



**GALAXY**  
D I G I T A L

**Galaxy Digital Holdings LP**  
**Condensed Consolidated Interim Financial Statements**

For the Three Months Ended March 31, 2022 and 2021

(Expressed in US Dollars)

(Unaudited)

# Galaxy Digital Holdings LP

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

	March 31, 2022	December 31, 2021
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 848,205	\$ 811,129
Digital assets (Note 6)	2,265,442	2,420,777
Receivable for digital asset trades (Note 6)	10,219	8,332
Digital asset loans receivable (Note 7)	172,849	192,684
Digital assets receivables (Note 6)	50,355	52,998
Assets posted as collateral (Note 7, 8, 9)	131,623	71,400
Receivables (Note 11)	120,925	26,665
Due from broker	85,972	29,647
Derivative assets (Note 9)	45,744	45,669
Prepaid expenses and other assets (Note 12)	101,609	66,793
Loans receivable (Note 8)	303,534	190,087
Due from related party (Note 20)	6,619	25,023
Total current assets	4,143,096	3,941,204
Digital assets receivables (Note 6)	35,737	18,659
Investments (Note 10)	1,006,187	1,069,776
Right of use asset (Note 13)	11,300	11,746
Property and equipment (Note 13)	33,191	17,162
Deferred tax asset (Note 25)	13,325	10,259
Intangible assets (Note 13)	2,777	3,087
Goodwill (Note 13)	24,645	24,645
Total non-current assets	1,127,162	1,155,334
<b>Total assets</b>	<b>\$ 5,270,258</b>	<b>\$ 5,096,538</b>
<b>Liabilities and Equity</b>		
<b>Current liabilities</b>		
Investments sold short (Note 10)	25,403	11,630
Derivative liabilities (Note 9)	31,654	25,567
Warrant liability (Note 15)	17,802	20,488
Accounts payable and accrued liabilities (Note 14)	89,442	146,243
Payables to customers (Note 14)	138,119	142,441
Taxes payable	43,977	42,341
Payable for digital asset trades (Note 6)	20,771	13,216
Digital asset loans payable (Note 7)	864,525	905,013
Loans payable (Note 8)	129,236	33,289
Collateral payable (Note 7, 8, 9)	755,315	480,088
Lease liability	2,381	2,164
Non-controlling interests liability	147,760	161,536
Total current liabilities	2,266,385	1,984,016
Notes payable (Note 15)	472,361	475,330
Deferred tax liability (Note 25)	8,512	25,608
Lease liability	12,631	13,233
Total non-current liabilities	493,504	514,171
<b>Total liabilities</b>	<b>2,759,889</b>	<b>2,498,187</b>
<b>Equity</b>		
Partners' capital (Note 15)	2,510,369	2,598,351

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

## Galaxy Digital Holdings LP

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

<b>Total equity</b>	2,510,369	2,598,351
<b>Total liabilities and equity</b>	<b>\$ 5,270,258</b>	<b>\$ 5,096,538</b>

Nature and continuance of operations (Note 1)

Commitments and contingencies (Note 24)

Subsequent event (Note 26)

The condensed consolidated interim financial statements were authorized for issuance by the Board of Managers of Galaxy Digital Holdings GP LLC on May 9, 2022 and were signed on its behalf by:

"Alex Ioffe" 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 Comprehensive Income  
(Expressed in thousands of US Dollars - unaudited)

