant to TSX Sandbox was conditioned upon public filing of an Annual Information Form and prominent quarterly disclosure of digital assets and investments, which the Company has completed and agreed to continue to provide. The Company will remain listed pursuant to TSX Sandbox until such time as it has completed a twelve-month period without significant compliance issues after graduation. In addition, GDH Ltd. is required to disclose the following two risk factors that were also included in the most recent Annual Information Form for the year-ended 2019: (1) The Company has limited operating history and its business lines are nascent and subject to material legal, regulatory, operational and other risks in every jurisdiction; and (2) the market price and trading volume of the Company's ordinary shares has been volatile and will likely continue to be so in response to, among other factors, market fluctuations in digital assets generally or the digital assets that the Partnership holds or trades.

The Company has a minority interest in 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 and are subject to risks unique to the asset class and different from traditional financial assets. Additionally, certain assets are held in cryptocurrency exchanges that are limited in oversight by regulatory authorities. Refer to GDH LP's condensed consolidated interim financial statements for the three months ended March 31, 2020 and 2019 for risks associated with these asset classes.

Corporate Transaction

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

These 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 March 31, 2020, the Company had total equity of \$73.8 million (December 31, 2019 - \$81.0 million). Management estimates that, based on the financial support from GDH LP, the Company has the ability to maintain its operations and activities for the upcoming year.

2. BASIS OF PRESENTATION

Statement of Compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the December 31, 2019 audited consolidated financial statements

Galaxy Digital Holdings Ltd.

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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, 2019.

The accounting policies applied in these unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in GDH Ltd.'s audited consolidated financial statements for the year ended December 31, 2019. 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 May 26, 2020.

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 IAS 21. The functional currency for the Company and its subsidiary is the United States dollar (“US dollar”). The presentation currency for the Company is the US dollar.

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

Basis of Consolidation

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

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Influence over Investment in associate

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

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

Significant estimates

Deferred tax assets

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

Investment in associate

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

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

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, 2019.

4. NEW ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

There are no new accounting policies or recent accounting pronouncements adopted in the three months ended March 31, 2020.

5. KEY TERMS OF LIMITED PARTNERSHIP AGREEMENT

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

- *Units* - there are two classes of partnership interests ("Units"): Class A Units, which are held by GDH Ltd., and Class B Units, which are held by GGI and other Class B limited partners.
- *Issuance of Additional Units* - the General Partner will not cause the Partnership to issue any additional Class B Units unless (i) the General Partner determines there is a bona fide business or strategic reason to raise equity capital through the issuance of Class B Units, provided that the aggregate amount of Class B Units that may be issued is less than or equal to 70,000,000 or the GDH Ltd. board of directors approves such issuance.

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

6. INVESTMENT IN ASSOCIATE

The Company holds a 22.8% interest in GDH LP as of March 31, 2020 (23.3% at December 31, 2019), which is subject to key terms of the LPA (Note 5).

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

As of March 31, 2020, the carrying value of the investment in GDH LP was \$73,827,410 (December 31, 2019 - \$81,040,806).

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Summarized financial information for GDH LP

Summarized Statements of Financial Position	March 31, 2020	December 31, 2019
Current assets		
Cash	\$ 54,949,605	\$ 106,262,780
Other current assets	301,296,109	287,275,686
	356,245,714	393,538,466
Non-current assets	8,953,315	9,240,655
Total assets	\$ 365,199,029	\$ 402,779,121
Liabilities	\$ 36,791,801	\$ 47,674,556
Non-controlling interests	8,235,333	7,319,484
	\$ 45,027,134	\$ 54,994,040
Net Assets	\$ 320,171,895	\$ 347,785,081
The Company's share of net assets - 22.8% (December 31, 2019 - 23.3%)	\$ 73,827,410	\$ 81,040,806

	Three months ended March 31, 2020	Three months ended March 31, 2019
Income (loss)	\$ (30,528,353)	\$ 20,306,394
Operating expenses	(14,981,535)	(23,567,460)
Net unrealized gain (loss) on digital assets	12,924,325	(664,530)
Net unrealized gain on investments	4,674,240	16,902,771
Unrealized foreign currency gain (loss)	(173,518)	91,072
Realized foreign currency gain (loss)	331,576	(110,512)
	17,756,623	16,218,801
Income (loss) for the period	\$ (27,753,265)	\$ 12,957,735
Income (loss) attributed to:		
Unit holders of the Partnership	\$ (26,940,729)	\$ 12,570,628
Non-controlling interests	(812,536)	387,107
	\$ (27,753,265)	\$ 12,957,735
Foreign currency translation adjustment	16,793	(92,934)
Comprehensive income (loss) for the period	\$ (27,736,472)	\$ 12,864,801
The Company's share of comprehensive income (loss)	\$ (6,159,348)	2,885,706

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Notes to the Condensed Consolidated Interim Financial Statements
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Impairment of investment in associate

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

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

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

Impairment amount

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

Reconciliation to carrying amount of investment in GDH LP:

	Three months ended March 31, 2020	Year ended December 31, 2019
Balance, beginning	\$ 81,040,806	\$ 204,581,926
Equity based compensation allocation	377,333	6,533,282
Increase in ownership interest as a result of GDH LP Class B Unit exchanges (Note 8)	879,279	3,669,451
Cancellation of Class A Common Stock repurchased	(2,310,660)	(1,224,760)
Allocation of comprehensive income (loss)	(6,159,348)	5,846,146
Impairment of investment	—	(138,365,239)
Balance, ending	\$ 73,827,410	\$ 81,040,806

Accounting for the investment by GDH Ltd.

