



GALAXY
DIGITAL

Galaxy Digital Holdings LP

Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2018 and
the Period from Formation on November 30, 2017 to December 31, 2017

(Expressed in US Dollars)

(Unaudited)

Galaxy Digital Holdings LP

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

	September 30, 2018	December 31, 2017
Assets		
Current assets		
Cash	\$ 90,327,691	\$ 32,098,217
Digital assets (Note 7)	123,178,275	22,650,240
Investments (Note 8)	199,792,651	—
Receivables (Note 9)	490,912	—
Prepaid expenses and other assets (Note 11)	2,908,907	—
Loans receivable (Note 12)	1,772,270	—
	<u>418,470,706</u>	<u>54,748,457</u>
Loans receivable (Note 12)	16,031,773	—
Property and equipment (Note 13)	1,001,984	—
	<u>17,033,757</u>	<u>—</u>
Total assets	\$ 435,504,463	\$ 54,748,457
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 14)	\$ 14,924,453	\$ 1,011,795
Digital assets sold short (Note 15)	32,547,054	—
Due to related party (Note 16)	—	42,650,240
Due to exchange (Note 17)	1,513,722	9,344,613
Total liabilities	48,985,229	53,006,648
Equity		
Partners' capital	379,782,664	1,741,809
Non-controlling interest (Note 19)	6,736,570	—
Total equity (Note 18)	386,519,234	1,741,809
Total liabilities and equity	\$ 435,504,463	\$ 54,748,457
Nature and continuance of operations (Note 1)		
Commitments and contingencies (Note 27)		
Subsequent event (Note 28)		

The unaudited condensed consolidated interim financial statements were authorized for issuance by the Board of Managers of Galaxy Digital Holdings GP LLC on November 26, 2018 and were signed on its behalf by:

"Donna Milia" Chief Financial Officer

"Michael Novogratz" Chief Executive Officer

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

Galaxy Digital Holdings LP

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Expressed in US Dollars)

(Unaudited)

	Three months ended September 30, 2018	Nine months ended September 30, 2018
Income		
Advisory and management fees	\$ 1,473,297	\$ 2,806,510
Net realized loss on digital assets	(38,067,497)	(52,733,347)
Other income	535,232	852,128
	(36,058,968)	(49,074,709)
Operating expenses		
Equity based compensation (Note 18)	14,311,084	14,311,084
Compensation and compensation related (Note 20, 23)	5,031,095	19,147,279
Professional fees (Note 21)	6,161,619	9,391,601
General and administrative (Note 22)	2,671,498	5,634,518
Interest (Notes 15, 16)	1,310,341	4,294,669
Insurance	480,675	1,752,465
Director fees	25,000	25,000
	(29,991,312)	(54,556,616)
Net unrealized gain (loss) on digital assets	366,717	(83,357,300)
Net unrealized gain (loss) on investments	(4,172,597)	16,545,019
Unrealized foreign currency gain (loss)	(1,474,820)	92,065
Realized foreign currency gain	893,387	893,387
Goodwill impairment (Note 6)	(6,216,914)	(6,216,914)
	(10,604,227)	(72,043,743)
Loss for the period	\$ (76,654,507)	\$ (175,675,068)
Loss attributed to:		
Unit holders of the Partnership	\$ (75,148,680)	\$ (174,169,241)
Non-controlling interest	(1,505,827)	(1,505,827)
	\$ (76,654,507)	\$ (175,675,068)
Other comprehensive loss		
Foreign currency translation adjustment	(7,298)	(7,298)
Comprehensive loss for the period	\$ (76,661,805)	\$ (175,682,366)
Comprehensive loss attributed to:		
Unit holders of the Partnership	\$ (75,155,978)	\$ (174,176,539)
Non-controlling interest	(1,505,827)	(1,505,827)
	\$ (76,661,805)	\$ (175,682,366)

Loss per unit has not been presented as it is not considered meaningful information for the partner of the Limited Partnership.

There are no comparative periods to disclose as the Partnership's operations started on November 30, 2017 (Note 1).

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

Galaxy Digital Holdings LP

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

	Class A		Class B		Non-controlling Interests in Consolidated Subsidiaries	Total
Balance at November 30, 2017	\$	—	\$	—	\$	—
Net comprehensive income		—		1,741,809		1,741,809
Balance at December 31, 2017	\$	—	\$	1,741,809	\$	1,741,809
Equity based compensation (Note 18)		3,216,927		11,094,157		14,311,084
Acquisition of First Coin Capital (Note 6)		—		6,686,445		6,686,445
Contributions (Notes 18, 23)		229,212,647		302,007,218	8,242,860	539,462,725
Distributions (Note 18)		—		—	(463)	(463)
Exchange of Class B units into common stock		2,358,630		(2,358,630)		—
Foreign currency translation adjustment		—		(7,298)		(7,298)
Loss for the period		(16,012,192)		(158,157,049)	(1,505,827)	(175,675,068)
Balance at September 30, 2018	\$	218,776,012	\$	161,006,652	\$	6,736,570
					\$	386,519,234

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

Galaxy Digital Holdings LP

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

	Nine months ended September 30, 2018
Operating activities	
Loss for the period	\$ (175,675,068)
Adjustments for:	
Depreciation	24,916
Equity based compensation	14,311,084
Interest	4,294,669
Net realized loss on digital assets	52,733,347
Net unrealized loss on digital assets	83,357,300
Net unrealized gain on investments	(16,545,019)
Unrealized foreign currency gain	(92,065)
Goodwill impairment	6,216,914
Changes in operating assets and liabilities:	
Net proceeds of digital assets	(22,281,913)
Receivables	(367,431)
Prepaid expenses and other assets	(1,683,650)
Accounts payable and accrued liabilities	12,230,098
Due to exchange	(7,830,891)
Net cash used in operating activities	<u>(51,307,709)</u>
Investing activities	
Loans receivable	(17,461,032)
Purchase of property and equipment	(997,829)
Purchase of investments	(90,206,625)
Proceeds from disposition of investments	3,018,728
Consideration for business combination, net of cash acquired	381,635
Net cash used in investing activities	<u>(105,265,123)</u>
Financing activities	
Borrowings from related party	102,374,924
Repayments of amounts due to related party	(122,374,924)
Repayment of interest on loans due to related party	(2,243,615)
Repayment of interest on due from broker	(401,825)
Capital contribution from non-controlling interests	8,242,860
Distribution to non-controlling interests	(463)
Contribution	229,212,647
Net cash provided by financing activities	<u>214,809,604</u>
Impact of exchange rate change on cash	(7,298)
Net increase in cash	58,229,474
Cash, beginning of period	32,098,217
Cash, end of period	<u>\$ 90,327,691</u>

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Galaxy Digital Holdings LP

Condensed Consolidated Interim Statement of Cash Flows
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Supplemental disclosure of cash flow information and non-cash financing activities:	
Cash paid during the period for:	
Interest	\$ 2,645,440
Taxes	\$ —
Non-cash activities:	
Contribution of assets (Note 23)	\$ 302,007,218
Interest paid in digital assets	\$ 1,935,233
Organizational costs in prepaid expenses and other assets	\$ 671,012
Reclassification between investments and digital assets	\$ 295,000
Reclassification from related party loan to contribution of assets	\$ 22,650,240
Net assets acquired in business combination (Note 6)	\$ 469,531

There are no comparative periods to disclose as the Partnership was formed on November 30, 2017.

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

Galaxy Digital Holdings LP

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

1. NATURE AND CONTINUANCE OF OPERATIONS

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

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

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

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

First Coin was incorporated under the British Columbia Business Corporations Act on September 14, 2017 and is a Vancouver-based technology company focusing on advising, technology implementation and brokerage services for clients in connection with digital assets.

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

General Partner

Galaxy Digital Holdings GP LLC ("GDH GP" or the "General Partner"), is a limited liability company incorporated under the laws of the Cayman Islands on July 26, 2018 and serves as the general partner of GDH LP. The sole LLC member of the General Partner is GGI.