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
<b>Income</b>		
Advisory and management fees	\$ 11,873	\$ 1,913
Net realized gain (loss) on digital assets	354,981	730,712
Net realized gain (loss) on investments (Note 10)	69,438	151,138
Interest income	14,635	8,533
Net derivative gain (loss) (Note 9)	81,977	(45,185)
Net income from digital asset mining (Note 19)	6,738	923
Leasing income from mining equipment (Note 19)	3,071	506
Other income	847	1,187
	<b>543,560</b>	<b>849,727</b>
<b>Operating expenses</b>		
Compensation and compensation related (Notes 20)	40,548	94,952
Equity based compensation (Note 20)	22,762	7,099
General and administrative (Note 18, 19)	17,255	5,341
Professional fees (Note 17)	9,591	4,566
Profit share arrangement expense (Note 20)	—	4,134
Interest	12,807	13,792
Notes interest expense	7,274	—
Insurance	498	150
Director fees (Notes 15, 20)	195	208
	<b>(110,930)</b>	<b>(130,242)</b>
Net unrealized gain (loss) on digital assets	(500,271)	362,909
Net unrealized gain (loss) on investments (Note 10)	(74,128)	58,282
Net gain (loss) on notes payable - derivative (Note 15)	6,493	—
Net gain (loss) on warrant liability (Note 15)	2,521	(36,817)
Foreign currency gain (loss)	2,017	2,718
(Gain) loss attributable to non-controlling interests liability	13,411	(248,619)
	<b>(549,957)</b>	<b>138,473</b>
<b>Income (loss) before income taxes</b>	<b>(117,327)</b>	<b>857,958</b>
Income taxes expense (benefit) (Note 25)	(6,119)	—
<b>Net income (loss) for the period</b>	<b>\$ (111,208)</b>	<b>\$ 857,958</b>
<b>Other comprehensive income (loss)</b>		
Foreign currency translation adjustment	\$ (468)	\$ 284
<b>Net comprehensive income (loss) for the period</b>	<b>\$ (111,676)</b>	<b>\$ 858,242</b>

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 thousands of US Dollars - unaudited)

	Class A Unit Capital		Class B Unit Capital		Total
	Number	Amount	Number	Amount	
<b>Balance at December 31, 2020</b>	<b>91,248,507</b>	<b>\$ 346,602</b>	<b>222,905,934</b>	<b>\$ 451,609</b>	<b>\$ 798,211</b>
Equity based compensation (Note 15)	—	2,119	—	5,188	7,307
Contributions (Note 15, 16)	—	—	—	—	—
Distributions (Note 15, 16)	—	—	—	—	—
Vesting of Class B Units	—	—	—	—	—
Exchange of Class B Units	328,116	1,134	(328,116)	(1,134)	—
Issuance of Class A Units on exercise of warrants	1,128,554	12,199	—	—	12,199
Foreign currency translation adjustment	—	—	—	284	284
Income for the period	—	249,915	—	610,043	859,958
<b>Balance at March 31, 2021</b>	<b>92,705,177</b>	<b>\$ 611,969</b>	<b>222,577,818</b>	<b>\$ 1,065,990</b>	<b>\$ 1,677,959</b>
<b>Balance at December 31, 2021</b>	<b>101,550,494</b>	<b>\$ 941,397</b>	<b>228,110,373</b>	<b>\$ 1,656,954</b>	<b>\$ 2,598,351</b>
Equity based compensation (Note 15)	—	7,013	—	15,907	22,920
Exchange of Class B Units	30,000	236	(30,000)	(236)	—
Issuance of Class A Units on exercise of warrants, and stock options	55,388	648	—	—	648
Other	—	(144)	—	(198)	(342)
Loss for the period	—	(34,016)	—	(77,192)	(111,208)
<b>Balance at March 31, 2022</b>	<b>101,635,882</b>	<b>\$ 915,134</b>	<b>228,080,373</b>	<b>\$ 1,595,235</b>	<b>\$ 2,510,369</b>

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

# Galaxy Digital Holdings LP

Condensed Consolidated Interim Statements of Cash Flows  
(Expressed in thousands of US Dollars - unaudited)