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

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

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

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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.

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 months ended March 31, 2020 and 2019 is as follows:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Directors fees	\$ 132,500	\$ 132,500

Other

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

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

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

In accordance with the LPA (Note 5), GDH LP will reimburse or pay for all reimbursable expenses of the Company. For the three months ended March 31, 2020, GDH LP paid \$185,515 (2019 - \$189,207) 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

During the three months ended March 31, 2020, the Company issued 722,995 common shares valued at \$879,279 on exchange of Class B Units of GDH LP. During the year ended December 31, 2019, the Company issued 2,834,669 common shares valued at \$3,669,451 on exchange of Class B Units of GDH LP.

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 March 31, 2020 and December 31, 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 three months ended March 31, 2020 or 2019.

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

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Equity based compensation

During the three months ended March 31, 2020, the Company recognized equity based compensation of \$377,333 (2019 - \$2,388,145) from its investment in associate (Note 6).

Ordinary Share Repurchase

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

GDH Ltd. began repurchasing shares on October 2, 2019. GDH Ltd. repurchased a total of 2,769,706 shares for a total cost of C\$3.1 million for the period ended March 31, 2020. Shares repurchased from October 2, 2019 through April 17, 2020 were 4,916,431 for a total cost of C\$5.5 million. All repurchased shares of GDH Ltd. and the equivalent number of Class A Units in the Partnership were cancelled.

9. INCOME (LOSS) PER SHARE

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

	Three months ended March 31, 2020	Three months ended March 31, 2019
Basic income (loss) per share	\$ (0.093)	\$ 0.044
Diluted income (loss) per share	\$ (0.093)	\$ 0.042

Basic income (loss) per share

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

	Three months ended March 31, 2020	Three months ended March 31, 2019
Net income (loss) used in the calculation of basic income (loss) per share	\$ (6,159,348)	\$ 2,885,537
Weighted average number of ordinary shares for the purposes of basic income (loss) per share	66,412,564	65,474,325

Diluted income (loss) per share

For the three months ended March 31, 2020, the calculation proved to be antidilutive.

Three months ended March 31, 2019

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

	Three months ended March 31, 2019
Net income used in the calculation of diluted income per share	\$ 12,570,459
Weighted average number of ordinary shares for the purposes of diluted income per share	302,668,081

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For the three months ended March 31, 2019, the weighted average number of ordinary shares for the purposes of diluted income per share assumes the potential conversion of the outstanding GDH LP Class B Units and the conversion of the Class B Units under the GDH LP equity compensation plan (Note 10).

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

	March 31, 2019
Net income used in the calculation of basic income per share	\$ 2,885,537
Net income currently allocated to outstanding GDH LP Class B Units	9,684,922
Net income used in the calculation of diluted income per share	\$ 12,570,459

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

	March 31, 2019
Weighted average number of ordinary shares for the purposes of basic income per share	65,474,325
Diluted shares:	
Weighted average of outstanding Class B Units for the period	217,462,512
Compensatory Class B Unit awards	19,731,244
Weighted average number of ordinary shares for the purposes of diluted income per share	302,668,081

10. COMMITMENTS AND CONTINGENCIES

GDH LP Class B Units

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

On 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.

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

- 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.
- 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. 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 had a capital balance of \$nil and are 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.

As of March 31, 2020, after accounting for exchanges (Note 8) and forfeitures, there were 232,172,185 (December 31, 2019 - 232,895,180) Class B Units issued, of which 218,924,912 (December 31, 2019 - 219,332,907) were outstanding and exercisable into ordinary shares of GDH Ltd.

Stock Option Plan

The Company has a stock option plan (the "Plan") to grant options, which are exercisable into an equivalent amount of the Company's common shares, to employees, officers, directors and consultants of the Company and its affiliates (inclusive of

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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.

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

Grant Date	Number Outstanding	Number Exercisable	Exercise Price (C\$)	Expiry Date
Employees and Officers:				
July 31, 2018	10,619,000	5,309,500	3.00	July 23, 2023
July 31, 2018	126,000	63,000	5.00	July 23, 2023
September 10, 2018	103,600	51,800	3.00	July 23, 2023
December 3, 2018	750,000	375,000	1.15	December 3, 2023
June 25, 2019	2,760,000	690,000	2.15	June 25, 2024
September 4, 2019	200,000	50,000	1.95	September 4, 2024
Total	14,558,600	6,539,300		

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 March 31, 2020 and December 31, 2019, there was no liability accrued under these arrangements.

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

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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.

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

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 March 31, 2020, 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 months ended March 31, 2020 and 2019 for risks associated with these asset classes.

13. SUBSEQUENT EVENTS

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 for the Company to accurately predict the duration or magnitude of the adverse results of the outbreak and its effect on its investment in associate at this time.

Grant of Stock Options

On April 9, 2020, the Company granted an aggregate of 6,810,000 stock options to acquire ordinary shares of GDH Ltd. (the "Options") to employees, 4,085,000 of which were granted to officers, pursuant to the Company's amended and restated stock option plan. The Options were priced in three tranches: C\$1.35 per share vesting on March 1, 2021, C\$1.60 per share vesting on March 1, 2022 and C\$1.85 per share vesting on March 1, 2023. The Options are exercisable for a period of five years from the date of grant. After the Option grant, the Company has 24,197,139 options remaining in its pool.