Interim Financial Statements

These condensed consolidated interim financial statements are prepared on a going concern basis which assumes that the Partnership will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Partnership are dependent upon obtaining necessary financing to meet its commitments as they come due and to continue building an institutional merchant banking business in the cryptocurrency and blockchain sectors. At September 30, 2018, the Partnership had cash of \$90,327,691 and partners' capital of \$379,782,664. Management estimates that the Partnership has sufficient financial resources 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 IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the March 31, 2018 audited 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

Galaxy Digital Holdings LP

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statements should be read in conjunction with the Galaxy LP's audited consolidated financial statements for the period ended March 31, 2018.

These unaudited condensed consolidated interim financial statements were approved by the Managing Member of GDH GP and authorized for issuance on November 26, 2018.

Basis of Measurement

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

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

Functional and Presentation Currency

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standard ("IAS") 21. The functional currency for First Coin is the Canadian dollar ("C\$") and the functional currency for the parent entity and all remaining subsidiaries is the United States dollar ("US dollar"). The presentation currency for the Partnership is US dollars.

Foreign currency transactions are translated into the functional currency of the respective currency of the 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 the statement of comprehensive loss.

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

Basis of Consolidation

The condensed consolidated interim financial statements include the financial statements of GDH LP and its consolidated subsidiaries, which are controlled by the Partnership. The reporting period, as well as the accounting policies, of the financial statements are consistent across all entities included in the consolidation. All inter-company transactions, balances, income and expenses and unrealized gains and losses are eliminated in full upon consolidation. The subsidiaries as of December 31, 2017 were those of Galaxy LP. As of September 30, 2018, GDH LP's subsidiaries are as follows:

Galaxy Digital Holdings LP

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Subsidiary	Place of Incorporation	September 30, 2018 Ownership %	December 31, 2017 Ownership %
Galaxy Digital LLC	Delaware	100%	N/A
Galaxy Digital II LLC	Delaware	100%	N/A
Galaxy Digital Trading LLC	Delaware	100%	100%
Galaxy Digital Trading Cayman LLC	Cayman	100%	100%
Galaxy Digital Labs LLC	Delaware	100%	100%
Galaxy Digital Labs Cayman LLC	Cayman	100%	100%
Galaxy Digital Assets Fund GP LLC	Cayman	100%	100%
Galaxy Digital Capital Management GP LLC	Cayman	100%	100%
Galaxy Digital Capital Management LP	Cayman	100%	100%
Galaxy Digital Ventures LLC	Delaware	100%	100%
Galaxy Digital Ventures Cayman LLC	Cayman	100%	100%
Galaxy Digital Services LLC	Delaware	100%	N/A
Galaxy Digital Lending LLC	Delaware	100%	100%
Galaxy EOS VC Fund GP LLC	Cayman	100%	N/A
Galaxy Benchmark Crypto Index Fund GP, LLC	Cayman	100%	N/A
Galaxy Benchmark Crypto Index Master Fund, L.P.	Cayman	47%	N/A
Galaxy Benchmark Crypto Index Fund, L.P.	Delaware	47%	N/A
Galaxy Benchmark Crypto Index Offshore Fund, Ltd.	Cayman	100%	N/A
Galaxy Digital Trading Japan Quant GK	Japan	100%	N/A
Galaxy Digital Trading Japan KK	Japan	100%	N/A
Galaxy Digital Trading Ireland Limited	Ireland	100%	N/A
GD Operations LLC	Delaware	100%	N/A
Everipedia SMA GP LLC	Cayman	100%	N/A
Everipedia SMA LP	Cayman	100%	N/A
First Coin Capital Corp.	British Columbia, Canada	100%	N/A
Galaxy Digital GP LLC	Cayman	100%	N/A
Galaxy Digital Lending Services LLC	Cayman	100%	N/A
Galaxy Digital LP	Cayman	100%	N/A
Galaxy Digital Services HK Limited	Hong Kong	100%	N/A
Galaxy Digital Trading Cayman II LLC	Cayman	100%	N/A
Galaxy Digital UK Limited	United Kingdom	100%	N/A
Galaxy Lending SPV I LLC	Delaware	90%	N/A

Scope of financial statements

These condensed consolidated interim financial statements present the financial position, results of operations, partners' capital and cash flows of the Partnership. They do not include all of the assets, liabilities, revenue and expenses of the partners. No provision for income taxes has been included in these condensed consolidated interim financial statements as the income tax liability is that of the partners and not the Partnership.

Allocation of income and loss

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

Galaxy Digital Holdings LP

Notes to the Condensed Consolidated Interim Financial Statements
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Use of estimates and judgments

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

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

Significant judgments in applying accounting policies

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

Digital assets - accounting

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

Valuation techniques

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

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

Derivatives

A derivative is a financial instrument whose value changes in response to the change in an underlying variable such as an interest rate, commodity or security price, or index; that requires no initial investment, or one that is smaller than would be required for a contract with similar response to changes in market factors; and that is settled at a future date. IFRS 9, *Financial Instruments*, requires that all financial assets be recognized on the statement of financial position, including derivatives. IFRS 9 permits hedge accounting under certain circumstances and requires effectiveness to be assessed both prospectively and retrospectively. To qualify for hedge accounting at the inception of a hedge and at each reporting date thereafter, the changes in the fair value or cash flows of the hedged item attributable to the hedged risk must be expected to be highly effective in offsetting the changes in the fair value or cash flows of the hedging instrument on a prospective basis. At each reporting date, the Partnership assesses whether any assets or liabilities meet the definition of a derivative and if hedge accounting should be utilized in accounting for its derivatives. As at September 30, 2018 and December 31, 2017, the Partnership does not have any hedge derivatives.

Functional currency

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

Galaxy Digital Holdings LP

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(Expressed in US Dollars)
(Unaudited)

Business combination

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

Key sources of estimation uncertainty

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

Digital assets and investments - valuation

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

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

Estimated useful lives of property and equipment

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

Valuation of equity based compensation

The Partnership uses the Black-Scholes Option Pricing Model and other valuation models for valuation of equity based compensation. These models require the input of subjective assumptions including expected price volatility, risk-free interest rate, forfeiture rate, estimated weighted average fair value per unit calculations and expected term. If different input assumptions are used, the changes can materially affect the fair value estimate and the Partnership's equity.

Valuation and economic recoverability of goodwill

Goodwill costs incurred are capitalized if they are expected to have future economic benefits and are expected to be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including anticipated cash flows and estimated economic life. Goodwill is tested at least annually for impairment, or when indicators of impairment exist. The assessment of the recoverable amount used in the goodwill impairment analysis requires management to make estimates and assumptions about expected revenues, for which management considers historical results and current market trends, as well as considering the acquired company's current projects, their expected output, costs and timing. These estimates and assumptions are subject to risk and uncertainty; hence there is a possibility that a change in circumstances will alter these projections, which may impact the recoverable amount of the assets.

Galaxy Digital Holdings LP

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3. SIGNIFICANT ACCOUNTING POLICIES

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

Cash

Cash and cash equivalents may include cash on hand, demand deposits and short-term highly liquid investments that are readily into known amounts of cash, with maturities of 90 days or less when acquired. As of September 30, 2018, and December 31, 2017, the Partnership did not classify any balances as cash equivalents.

Property and equipment

Property and equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and, where applicable, the initial estimation of any asset retirement obligation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Depreciation is recognized in profit or loss on a straight-line basis over the following estimated useful lives:

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

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

Revenue recognition

Revenue is recognized at the fair value of consideration received or receivable. Revenue from services performed is recognized when the amount of revenue can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the Partnership. The Partnership recognizes revenue from the provision of advisory services in connection with initial coin offerings ("ICO"s), with consideration generally consisting of advisory and token fees. Advisory fee revenues paid in traditional (fiat) currency are recognized upon completion of the delivery of the services stated in the contract. Token fee revenues are recognized upon completion of the contract deliverables at the reporting date. Token fees are generally earned upon an ICO event. Interest income is recorded on an accrual basis.