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
<b>Operating activities</b>		
Net income (loss) for the period	\$ (111,208)	\$ 857,958
Adjustments for:		
Depreciation	2,437	771
Amortization of intangible assets	17	—
Equity based compensation	22,762	7,099
Equity based compensation included in directors fees	158	208
Interest expense	12,807	13,792
Interest income	(14,635)	(8,533)
Net realized gain on digital assets	(354,981)	(730,712)
Net realized gain on investments	(69,438)	(151,138)
Net derivative (gain) loss	(81,977)	45,185
Net unrealized (gain) loss on digital assets	500,271	(362,909)
Net unrealized (gain) loss on investments	74,128	(58,282)
Net loss on notes payable - derivative	(6,493)	—
Revaluation of warrant liability	(2,521)	36,817
Notes interest expense	7,274	—
(Gain) loss attributable to non-controlling interests liability	(13,411)	248,619
Net deferred tax expense	(20,028)	—
Unrealized foreign currency (gain) loss	(545)	(3,068)
Changes in operating assets and liabilities:		
Net digital asset activity	178,056	7,277
Investments sold short	14,295	3,090
Receivables	(84,395)	(18,978)
Due from broker	(56,325)	(11,903)
Due from related party	18,732	(1,401)
Derivative assets and liabilities	87,989	(66,442)
Loans receivable, net of repayment	(113,447)	(51,717)
Prepaid expenses and other assets	(34,816)	(8,628)
Accounts payable and accrued liabilities	(59,329)	74,145
Collateral payable - cash portion	11,107	9,250
Payable to customers	(4,322)	—
Payable for taxes	1,636	—
Net cash used in operating activities	(96,202)	(169,500)
<b>Investing activities</b>		
Purchase of property and equipment	(17,723)	(2,728)
Purchase of investments	(43,401)	(38,686)
Proceeds and distributions from investments	101,230	168,168
Net cash provided by investing activities	40,106	126,754
<b>Financing activities</b>		
Cash paid for principal portion of lease liability	(712)	(242)

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

# Galaxy Digital Holdings LP

Condensed Consolidated Interim Statements of Cash Flows  
(Expressed in thousands of US Dollars - unaudited)

Proceeds from warrant exercise	155	—
Loans payable, net of repayment	95,947	42,400
Notes payable	(3,750)	—
Receipts from non-controlling interests liability holders	7,815	81,932
Disbursements to non-controlling interests liability holders	(5,815)	(126,416)
Net cash provided by (used in) financing activities	93,640	(2,326)
Impact of exchange rate change on cash and other	(468)	284
Net increase in cash	37,076	(44,788)
Cash, beginning of period	811,129	137,951
Cash, end of period	\$ 848,205	\$ 93,163

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

### Cash paid during the period for:

Interest	\$ (3,277)	\$ (413)
Taxes	\$ 12,308	\$ —

### Non-cash activities:

Receivable for digital asset trades	\$ (1,887)	\$ (15,640)
Digital asset receivable - transfers	\$ 12,028	\$ —
Purchases of digital assets receivable in digital assets	\$ (35,720)	\$ —
Digital assets loans receivable	\$ 19,835	\$ (196,550)
Assets posted as collateral	\$ (60,223)	\$ (21,071)
Payable for digital asset trades	\$ 7,555	\$ (14,645)
Digital asset loans payable	\$ (40,488)	\$ 265,437
Collateral payable	\$ 264,120	\$ 143,663
Interest paid in digital assets	\$ (9,952)	\$ 7,772
Interest received in digital assets	\$ 5,294	\$ (4,201)
Total value of exercised warrants	\$ 165	\$ 4,890
Due from related party for equity issued for stock options exercised	\$ 328	\$ —
Reclassification between investments and digital assets	\$ 1,505	\$ 200
Receivables for issuance of A units on exercise of warrants	\$ —	\$ 7,309
Purchase of investments paid in digital assets	\$ (950)	\$ 2,201
In-kind receipts from non-controlling interests liability holders	\$ 2,954	\$ —
In-kind disbursements from non-controlling interests liability holders	\$ (5,318)	\$ —

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 Months Ended March 31, 2022 and 2021  
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## 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. The Partnership's principal address is 300 Vesey Street, New York, New York, 10282.

GDH LP, an operating partnership, is managed by the board of managers and officers of the general partner, Galaxy Digital Holdings GP LLC ("GDH GP" or the "General Partner"). Galaxy Digital Holdings Ltd. ("GDH Ltd." or "Company") has a minority investment in the operating partnership and is listed on the Toronto Stock Exchange ("TSX") under the ticker "GLXY".

Galaxy is a technology-driven diversified financial services and investment management firm that provides institutions with a full suite of scaled financial solutions spanning the digital assets ecosystem. Galaxy's mission is engineering a new economic paradigm. Today, we are primarily focused on digital assets, cryptocurrencies and blockchain technology, and how these technological innovations will drastically alter the way we store and transfer value. The Company capitalizes on market opportunities made possible by the rapid evolution of the digital asset ecosystem. The Company operates in the following reportable segments: trading, asset management, investment banking, mining and principal investments.

### *General Partner*

GDH GP, is a limited liability company incorporated under the laws of the Cayman Islands on July 26, 2018 and serves as the general partner of GDH LP. The sole LLC member of the General Partner is Galaxy Group Investments LLC ("GGI"), which is controlled by the Chief Executive Officer ("CEO") of the General Partner, and the General Partner has a Board of Managers.

### *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 generating sufficient cash flow and/or obtaining necessary financing to meet its commitments as they come due and to continue building a diversified financial services and investment management business in the cryptocurrency and blockchain sectors. At March 31, 2022, the Partnership had cash of \$848.2 million (December 31, 2021 - \$811.1 million) and partners' capital of \$2.5 billion (December 31, 2021 - \$2.6 billion). 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 International Accounting Standard ("IAS") 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the December 31, 2021 audited consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with GDH LP's audited consolidated financial statements for the year ended December 31, 2021.

Except for the new accounting policies disclosed in Note 4, the accounting policies applied in these unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in the Partnership's audited financial statements for the year ended December 31, 2021. The Partnership's interim results are not necessarily indicative of its results for a full year.

These unaudited condensed consolidated interim financial statements were approved by the Board of Managers of GDH GP and authorized for issuance on May 9, 2022.

### *Comparative Figures*

Certain comparative figures on the statement of financial position, statement of comprehensive income, statement of equity and statement of cash flows have been reclassified to conform to the current year's presentation.



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## Basis of Measurement

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

## 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 IAS 21. The functional and the presentation currency for the Partnership is the United States dollar ("US dollar").

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

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 of the date of the statement of financial position; (ii) income and expense items are translated at the average rates of exchange in effect during the reporting period; and (iii) all resulting exchange differences are recognized in accumulated other comprehensive income.

## 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.

## Scope of financial statements

### Income taxes

Income tax expense comprises current and deferred tax. Current income tax and deferred income tax expense are recognized in profit or loss other than current and deferred income taxes relating to items recognized directly in other comprehensive income ("OCI"), which are also recognized directly in OCI.

These condensed consolidated interim financial statements represent the financial position of the Partnership and do not include the other assets and liabilities, and income and expenses of the partners. As GDH LP is a Cayman exempted limited partnership treated as a partnership for US Federal tax purposes, items of income, gain, loss, deduction, and credit are allocated to the partners and, as such, income taxes are generally the responsibility of the partners. GDH LP is subject to an entity level New York City unincorporated business tax ("UBT") at a rate of 4.0% on income allocated or apportioned to New York City. Foreign corporate subsidiaries are generally subject to taxes in the foreign jurisdictions where they are treated as domiciled under their respective tax laws. Accordingly, no provision for income tax expense has been recorded in these condensed consolidated interim financial statements other than for GDH LP's UBT obligation and for the entities in the consolidated GDH LP group subject to income taxes in the local jurisdictions in which they operate. The allocation of taxable income to partners may vary substantially from net income reported in these condensed consolidated interim financial statements.

Current income tax assets and liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries, based on the tax rates and laws enacted or substantively enacted as of the date of the statement of financial position.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets are realized or the liabilities settled, using the tax rates and laws enacted or substantively enacted as of the date of the statement of financial position. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax assets are generally recognized for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be

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utilized, unless the deferred tax assets arise from the initial recognition of an asset or liability other than in a business combination which, at the time of the transaction, does not affect accounting profit or taxable profit. Deferred tax assets for deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint arrangements, are only recognized to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available against which the temporary difference will be utilized. The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent it is no longer probable that the income tax assets will be recovered.