Segment reporting

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

Financial instruments

Financial assets

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

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

Impairment

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

Financial liabilities

Financial liabilities are designated as either: (i) FVTPL; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities, due to related party and due to exchange are classified as other financial liabilities and carried on the statement of financial position at amortized cost. Digital assets sold short are classified as FVTPL.

Digital assets

The Partnership's digital assets are traded in active markets and are purchased with the intent to resell in the near future, generating a profit from the fluctuations in prices or margins. As a result, the Partnership has determined that its holding of digital assets should be accounted for under IAS 2, Inventories, and it meets the definition of a commodity broker-trader. Under IAS 2, digital assets are measured at fair value less cost to sell, with changes in fair value recognized in profit or loss. In accordance with IAS 2, commodity broker-traders are those who buy or sell commodities for others or on their own account. The inventories held by commodity broker-traders are principally acquired for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin. As these inventories are measured at fair value less costs to sell, they are excluded from only the measurement requirements of IAS 2.

Leases

The Partnership records rent expense on its operating sublease (Note 27) in accordance with IAS 17, Leases, which specifies how to recognize, measure, present and disclose leases. The Partnership records an expense on a straight-line basis over the lease term.

Investments in subsidiaries

Subsidiaries are entities over which the Partnership has control. The Partnership is deemed to control an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Partnership has determined that it is not an investment entity as defined within IFRS 10, Consolidated Financial Statements. As such, the Partnership consolidates its subsidiaries rather than accounting for them at fair value through profit or loss.

Income taxes

These consolidated financial statements represent the financial position of the Partnership and do not include the other assets, liabilities, income and expenses of the partners. Income taxes are the responsibility of the partners and not GDH LP. Accordingly, no provision for income taxes has been recorded in these interim consolidated financial statements.

Equity based compensation

Stock Options

The Partnership accounts for stock options granted to directors, officers and employees at the fair value of the options granted. Accordingly, the fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model and equity based compensation is accrued and charged to operations, with an offsetting credit to partners' capital, over the vesting

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periods. Equity based payment to employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity based payment is expensed on a staged (or graded) vesting basis, based on the Partnership's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Partnership revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity. Stock options granted to non-employees are measured at the fair value of goods or services rendered or at the fair value of the instruments issued, if it is determined that the fair value of the goods or services received cannot be reliably measured.

Compensatory Class B Units

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

Business combination

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

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

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

4. NEW ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

New accounting policies

Effective January 1, 2018, the Partnership adopted the following accounting standards:

IFRS 9, *Financial Instruments* ("IFRS 9")

IFRS 9 Financial Instruments was issued by the IASB in July 2014 and has replaced IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes significant changes to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018. The Partnership adopted the standard retrospectively. IFRS 9 did not impact the Partnership's classification and measurement of financial assets and liabilities.

The following summarizes the significant changes in IFRS 9 compared to the current standard:

- IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Partnership's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. The change did not impact the carrying amounts of any of the Partnership's financial assets on the transition date. Prior periods were not restated and no material changes resulted from adopting this new standard.
- The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had no impact on the carrying amounts of financial assets on the transition date.

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IFRS 15, Revenue from Contracts with Customers (“IFRS 15”)

In May 2014 the IASB approved IFRS 15, *Revenue from Contracts with Customers*, which specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and a number of revenue related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers, except for leases, financial instruments and insurance contracts. Application of IFRS 15 is mandatory for annual periods beginning on or after January 1, 2018. The adoption of IFRS 15 on the Partnership’s condensed consolidated interim financial statements did not have a material impact.

Recent accounting pronouncements issued but not yet effective

IFRS 16, Leases (“IFRS 16”)

In January 2016, the IASB issued IFRS 16, *Leases*, which will 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 standard will be effective for annual periods beginning on or after January 1, 2019. The Partnership is currently evaluating the impact of IFRS 16 on its condensed consolidated interim financial statements.

5. ARRANGEMENT

On February 14, 2018, the Arrangement was entered into between Galaxy LP, First Coin and Bradmer, in respect of a proposed transaction which was to be completed by way of a plan of arrangement under the provisions of the Business Corporations Act (Ontario). In connection with the Arrangement, Galaxy LP and First Coin would combine to form GDH LP, an operating partnership that would be managed by the board of managers and officers of the general partner, who are also the principals of Galaxy LP. Bradmer would acquire and hold a minority investment in the operating partnership, and, upon completion of the Arrangement, was expected to 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”) shares, 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 meets the definition of a business combination between the entities (Note 6).
- Bradmer acquired a minority equity interest in GDH LP. The funds used to purchase the interest were raised through a partially-brokered private placement offering completed by Bradmer on February 14, 2018 of 60,969,746 subscription receipts at a price of C\$5.00 per subscription receipt. The private placement was considered an arm’s length financing and raised an aggregate of approximately C\$305 million of proceeds. On completion of the Arrangement, the net proceeds plus accrued interest of \$229,212,647 was released from escrow in exchange for the issuance of Class A Units in GDH LP. The amount represents net proceeds of \$228.4 million and approximately \$0.8 million of interest earned on placement proceeds in escrow.
- As a condition to the completion of the Arrangement, Bradmer had completed a consolidation of its common shares 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.

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- 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 GDH Ltd. board of directors approves such issuance.
- *Allocations of Income, Gain, Loss, Deduction and Credit* - each item of income, gain, loss, deduction and credit will generally be allocated pro-rata between Class A Units and Class B Units.
- *Issuances and redemptions of common stock of GDH Ltd.* - If GDH Ltd. issues any of its ordinary shares, the General Partner will, only if either (i) the General Partner has consented to such issuance or (ii) the issuance receives approval by the limited partners holding the majority of Units, cause the Partnership to issue to GDH Ltd., in exchange for GDH Ltd. promptly contributing the net cash proceeds of the issuance to the Partnership, a number of Class A Units equal to the number of ordinary shares issued. Upon the redemption, repurchase, or other acquisition of ordinary shares by GDH Ltd., the Partnership will, at substantially the same time as the redemption, repurchase or acquisition, 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.
- *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. For the three and nine months ended September 30, 2018, GDH LP paid \$0.25 million on behalf of GDH Ltd. which has been included in general and administrative expenses on the statement of loss and comprehensive loss.
- *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.

6. BUSINESS COMBINATION

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

First Coin is a Vancouver-based technology company focusing on advising, technology implementation and brokerage services for clients in connection with digital assets. First Coin's objective is to provide institutional and retail investors (in Canada) with exposure to blockchain and to the cryptocurrency ecosystem through a proprietary brokerage platform. First Coin helps established companies access the emerging digital currency asset class.

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

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

Fair value of consideration transferred

Class B Units ¹	\$	6,432,086
First Coin Replacement Options ²		207,087
Cash		47,272
	\$	6,686,445

Less: Identifiable net assets acquired, at fair value

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

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

(2) The fair value of the 155,035 First Coin Replacement Options measured as of July 31, 2018 has been included in the consideration. The options were valued using a Black-Scholes valuation model with the following inputs:

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Inputs to the Black Scholes Model	Input
Share price ³	C\$2.75
Exercise price	C\$5.00
Expected annual volatility	100%
Expected term (years)	4.26 - 4.48
Dividend yield	0%
Risk-free interest rate ⁴	2.22% - 2.23%
Forfeiture rate	0%

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

(4) Risk-free interest rate calculated based on interpolating Canadian bond yields.

Impairment of Goodwill

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

As of September 30, 2018, the Partnership performed an impairment test using a one-step approach to determine if the goodwill is impaired. The impairment loss is the amount by which the cash-generating units carrying amount exceeds its recoverable amount. The Partnership impaired the full amount of goodwill and recorded an expense of \$6,216,914 for the three and nine months ended September 30, 2018. Based on the regulatory framework and the opportunities it is currently seeing, the Partnership decided to reposition its advisory services business from focusing on small initial coin offering ("ICO") advisory and blockchain consulting to instead serve larger, more institutional clients in the space. As a result, the Partnership began closing the First Coin office in Vancouver during November 2018. The Partnership does not expect to realize any of the benefits contemplated when the plan of arrangement was entered into earlier in the year.

Other

The amounts of revenue and comprehensive loss of First Coin since the acquisition date included in the condensed consolidated interim statements of comprehensive income (loss) for the three and nine months ended September 30, 2018 are \$61,568 and \$1,701,491 respectively.

The revenue and comprehensive loss of the combined entity for the three and nine month period, as though the acquisition date for First Coin had been as of January 1, 2018, are not materially different from the amounts reported in the condensed consolidated interim statements of comprehensive income (loss).

7. DIGITAL ASSETS

The Partnership's digital assets are primarily traded in active markets and are purchased with the intent to resell in the near future, generating a profit from the fluctuations in prices or margins. As a result, the Partnership has determined that its holdings of cryptocurrency, both restricted and unrestricted, are considered to be digital assets and, as a result, are accounted for as inventory with changes in fair value less cost to sell recognized in profit or loss. Below are the Partnership's digital asset holdings as of September 30, 2018 and December 31, 2017:

	September 30, 2018	December 31, 2017
Cryptocurrency:		
Unrestricted	\$ 123,057,367	\$ 22,650,240
Restricted	120,908	—
	\$ 123,178,275	\$ 22,650,240

Cryptocurrency: Digital assets that are typically part of a decentralized system of recording transactions and issuance of new units and that rely on cryptography to secure its transactions, to control the creation of additional units, and to verify the transfer of

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assets. The Partnership holds both unrestricted and restricted cryptocurrency, as defined below.

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

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

The Partnership engages in several trading strategies with respect to its digital assets, including cross-exchange arbitrage as well as market neutral trading strategies across a variety of crypto assets and exchanges. Realized gains and losses are recognized on a net basis on the condensed consolidated interim statements of comprehensive loss.

8. INVESTMENTS

The Partnership’s holdings that are not traded in active markets are considered investments. Investments, excluding debt investments, are accounted for as financial assets which are initially recognized at fair value and subsequently measured at fair value through profit or loss. Secured debt investments are financial assets which are initially recognized at fair value and subsequently measured at amortized cost. Below are the Partnership’s investments as of September 30, 2018 and December 31, 2017:

	September 30, 2018	December 31, 2017
Pre-ICO	\$ 3,648,351	\$ —
Convertible Note	100,000	—
Preferred Stock	56,862,464	—
Common Stock	98,041,244	—
LP/LLC Interests	38,367,151	—
Warrants/Trust Units	2,773,441	—
	\$ 199,792,651	\$ —

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

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

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

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

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

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

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Continuity schedule of investments

The below table shows components of the change in investments for the nine months ended September 30, 2018:

	Investments
Balance as at December 31, 2017	\$ —
Contributions	96,264,735
Purchases	91,134,425
Proceeds from investments	(3,018,728)
Transfer to digital assets	(1,132,800)
Net unrealized gain on investments	16,545,019
Balance as at September 30, 2018	\$ 199,792,651

9. RECEIVABLES

	September 30, 2018	December 31, 2017
Advisory fees receivable ⁽ⁱ⁾	\$ 325,270	\$ —
Interest receivable	24,898	—
Other	140,744	—
	\$ 490,912	\$ —

(i) Represents amounts due for services performed pursuant to seven advisory contracts. Such services consist of conducting market research, solution ideation, white paper writing and review and project management, among other things.

10. DUE FROM BROKER

In connection with the Arrangement (Note 5), a portion of the financing proceeds, received into escrow during February 2018, was denominated in Canadian dollars. In order to minimize the Partnership's exposure, \$3.0 million of margin was posted with a third-party brokerage firm to facilitate the short sale of C\$99.0 million. Upon closing of the Arrangement, the Partnership closed its short position used to minimize its exposure on the portion of the financing proceeds denominated in Canadian dollars and recognized a foreign currency gain of \$945,482 which is included in realized foreign currency gain on the condensed consolidated interim statements of comprehensive loss. As of September 30, 2018, the Partnership did not have a balance due from broker.

11. PREPAID EXPENSES AND OTHER ASSETS

	September 30, 2018	December 31, 2017
Prepaid payroll funding and deposit	\$ 900,000	\$ —
Prepaid rent and security deposit	366,482	—
Prepaid interest ⁽ⁱ⁾	305,574	—
Other	1,336,851	—
	\$ 2,908,907	\$ —

(i) Pursuant to a cryptocurrency loan agreement (Note 15), the Partnership is required to pay interest in advance in quarterly installments. Interest is payable in-kind and is recorded at its fair value on the payment date. As of September 30, 2018, the Partnership had prepaid interest in the amount of \$0.3 million covering the period from October 1, 2018 to December 15, 2018.

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12. LOANS RECEIVABLE

Note to a cryptocurrency mining and blockchain infrastructure company

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

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

The Partnership also charged a lender's fee of 2% of the loan's par amount. The Partnership received detachable warrants to purchase 2,222,222 common shares of the Borrower at an exercise price of C\$4.50.

At September 30, 2018, the carrying value of the loan was approximately \$15.7 million.

Galaxy Lending SPV 1 LLC loans

Galaxy Lending SPV 1 LLC (the "SPV") is a special purpose vehicle created to buy and house crypto-backed loans from a secured non-bank lender that offers US dollar loans to cryptoasset owners who collateralize the loan with their cryptoassets ("non-bank lender"). SPV is owned 90% by Galaxy Digital Lending LLC ("GDL") and 10% by the non-bank lender. GDL has a \$10.0 million commitment to buy eligible loans from the non-bank lender and the non-bank lender has a commitment of approximately \$1.1 million. In addition, GDL can commit an additional \$40 million at its sole discretion.

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

As of September 30, 2018, the SPV loans had a carrying value of approximately \$1.8 million.

Note to First Block Capital Inc.

Pursuant to the business combination with First Coin (Note 6), the Partnership acquired a promissory note held with First Block Capital Inc., a related party of First Coin, with a carrying value of \$146,368. The promissory note was originally entered on November 30, 2017 whereby First Coin loaned C\$350,000 for 24 months. The loan is unsecured, bears interest at 5% compounded annually, and is repayable in full plus interest on its maturity date of November 30, 2019. The loan was initially recorded at its estimated fair value using a presumed market interest rate of 20% to reflect the risk profile attached to the loan. At September 30, 2018, the loan had a carrying value of \$156,620.

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Loan to IPowow

Pursuant to the business combination with First Coin (Note 6), the Partnership acquired a promissory note held with IPowow International Corporation ("IPowow"), an arm's length party, with a carrying value of \$196,643. The promissory note was originally entered into on May 23, 2018 whereby First Coin loan C\$250,000 to IPowow. The loan plus accrued interest is repayable on the earlier of May 21, 2020 or an event of default. The loan is secured by a general security agreement dated May 23, 2018. The loan bears interest at 12% per annum, payable quarterly. If IPowow is unable to repay the quarterly interest out of its cash flow, interest will accrue at 14% per annum. If IPowow has an event of default, interest will be calculated at 16% per annum. As at September 30, 2018, the loan had a carrying value of \$203,380.

13. PROPERTY AND EQUIPMENT

	Furniture & Fixtures	Office Equipment	Computer Equipment	Leaseholds Improvements(i)	Total
Balance as at December 31, 2017	\$ —	\$ —	\$ —	\$ —	\$ —
Acquired in business combination (Note 6)	19,747	—	9,324	—	29,071
Additions	164,856	15,971	314,778	502,224	997,829
Depreciation	(1,309)	(1,553)	(22,054)	—	(24,916)
Balance as at September 30, 2018	\$ 183,294	\$ 14,418	\$ 302,048	\$ 502,224	\$ 1,001,984

(i) Leasehold improvements primarily relate to expenditures for renovation and build out of office space, architect and design costs. The completion date occurred subsequent to period end in October 2018, at which time the assets became available for use and depreciation commenced.