Deferred tax liabilities are generally recognized on taxable temporary differences between the tax bases and the carrying amounts of assets and liabilities for financial statement purposes other than for liabilities arising from: (1) the initial recognition of goodwill, (2) the initial recognition of assets or liabilities other than in a business combination which, at the time of the transaction, do not affect either the accounting or the taxable profit and do not give rise to equal taxable and deductible temporary differences, or (3) temporary differences associated with investments in subsidiaries, branches, and associates, and interests in joint arrangements, but only to the extent that the entity is able to control the timing of the reversal of the differences and it is probable that the reversal will not occur in the foreseeable future.

A provision for tax treatment uncertainties which meet the probable threshold for recognition is measured using either the most likely amount or the expected value, depending upon which method provides the better prediction of the resolution of the uncertainty.

## **Allocation of income and/ or loss**

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

## **Use of estimates and judgments**

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

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

## **Significant judgments in applying accounting policies**

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

### ***Digital assets***

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.

### ***Income from digital asset mining***

The Partnership recognizes income from the provision of transaction verification services within the bitcoin network, commonly referred to as "cryptocurrency mining". The Partnership receives bitcoins from the mining pool operator as consideration for its participation in the pool. Income earned from mining is measured based on the fair value of the bitcoin reward received net of costs directly related to earning the income. The fair value is derived based on the end of day spot price of the coins, on the date of receipt. Currently no specific guidance in IFRS or alternative accounting frameworks exist regarding the accounting of digital currencies obtained via mining. The Partnership has exercised judgement in determining the appropriate accounting treatment for the recognition of income from mining.

## ***Determination of lease type***

As part of its mining business, the Partnership enters into lease agreements with counterparties as a lessor. On entering into these arrangements, the Partnership assesses whether the lease is a finance lease or an operating lease. As part of this determination, the Partnership makes a number of estimates associated with the lease, the counterparty, and the fair value of the underlying assets. The accounting for an operating lease is significantly different from that of a finance lease. As such, this determination has a significant impact on the way the leased assets are presented within the Partnership's consolidated financial statements.

## ***Valuation techniques***

The fair values of all investments are measured using the market or income approaches (Note 22). 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 a quarterly basis, 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 a quarterly basis.

## ***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.

## ***Level of control and influence over investments and funds***

Classification of investments requires judgment on whether the Partnership controls, has joint control or significant influence over the strategic financial and operating decisions relating to the activity of the investee. In assessing the level of control or influence that the Partnership has over an investment, management considers ownership percentages, board representation as well as other relevant provisions in shareholder agreements. As of March 31, 2022 and December 31, 2021, the Partnership had greater than 20% ownership in certain of its underlying investments and board representation in other investments. The Partnership elected the FVTPL option for investments for which it was concluded that it had significant influence under IAS 28.

Classification of the funds formed by the Partnership requires judgement on the degree of control and influence over these funds. Key to the assessment of control is determining whether the Partnership, as manager of these funds, is acting as principal or agent. Management considers key factors such as power, returns and its ability to use its power to affect the amount of returns, to determine which funds it controls and consolidates and those which it has significant influence and requires equity accounting. As at March 31, 2022 and December 31, 2021, after completing an analysis under IFRS 10, the Partnership has determined it has control of Galaxy Crypto Index Fund, L.P., Galaxy Crypto Index Master Fund, L.P., Galaxy Ethereum Fund L.P., Galaxy Institutional Ethereum Master Fund, L.P., Galaxy Institutional Ethereum Fund, L.P., Galaxy Bitcoin Liquidity Fund, LP, Galaxy DeFi Index Fund, Galaxy Institutional Solana Fund, LP and Galaxy Institutional Solana Master Fund, LP (Note 16).

## ***Deferred income taxes***

These consolidated financial statements represent the financial position of the Partnership and do not include the other assets and liabilities, and income and expenses of the partners. As GDH LP is a Cayman exempted limited partnership treated as a partnership for US Federal tax purposes, items of income, gain, loss, deduction, and credit are allocated to the partners and, as such, income taxes are generally the responsibility of the partners. GDH LP is subject to an entity level New York City unincorporated business tax ("UBT") at a rate of 4.0% on income allocated or apportioned to New York City. Foreign corporate subsidiaries are generally subject to taxes in the foreign jurisdictions where they are treated as domiciled under their respective tax laws. Accordingly, no provision for income taxes has been recorded in these consolidated financial statements other than for GDH LP's UBT obligation and for the entities in the consolidated GDH LP group subject to income taxes in the local jurisdictions in which they operate.