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2018	December 31, 2017
Compensation and compensation related	\$ 7,820,593	\$ 815,000
Payable for purchase of digital assets	3,508,573	—
Professional fees	1,654,340	—
Interest	335,359	135,962
Other	1,605,588	60,833
	\$ 14,924,453	\$ 1,011,795

15. DIGITAL ASSETS SOLD SHORT

In the ordinary course of business, the Partnership enters into facilities to borrow cryptocurrency to facilitate trading.

The Partnership entered into a loan agreement dated March 22, 2018 and effective as of December 15, 2017, whereby the Partnership borrowed certain cryptocurrency from a counterparty, to be repaid in twelve months. Interest of 12.0% per annum is payable, in such cryptocurrency, upfront in four installments over the term of the loan (Note 11). During the three and nine months ended September 30, 2018, the Partnership recognized \$0.6 million and \$1.6 million, respectively, in interest expense. The Partnership is obligated to hold collateral, for the term of the agreement, in an amount of bitcoin, ethereum-based cryptocurrency or EOS tokens with a market value equivalent to the market value of the cryptocurrency borrowed. As of September 30, 2018, a \$24.6 million digital assets sold short balance reflected the traded balance of the cryptocurrency borrow. As of the date of filing, this loan agreement has been terminated and replaced with a new revolving cryptocurrency facility dated November 20, 2018 with the same counterparty, whereby the Partnership will borrow certain cryptocurrencies from the counterparty. Interest of 10.0% per annum is payable on the borrowed cryptocurrencies in such cryptocurrency. There is an additional fee for the facility of 0.125% of the total value of the facility payable each quarter in US dollars.

Additionally, the Partnership borrowed a certain cryptocurrency from a counterparty, with interest of 12.0% per annum payable in such cryptocurrency. During both the three and nine months ended September 30, 2018, the Partnership recognized \$82,270 in

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interest expense. The arrangement was not pursuant to a formal loan agreement and the Partnership was not obligated to post collateral in connection with this borrowing. As of September 30, 2018, an \$7.9 million digital asset sold short balance reflected the traded balance of the cryptocurrency borrow. As of the date of this filing, the borrow was returned with the interest accrued thereon.

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

16. DUE TO RELATED PARTY

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

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

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

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

	September 30, 2018	December 31, 2017
Opening balance	\$ 42,650,240	\$ —
Borrowings - cash	102,374,924	20,000,000
Borrowings - digital assets	—	22,395,400
Repayments - cash	(122,374,924)	—
Contribution of digital assets (Note 23)	(22,650,240)	—
Fair value adjustment on digital assets	—	254,840
Ending balance	\$ —	\$ 42,650,240

17. DUE TO EXCHANGE

As of September 30, 2018, the Partnership had a \$60.0 million demand line of credit from one of the exchanges with which it transacts. In accordance with the policy of the exchange, the arrangement was not pursuant to a formal credit agreement and no interest was being charged in conjunction with amounts drawn. As of September 30, 2018 and December 31, 2017, the Partnership had \$nil and \$9.3 million, respectively, borrowed in connection with this arrangement. As of the date of filing, the Partnership no longer has the demand line of credit.

As of September 30, 2018, the Partnership borrowed \$1.5 million of a certain cryptocurrency from one of the exchanges with which it transacts. The borrowing was not pursuant to a formal loan agreement and the Partnership was not obligated to post collateral in connection with this borrowing. In addition, no interest was being charged in connection with this borrow. As of the date of this filing, the amount borrowed was returned.

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18. EQUITY

Issued Partnership Capital

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

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

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

Under the terms of the LPA, GDH LP Class B Units will, subject to certain limitations, be exchangeable for GDH Ltd. shares on a one-for-one basis subject to customary adjustments for stock splits, stock dividends and reclassifications and other similar transactions or, at the election of GDH LP, GDH LP may deliver an amount of cash in lieu of GDH Ltd. shares to an exchanging GDH Class B Unit holder. On receipt of a request to exchange, the Partnership or the General Partner will cancel the Class B Units and will cause GDH Ltd. to issue common shares. In addition, GDH LP will issue Class A units.

Private Placement

On February 14, 2018, Bradmer announced the closing of a partially-brokered private placement offering of 60,969,746 subscription receipts at a price of C\$5.00 per subscription receipt (Private Placement). The Private Placement was considered an arm's length financing and raised an aggregate of approximately C\$305 million of proceeds. These proceeds were held in escrow until such time of release upon satisfying all the conditions under the Arrangement. On completion of the Arrangement, the net proceeds were used by Bradmer to acquire a minority equity interest in GDH LP. As a result, Bradmer (renamed GDH Ltd.) received 60,969,746 Class A Units of GDH LP in exchange for a net contribution of approximately \$229.2 million. The net contribution reflects net proceeds of approximately \$228.4 million and approximately \$0.8 million of interest earned on placement proceeds in escrow.

Issued Capital

Class A Units

On July 31, 2018, in connection with the Arrangement (Note 5), the Partnership issued 141,452 to the original shareholders of GDH Ltd. and 60,969,746 Class A units to subscription holders who participated in the GDH Ltd. financing completed in February 2018.

On August 1, 2018, the Partnership issued 40,000 Class A units to a financial advisor of GDH Ltd.

During the period ended September 30, 2018, the Partnership issued 1,483,835 Class A units to GDH Ltd. on exchange of Class B Units.

Class B Units

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

During the period ended September 30, 2018, 1,483,835 Class B Units were exchanged for common shares of GDH Ltd.

As of September 30, 2018, there were 62,635,033 Class A Units and 215,884,410 Class B Units outstanding. The change during the quarter was due to exchanges of Class B units for common shares (and into Class A Units) and vesting of certain Class B Units awarded.

Distribution

Distribution relates to income distributions made to non-controlling interests in a consolidated subsidiary.

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Equity Based Compensation

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

	Three months ended September 30, 2018	Nine months ended September 30, 2018
Stock options	\$ 4,479,778	\$ 4,479,778
Compensatory Class B Unit awards:		
Standard Units	7,073,875	7,073,875
Profit Interest Units	1,534,589	1,534,589
Class B Units to First Coin	1,222,842	1,222,842
	\$ 14,311,084	\$ 14,311,084

Compensatory Class B Unit Awards and Stock Option Plan

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

Compensatory Class B Unit Awards

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

- Standard Units - The Standard Units vest 50% on each of February 1, 2019 and September 1, 2019. Once vested, each Standard Unit can be exchanged for one share of GDH Ltd. for no additional consideration. The fair value of the Standard Units granted was \$29,388,204 (or approximately \$1.9040 per Standard Unit) based on the 10-day volume weighted average share price of GDH Ltd. from August 1, 2018 through August 15, 2018 ("10-day WA") and will be recognized over the vesting period.
- Profit Interest Units - The Profit Interest Units vest 50% on each of September 1, 2020 and September 1, 2021. The Profit Interest Units receive "catch up" allocations with respect to book income which enable such units to accumulate capital accounts equal to those of Standard Units. Initially, the Profit Interest Units will have a capital account balance of \$nil, which will be adjusted upon a liquidation or capital event, or when the capital accounts of the GDH LP unit holders are marked to market to reflect the fair value of GDH LP's assets. Such "catch up" allocations will terminate once the Profit Interest Units have accumulated capital accounts equal to those of other Standard Units. Once a Profit Interest Unit has vested and has been fully "caught up", such Profit Interest Unit may be exchanged for one share of GDH Ltd. for no additional consideration. The fair value of the Profit Interest Units granted was \$23,088,412 (or approximately \$1.50 per Profit Interest Unit). The fair value of the Profit Interest Units was estimated using the probability-weighted expected return method. In applying this method, a payoff was determined for a Profit Interest Unit under three potential scenarios, each payoff was weighted by an estimated probability of the corresponding scenario, and then the probability-weighted payoffs were discounted to the date of grant and summed. The scenarios, probabilities, and other inputs into the model were selected using professional judgment, considering, among other things, the results of a one-period trinomial model, the results of a standard Black-Scholes option pricing model under different assumptions, and the estimated fair value of a common share of GDH Ltd. The scenarios probability ranged from 2.25% to 75%, the annual discount rate used was 2.27%, the term used was 6.42 years, and the share price used ranged from C\$0 to C\$100.

First Coin

On July 31, 2018, in connection with the First Coin business combination (Note 6), the Partnership granted 1,941,421 Class B Units which vest daily over an approximate 14-month or 26-month vesting period. The fair value of the Class B Units granted was \$3,696,454 based on the 10-day WA and will be recognized over the vesting period. The First Coin Class B Units that were exercisable as of September 30, 2018 were 256,199.

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The following table summarizes the activity related to the Class B Units granted during the period:

Description	Class B Units
Balance, December 31, 2017	—
Granted ¹	32,811,421
Exchanged	(63,000)
Forfeited	(189,000)
Balance, September 30, 2018	32,559,421
Class B Units exercisable, September 30, 2018 ²	256,199

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

² Relates to Class B Units granted to First Coin

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

Equity Plan

The Partnership has an equity plan (the “Plan”) to grant stock options of GDH Ltd. to employees, officers, directors and consultants of the Partnership, subject to the approval of the Board of Directors of GDH Ltd. The maximum number of shares reserved for issuance under the Plan shall not exceed 10% of the issued share capital of GDH Ltd. on a fully diluted basis. 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 GDH Ltd.’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 GDH Ltd..

For the three and nine months ended September 30, 2018, the Partnership granted 26,834,000 stock options with a fair value of \$37,541,994 (or weighted average fair value of approximately \$1.40 per option). Each stock option is exercisable into one common share of GDH Ltd. at a weighted average exercise price of C\$5 per option for a period of five years. The options vest 25% annually commencing on March 1, 2019.

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

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

Inputs to the Black Scholes Model	2018	2017
Share price ¹	C\$1.98 - C\$2.75	—
Exercise price	C\$5	—
Expected annual volatility ²	100%	—
Expected term (years)	4.87 - 4.98	—
Dividend yield	0%	—
Risk-free interest rate ³	2.16% - 2.24%	—
Forfeiture rate	0%	—

(1) Opening price of GDH Ltd. shares on August 1, 2018 for the July 31, 2018 grant and the closing price of GDH Ltd. shares on the respective grant dates.

(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 following table summarizes the activity related to the stock options during the period:

Description	Number of Options	Weighted Average Exercise Price (C\$)
Balance, December 31, 2017	—	—
Granted ¹	26,989,035	5.00
Forfeited	(1,008,000)	5.00
Balance, September 30, 2018	<u>25,981,035</u>	5.00
Options exercisable as of September 30, 2018 ²	37,446	

¹ Includes 155,035 of First Coin Replacement Options (Note 6)

² Relates to the First Coin Replacement Options.

There were no options exercised during the three months ended September 30, 2018. For stock options outstanding as of September 30, 2018, the weighted average remaining contractual life was 4.84 years.

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A summary of the stock options outstanding as at September 30, 2018 is as follows:

Grant Date/ Description	Number outstanding	Number exercisable	Exercise Price (C\$)	Expiry Date
July 31, 2018	24,978,000	—	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
	25,826,000	—		
First Coin Replacement Options	105,109	26,277	4.64	November 3, 2022
	21,022	5,256	4.64	November 14, 2022
	13,138	3,285	4.64	November 27, 2022
	15,766	2,628	4.64	January 22, 2023
	155,035	37,446		
Total	25,981,035	37,446		

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

19. NON-CONTROLLING INTERESTS

During the period ended September 30, 2018, the Partnership incorporated the SPV (Note 12) and Galaxy Benchmark Crypto Index Fund, L.P. (“Galaxy Index Fund”).

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

As of September 30, 2018	GDL		Galaxy Index Fund		Total
Non-controlling interest, beginning of the period	\$	—	\$	—	\$ —
Contributions		202,860		8,040,000	8,242,860
Distributions		(463)		—	(463)
Share of net loss		(11,004)		(1,494,823)	(1,505,827)
Non-controlling interests, end of period	\$	191,393	\$	6,545,177	\$ 6,736,570

The following table presents the non-controlling interests at September 30, 2018. The information below is before inter-company eliminations.

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As of September 30, 2018	GDL	Galaxy Index Fund	Total
Non-controlling interest %	10%	53%	
Assets			
Current	\$ 1,807,518	\$ 706,452	\$ 2,513,970
Non-current	107,756	12,227,633	12,335,389
	<u>1,915,274</u>	<u>12,934,085</u>	<u>14,849,359</u>
Liabilities			
Current	1,341	689,143	690,484
	<u>1,341</u>	<u>689,143</u>	<u>690,484</u>
Net Assets	<u>1,913,933</u>	<u>12,244,942</u>	<u>14,158,875</u>
Non-controlling interests, end of period	<u>\$ 191,393</u>	<u>\$ 6,545,177</u>	<u>\$ 6,736,570</u>

The following table reflects the loss and net comprehensive loss attributable to non-controlling interest for the three and nine months ended September 30, 2018.

	Three months ended September 30, 2018	Nine months ended September 30, 2018
Net loss	\$ (76,654,507)	\$ (175,675,068)
Net comprehensive loss attributable to non-controlling interests:		
GDL	(11,004)	(11,004)
Galaxy Index Fund	(1,494,823)	(1,494,823)
	<u>\$ (1,505,827)</u>	<u>\$ (1,505,827)</u>

20. COMPENSATION AND COMPENSATION RELATED

	Three months ended September 30, 2018	Nine months ended September 30, 2018
Base compensation and accrued bonuses	\$ 4,052,095	\$ 15,248,398
Benefits	405,974	837,574
Placement fees	405,000	1,508,250
Consulting	93,082	349,318
Payroll taxes	70,002	1,189,655
Temporary staff	4,942	14,084
	<u>\$ 5,031,095</u>	<u>\$ 19,147,279</u>

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21. PROFESSIONAL FEES

	Three months ended September 30, 2018	Nine months ended September 30, 2018
Legal ⁽ⁱ⁾	\$ 5,370,028	\$ 7,078,860
Audit	368,333	1,400,833
Tax	352,383	612,383
Valuations	70,875	299,525
	\$ 6,161,619	\$ 9,391,601

⁽ⁱ⁾ Includes \$5.4 million of expenses incurred in connection with the closing of the Arrangement, for the three and nine months ended September 30, 2018.

22. GENERAL AND ADMINISTRATIVE

	Three months ended September 30, 2018	Nine months ended September 30, 2018
Occupancy	\$ 531,668	\$ 819,143
Technology	481,209	897,539
Bad debt expense	375,000	375,000
Consulting	292,805	401,205
Travel and entertainment	150,269	433,273
Fund administration	127,855	349,867
Depreciation	14,968	24,916
Other	697,724	2,333,575
	\$ 2,671,498	\$ 5,634,518

23. RELATED PARTY TRANSACTIONS

Contribution of assets

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

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

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Due to related party

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

Compensation of key management personnel

Key management personnel include persons having the authority and responsibility for planning, directing and controlling the activities of the Partnership as a whole. Compensation provided to key management personnel for the three and nine months ended September 30, 2018 is as follows:

	Three months ended September 30, 2018	Nine months ended September 30, 2018
Equity based compensation	\$ 10,528,769	\$ 10,528,769
Base compensation and accrued bonuses*	1,118,737	4,789,677
Benefits	79,462	207,233
Total	\$ 11,726,968	\$ 15,525,679

Key management personnel above include eleven individuals, consisting of both officers and certain employees, who are considered to have decision making authority.