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Judgment is required in determining whether deferred tax assets, including those arising from unutilized tax losses, are recognized in the statement of financial position. This analysis requires that management assess the likelihood that the Partnership and/or its subsidiaries will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasting cash flows from operations and applying existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Partnership to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Partnership and/or its subsidiaries operate could limit the ability of the Partnership to realize tax deductions in future periods. The allocation of taxable income to partners may vary substantially from net income reported in these consolidated financial statements.

## 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 22). 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.

### ***Embedded derivatives - valuation***

Derivatives embedded in other financial liabilities or host contracts are treated as separate stand-alone derivatives when the following conditions are met:

- their economic characteristics and risks are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the combined contract is not held for trading or designated at fair value through profit or loss.

Where an embedded derivative is separable from the host contract but the fair value, as at the acquisition or reporting date, cannot be reliably measured separately, the entire combined contract is measured at fair value. All embedded derivatives are presented on a combined basis with the host contracts although they are separated for measurement purposes when conditions requiring separation are met. Subsequent changes in fair value of the embedded derivatives are recognized in non-interest income in the consolidated statement of comprehensive income.

All derivatives, including embedded derivatives that must be separately accounted for, are recorded at fair value in the consolidated statements of financial position. The determination of the fair value of derivatives includes consideration of credit risk, estimated funding costs and ongoing direct costs over the life of the instruments.

The Partnership uses the Black-Scholes Option Pricing model to determine the fair value of the embedded derivative related to Notes payable. This estimate requires management to make significant judgments and assumptions about the most appropriate inputs to the valuation model including the volatility, time-step and risk-free rate. If different input assumptions are used, the changes can materially affect the fair value estimate.

### ***Estimated useful lives of property and equipment***

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

## ***Valuation of equity based compensation***

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

## ***Valuation of warrant liability***

The warrants issued in connection with the Private Investment in Public Equity ("PIPE") (Note 15) are recorded as a derivative financial liability as these warrants are exercisable in Canadian dollars, differing from the Partnership's functional currency, which is US Dollars. The Partnership measures the initial warrant liability and subsequent revaluations of the warrant liability by reference to the fair value of the warrants at the date at which they were issued and subsequently revalues them at each reporting date. Estimating fair value for these warrants requires management to determine the most appropriate valuation model. The Partnership uses the Black-Scholes Option Pricing Model to determine the fair value of its warrant liability. This estimate also requires management to make significant judgments and assumptions about the most appropriate inputs to the valuation model including the expected life of the warrants, volatility and dividend yield. If different input assumptions are used, the changes can materially affect the fair value estimate.

## ***Valuation and economic recoverability of goodwill and intangible assets***

Goodwill and intangible assets are capitalized if they are expected to have future economic benefits and are expected to be economically recoverable. Purchased intangibles are valued on acquisition using established methodologies and amortized over their estimated useful economic lives, except in those cases where intangibles are determined to have indefinite lives, where there is no foreseeable limit over which these intangible assets would generate net cash flows. The valuations and lives of goodwill and intangible assets are based on management's best estimates of future performance and periods over which value from intangible assets will be derived. Goodwill and intangible assets are tested for impairment at each reporting date. Management first reviews qualitative factors in determining if an impairment needs to be recorded. Quantitative factors are then used to calculate the amount of impairment, if needed. The 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.

## ***Income taxes***

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

## ***COVID-19***

In March 2020, the World Health Organization declared COVID-19 (Coronavirus) a global pandemic. For the safety and well-being of its employees, the Partnership has implemented its business continuity plans, including remote work arrangements. Nonetheless, the COVID-19 pandemic has caused global economic uncertainty. To date, globally, there has been significant volatility in markets and foreign exchange rates, restriction on conduct of business in many jurisdictions, including travel restrictions and supply chain disruptions. The Partnership has evaluated the potential impacts arising from COVID-19 on all aspects of its business and, to date, the Partnership has not been uniquely impacted by COVID-19. Given the pandemic's uncertainty, including the possibility of new and more virulent strains of the virus it is not possible to predict the duration or magnitude of the adverse results of the outbreak and its effect on the Partnership at this time.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied in these unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in the Partnership's audited financial statements for the year ended December 31, 2021.