*For the three and nine months ended September 30, 2018, amounts include approximately \$0.2 million and \$2.2 million, respectively, of accrued bonuses within accounts payable and accrued liabilities.

Employment related

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

Sublease

GIP, which has leased the office space located on the 7th and 8th floors of 107 Grand Street, New York, New York 10013, has entered into a sublease with GDS to occupy the 8th floor on the same terms as the master lease (Note 27).

Other

As of September 30, 2018, the Partnership’s Chief Executive Officer also served as a director for a company and was a member of the advisory board for another company in which Galaxy LP holds investments. In addition, the Partnership had an agreement with an entity, which is owned by a member of key management, to provide software development consulting services.

24. REPORTABLE SEGMENTS

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

Trading

The trading group manages positions in cryptocurrency and other liquid digital assets contributed to the business at the outset and continues to invest and trade in those and related assets. The Partnership engages in several trading strategies (Note 7).

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Principal Investing

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

Asset Management

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

Advisory Services

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

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

Assets by each of the reportable segments as of September 30, 2018 is as follows:

	Trading	Principal Investing	Asset Management	Advisory Services	Corporate and Other	Totals
Assets						
Cash	\$ 86,781,301	\$ 358,161	\$ 1,633,470	\$ 350,870	\$ 1,203,889	\$ 90,327,691
Digital assets	123,178,275	—	—	—	—	123,178,275
Investments	181,552	199,611,099	—	—	—	199,792,651
Receivables	—	24,898	32,032	358,174	75,808	490,912
Prepaid expenses and other assets	511,498	—	677,363	233,286	1,486,760	2,908,907
Loans receivable	—	17,444,042	—	360,001	—	17,804,043
Property and equipment	4,448	—	—	35,805	961,731	1,001,984
	<u>\$ 210,657,074</u>	<u>\$ 217,438,200</u>	<u>\$ 2,342,865</u>	<u>\$ 1,338,136</u>	<u>\$ 3,728,188</u>	<u>\$ 435,504,463</u>

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

	Trading	Principal Investing	Asset Management	Advisory Services	Corporate and Other	Totals
Income						
Advisory and management fees	\$ —	\$ —	\$ 1,913,170	\$ 893,340	\$ —	\$ 2,806,510
Net realized loss on digital assets	(52,733,347)	—	—	—	—	(52,733,347)
Other income	283,712	151,890	12,743	11,805	391,978	852,128
	(52,449,635)	151,890	1,925,913	905,145	391,978	(49,074,709)
Operating expenses						
Equity based compensation	3,159,741	2,350,198	2,757,378	2,343,810	3,699,957	14,311,084
Compensation	5,627,591	2,361,836	3,441,806	1,217,199	6,498,847	19,147,279
Professional fees	74,150	394,477	293,440	89,508	8,540,026	9,391,601
General and administrative	2,204,454	576,766	581,643	927,618	1,344,037	5,634,518
Interest	2,521,284	1,297,485	—	—	475,900	4,294,669
Insurance	—	—	—	—	1,752,465	1,752,465
Director fees	—	—	—	—	25,000	25,000
	13,587,220	6,980,762	7,074,267	4,578,135	22,336,232	54,556,616
Net unrealized loss on digital assets	(83,357,300)	—	—	—	—	(83,357,300)
Net unrealized gain (loss) on investments	(1,372,208)	17,917,227	—	—	—	16,545,019
Unrealized foreign currency gain (loss)	80,144	—	—	11,921	—	92,065
Realized foreign currency gain	(52,095)	—	—	—	945,482	893,387
Goodwill impairment	—	—	—	—	(6,216,914)	(6,216,914)
	(84,701,459)	17,917,227	—	11,921	(5,271,432)	(72,043,743)
Net income (loss)	\$(150,738,314)	\$ 11,088,355	\$ (5,148,354)	\$ (3,661,069)	\$ (27,215,686)	\$(175,675,068)

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Select statement of financial position information

The fair value of each asset class by reporting segment as of September 30, 2018 is as follows:

	Trading	Principal Investing	Asset Management	Advisory Services	Corporate and Other	Totals
Digital assets:						
Cryptocurrency	\$ 123,178,275	\$ —	\$ —	\$ —	\$ —	\$ 123,178,275
Investments:						
Pre-ICO	—	3,648,351	—	—	—	3,648,351
Convertible Note	—	100,000	—	—	—	100,000
Preferred Stock	—	56,862,464	—	—	—	56,862,464
Common Stock	108,072	97,933,172	—	—	—	98,041,244
LP/LLC Interests	—	38,367,151	—	—	—	38,367,151
Warrants/Trust Units	73,480	2,699,961	—	—	—	2,773,441
	\$ 123,359,827	\$ 199,611,099	\$ —	\$ —	\$ —	\$ 322,970,926

For the period ended December 31, 2017, the only active segment was trading.

25. FINANCIAL INSTRUMENTS, DIGITAL ASSETS AND RISK

The fair values of all investments and digital assets were measured using the cost, market or income approaches. The investments and digital assets measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values, with the designation based upon the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy are:

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

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

Level 3 Inputs: Unobservable inputs for the asset or liability. (Unobservable inputs reflect management's assumptions on how market participants would price the asset or liability based on the information available.)

	Level 1	Level 2	Level 3	Total
Cryptocurrency	\$ —	\$ 121,523,770	\$ 1,654,505	\$ 123,178,275
Pre-ICO	—	3,648,351	—	3,648,351
Convertible Note	—	100,000	—	100,000
Preferred Stock	—	50,662,464	6,200,000	56,862,464
Common Stock	108,072	85,847,644	12,085,528	98,041,244
Limited Partnership/Limited Liability Company Interests	—	3,842,242	34,524,909	38,367,151
Warrants/Trust Units	72,513	—	2,700,928	2,773,441
Digital Assets Sold Short	—	(32,547,054)	—	(32,547,054)
	\$ 180,585	\$ 233,077,417	\$ 57,165,870	\$ 290,423,872

For the period ended December 31, 2017, the Partnership only held level 2 cryptocurrency.

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

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

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

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

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

Valuation of Assets that use Level 3 Inputs ("Level 3 Assets"). Consists of certain of the Partnership's cryptocurrency, common stock, preferred stock, warrants and the majority of the Partnership's limited partnership/limited liability company interest investments. For investments in cryptocurrency, fair value was determined utilizing a volume-weighted average of prices across principal exchanges as of 12:00 UTC, with a marketability adjustment. If the investment was either contractually or legally restricted for trading, a discount for lack of marketability was applied to the closing prices. The discount was calculated on the Black-Scholes model to determine the cost to insure the subject asset against the risk of encountering lower prices. For the Partnership's preferred and common stock investments, the comparable transaction method was used to estimate fair value. This is a market approach that relies on actual performance metrics of the subject company, recently completed transactions in the equity of the subject company that are completed at arm's-length, and transactions of companies deemed comparable to the subject company. For the Level 3 preferred stock, the Partnership has taken further discounts for lack of marketability and control. For the Partnership's investment in warrants, the black-scholes model was used to determine the fair value. For the Partnership's limited partnership/limited liability company interest investments, fair value was determined using the most recent adjusted market value as provided by the subject company.

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

Other

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

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

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Level 3 Continuity

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

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

Transfers in and out of Level 3 are considered to have occurred at the beginning of the period. Total transfers into Level 3 was \$1,165,420 and total transfers out of Level 3 was \$12,703,032. The transfers out of Level 3 for cryptocurrency assets and common stock were primarily due to the removal of restrictions for trading.

The carrying values of the Partnership's cash, receivables, prepaid expenses and other assets, loans receivable, accounts payable and accrued liabilities, due to related party and due to exchange approximate fair value due to their short maturities.