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## 4. NEW ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

The Partnership did not adopt any new accounting standards during the quarter ended March 31, 2022. Refer to Note 3 for the Partnership's accounting policies.

### Accounting standards and amendments to existing standards that are not yet effective

In February 2021, the IASB issued amendments to IAS 1 *Presentation of Financial Statements*, amendments to IFRS Practice Statement 2 *Making Materiality Judgements* and amendments to IAS 8 *Definition of Accounting Estimate*. The amendments require companies to disclose material accounting policies rather than their significant accounting policies and also help distinguish between changes in accounting estimates versus accounting policies. These amendments are effective for annual periods starting on or after January 1, 2023. The Partnership is assessing the impact of these amendments.

In January 2020, the IASB issued amendment to IAS 1, *Presentation of Financial Statements* to clarify the requirements for classifying liabilities as current or non-current. The new guidance will be effective for annual periods starting on or after January 1, 2023. The Partnership is assessing the impact of this amendment.

## 5. KEY TERMS OF LIMITED PARTNERSHIP AGREEMENT

The key terms of limited partnership agreement are consistent with those disclosed in the Partnership's audited financial statements for the year ended December 31, 2021.

## 6. 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 i.e. fair value less cost to sell, with changes in fair value less cost to sell recognized in profit or loss. Below are the Partnership's digital asset holdings as of March 31, 2022 and December 31, 2021:

(in thousands)	March 31, 2022	December 31, 2021
Digital assets:		
Unrestricted <sup>(1)</sup>	\$ 2,219,431	\$ 2,416,633
Restricted	46,011	4,144
	<b>\$ 2,265,442</b>	<b>\$ 2,420,777</b>

<sup>(1)</sup> The digital asset balance as of March 31, 2022 and December 31, 2021 includes \$257.0 million and \$288.5 million, respectively, of digital assets held in consolidated funds managed by the Partnership.

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

Unrestricted – Digital assets held by the Partnership, typically acquired through direct purchase, borrowing or via pre-network launch investments whereby the related company or project has completed its token generation event, or network launch, and has distributed such digital assets to the holder. The Partnership participates from time to time in proof of stake programs. Proof of stake protocols are individually assessed for restrictions. As of the periods presented, staked tokens have been identified as unrestricted.

Restricted – Certain digital assets held by the Partnership are restricted by lock-up schedules associated with pre-network launch investments. Certain restricted digital assets also include assets which are not self-custodied but are used by the Partnership for various quantitative trading strategies.

During the periods ended March 31, 2022 and 2021, the Partnership engaged in several trading strategies with respect to its digital assets, including cross-exchange arbitrage as well as market neutral trading strategies across a variety of crypto assets and exchanges. Realized gains and losses are recognized in profit or loss.

The Partnership's realized gain or loss on a digital asset is calculated as the proceeds received from the sale of the digital asset less its assigned original cost. The Partnership's unrealized gain or loss on a digital asset consists of both the change in fair

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value on a digital asset from the beginning of the period and the reversal of any previously recognized unrealized gain or loss on a digital asset sold during the period.

## Payable and receivable for digital asset trades

As of March 31, 2022 and December 31, 2021, there were a number of unsettled trades. The amounts receivable and payable were \$10.2 million (December 31, 2021 - \$8.3 million) and \$20.8 million (December 31, 2021 - \$13.2 million), respectively. These trades settle shortly after period end.

## Digital assets receivables

Digital assets receivables relate to certain digital assets that are yet to be distributed to the Partnership as of the end of the period and which are expected to be distributed over time according to a release schedule (generally via a token sale agreement). As the digital assets are received by the Partnership, they will be reclassified from digital assets receivable to digital assets. The unrealized gains or losses on the digital assets receivables are recognized in net unrealized gain (loss) on digital assets. As at March 31, 2022, the Partnership had \$50.4 million (December 31, 2021 - \$53.0 million) in short-term digital assets receivables and \$35.7 million (December 31, 2021 - \$18.7 million) in long-term digital assets receivables.