Quantitative Information for certain Level 3 Assets

Financial Instrument	Fair Value at September 30, 2018	Significant Unobservable Inputs	Range
Cryptocurrency	\$1,654,505	Marketability discount	20.3% - 26.7%
Preferred Stock	\$6,200,000	Control discount	5%
		Marketability discount	20%
		Price-to-earnings multiple	8
Common Stock	\$12,085,528	Marketability discount	11.2%
Warrants ¹	\$2,699,961	Volatility	75%
		Exercise Price	C\$4.50
		Underlying share price	C\$2.93

¹ Level 3 reconciliation table includes another warrant which is not deemed significant.

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

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Valuation Techniques

The following table summarizes the valuation techniques and significant inputs used in the fair value measurement of the Partnership's investments as of September 30, 2018:

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

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Industry

As of September 30, 2018, detail of the industry composition of the Partnership's investments, other than cryptocurrency and pre-ICO investments, is as follow:

Industry	September 30, 2018	# of Investments
Other (Cryptocurrency and Pre-ICO)	39%	35
High Tech Industries	35	7
Finance	22	11
Services: Business	2	1
Banking	2	1
Media: Diversified and Production	<1	2
Utilities: Electric	<1	1
Total	100%	58

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

For the period ended December 31, 2017, the Partnership had an investment in one cryptocurrency.

Risk

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

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into, causing the other party to incur a financial loss. The Partnership's cash, receivables and loans receivable are exposed to credit risk. The Partnership limits its credit risk by placing its cash with high credit quality financial institutions and with cryptocurrency exchanges on which the Partnership has performed internal due diligence procedures. The Partnership deems these procedures necessary as some exchanges are unregulated and not subject to regulatory oversight. The Partnership limits its credit risk with respect to its receivables and loans receivable by transacting with credit worthy counterparties that are believed to have sufficient capital to meet their obligations as they come due. Furthermore, the Partnership's material loan agreement with cryptocurrency mining and blockchain infrastructure company is secured by the terms of a general security agreement (Note 12). As of each reporting period, the Partnership assesses if there may be expected credit losses requiring recognition of a loss allowance. As of September 30, 2018, the Partnership is not exposed to any significant credit risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. General interest rate fluctuations may have an impact on the Partnership's investment opportunities, primarily within its principal investing segment. An increase in interest rates may make it more expensive to utilize a leverage facility in the future to make investments. To the extent the Partnership invests in debt instruments, interest rate changes may affect the value of the instrument indirectly in the case of fixed rate obligations, or directly in the case of adjustable rate instruments. In general, rising rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Interest rate sensitivity generally is more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate changes would also affect its ability to earn interest income on cash balances at variable rates. The Partnership did not have a leverage facility in place, and its RLA with a related party was at a fixed rate of interest (Note 16). As of September 30, 2018, the Partnership's exposure to interest rate risk was limited.

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Liquidity Risk

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as they come due, as well as the risk of not being able to liquidate assets at reasonable prices. The Partnership manages liquidity risk by maintaining sufficient cash balances to enable settlement of its liabilities. Accounts payable and accrued liabilities, other than accrued compensation, generally have maturities of 30 days or less or are due on demand. The Partnership intends to manage its short-term liquidity needs through the financing proceeds raised under the Arrangement (Note 5). As of September 30, 2018, 38% of the Partnership's portfolio was in liquid, actively traded cryptocurrency which can be monetized at reasonable prices in short order.

Foreign Currency Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. To the extent these financial instruments are unhedged or not adequately hedged, the value of the Partnership's financial instruments may fluctuate with exchange rates as well as with price changes in various local markets and currencies. The value of the financial assets may therefore be unfavorably affected by fluctuations in currency rates and exchange control regulations. During the period, the Partnership minimized its exposure to a portion of the escrowed financing proceeds that were denominated in Canadian dollars. On completion of the Arrangement, the financing proceeds were released and the Partnership is no longer exposed to foreign currency risk on the escrowed funds.

Market Risk

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

As of September 30, 2018, management's estimate of the effect on equity to a +/- 10% change in the market prices of the Partnership's investments, with all other variables held constant, is +/- \$20.0 million.

Digital asset risk

Digital assets are measured at fair value less cost to sell. Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. Further, digital assets have no underlying backing or contracts to enforce recovery of invested amounts. The profitability of the Partnership is related to the current and future market price of digital assets; in addition, the Partnership may not be able to liquidate its inventory of digital assets at its desired price if necessary. A decline in the market prices for digital assets could negatively impact the Partnership's future operations. The Partnership has not hedged the conversion of any of its digital assets. Digital assets have a limited history and the fair value historically has been very volatile. Historical performance of digital assets is not indicative of their future price performance.

As of September 30, 2018, management's estimate of the effect on equity to a +/- 10% change in the market prices of the Partnership's net digital assets, with all other variables held constant, is +/- \$9.1 million.

26. CAPITAL MANAGEMENT

The Partnership's objectives when managing capital are to safeguard its ability to continue as a going concern, to meet the capital needs of its ongoing operations, and to maintain a flexible capital structure which optimizes the cost of capital. The Partnership considers current economic conditions as well as the risk profile of its portfolio and overall business when managing its capital structure. The Partnership has an ongoing process whereby actual expenditures and cash needs are compared against budgets to ensure that there is sufficient capital on hand to meet ongoing obligations. As of September 30, 2018, the Partnership had \$386.5 million in equity. The Partnership has the flexibility to acquire or dispose of assets, and to issue debt or equity to adjust its capital structure in the future. The Partnership is not subject to externally imposed capital requirements other than described in Note 15, nor were there any changes to the Partnership's approach to capital management during the nine months ended September 30, 2018.

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27. COMMITMENTS AND CONTINGENCIES

Sublease

As of September 30, 2018, the Partnership had commitments under an operating sublease (Note 23). The sublease has a 10.5-year term commencing on February 1, 2018 and expiring on June 30, 2028. The sublease contains a standard rent escalation clause, and rent is waived until June 30, 2018. The rent begins at \$756,800 per annum and is to be paid monthly in advance in equal installments. For the three and nine months ended September 30, 2018, \$0.4 million and \$0.7 million, respectively, of rent expense was included in general and administrative expense (Note 22). The Partnership has operating lease commitments for the next five years as follows:

	Rent Due
2018 remaining	\$ 189,200
2019	768,152
2020	791,197
2021	814,932
2022	839,380
Total	\$ 3,402,861

Additionally, the Partnership has \$5.1 million in total commitments under the sublease for the period from 2023 to the expiration of the sublease term on June 30, 2028.

Investment and loan commitments

As of September 30, 2018, the Partnership was obligated to four portfolio companies to fund up to \$32.5 million, of which \$3.5 million was funded subsequent to period end.

Indemnification

The Partnership has provided standard representations for agreements and customary indemnification for claims and legal proceedings. Insurance has been purchased to mitigate certain of these risks. Generally, there are no stated or notional amounts included in these indemnifications and the contingencies triggering the obligation for indemnification are not expected to occur. Furthermore, often counterparties to these transactions provide comparable indemnifications. The Partnership is unable to develop an estimate of the maximum payout under these indemnifications for several reasons. In addition to the lack of a stated or notional amount in a majority of such indemnifications, it is not possible to predict the nature of events that would trigger indemnification or the level of indemnification for a certain event. The Partnership believes, however, that the possibility of making any material payments for these indemnifications is remote. As of September 30, 2018 and December 31, 2017, there was no liability accrued under these arrangements.

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

Financial Support of GDH Ltd.

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

28. SUBSEQUENT EVENT

On November 9, 2018, the Partnership announced several strategic operational and organizational changes. Based on the regulatory framework and the opportunities it is seeing, the Partnership decided to reposition its advisory services business from focusing on small ICO advisory and blockchain consulting to instead serve larger, more institutional clients in the space. To that end, the Partnership is closing its Vancouver office, and will be adding to its New York-based team. In addition, the Partnership announced certain personnel changes.