## 7. DIGITAL ASSET LOANS RECEIVABLE AND PAYABLE

In the ordinary course of business, the Partnership enters into facilities to borrow cryptocurrencies in order to lend to counterparties, thus earning a return through the spread between its borrowing and lending rates. From time to time, the Partnership has also borrowed cryptocurrencies as part of trading strategies. In addition, the Partnership may, on occasion, lend cryptocurrencies using its holdings.

### Digital asset loans receivable

During the period ended March 31, 2022, the Partnership loaned select cryptocurrencies to borrowers at annual rates predominantly ranging from 3% to 13%. The Partnership's loan portfolio is made up of callable (open-term) loans and term loans. For the Partnership's callable loans, there is no set term and the borrower can prepay without penalty. The Partnership can generally demand the repayment of the loans at any time by providing between three to twenty business days notice. For the Partnership's term loans, either the Partnership or the lender can terminate the outstanding loan upon 30 days notice. The borrower is generally required to post collateral over 100% of the loan value in either US dollars or select cryptocurrencies.

As of March 31, 2022, the Partnership had a digital asset loans receivable balance of \$172.8 million (December 31, 2021 - \$192.7 million).

Under the terms of the master loan agreements, the Partnership is entitled to use ("rehypothecate") designated cash and cryptocurrency collateral in its business. Collateral, where the Partnership has a right to rehypothecate the assets, is reflected in the Partnership's cash and digital asset balances with a corresponding entry to collateral payable on the statement of financial position. As of March 31, 2022, borrowers posted cash collateral of \$3.8 million (December 31, 2021 - \$9.8 million) and cryptocurrency collateral of \$279.5 million (December 31, 2021 - \$202.3 million), where the Partnership had a right to rehypothecate the assets. In contrast, collateral posted by borrowers, where the Partnership does not have a right to rehypothecate the assets, has no impact on the Partnership's statement of financial position as the Partnership is not entitled to utilize the posted amounts unless there is an event of default. There was \$0 of such collateral posted as of March 31, 2022 or December 31, 2021.

### Digital asset loans payable

As of March 31, 2022 and December 31, 2021 digital asset loans payable consisted of the following:

(in thousands)	March 31, 2022	December 31, 2021
Master loan agreements	\$ 723,434	\$ 843,872
Credit facility from exchange	141,091	61,141
	<b>\$ 864,525</b>	<b>\$ 905,013</b>

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## Master loan agreements

During the period ended March 31, 2022, the Partnership entered into master loan agreements with lenders and counterparties to borrow select cryptocurrencies at annual rates of interest predominantly ranging from 1% to 15%. For most of the loans, there is no set term of repayment and the Partnership can prepay the loans without penalty. In addition, the lenders can generally demand the repayment of the loans at any time by providing between five to twenty business days notice. The Partnership is generally required to post collateral between 0% to 100% of the loan value in either US dollars or in select cryptocurrencies.

As of March 31, 2022, the Partnership posted cash and cryptocurrency collateral of \$0 (December 31, 2021 - \$45.0 million) for digital asset loans payable which is reflected as Assets posted as collateral on the statement of financial position.

## Credit facility from exchange

The Partnership has entered into credit facilities with certain exchanges and uses credit facilities provided within exchange accounts to conduct trading activity. In accordance with the policy of the exchange, four of these arrangements are not pursuant to a formal credit facility agreement and are managed automatically on the trading platform. Two arrangements are pursuant to a formal agreement requiring the Partnership to post collateral of 10 to 25% in conjunction with the amounts drawn. These credit facilities are restricted from withdrawals from exchange accounts and bear interest rates ranging from 0% to 5% annually. The total amount extended under these credit facilities at March 31, 2022 was \$2.2 million (December 31, 2021 - \$2.2 million) in cash and \$141.1 million (December 31, 2021 - \$61.1 million) in digital assets.

## **8. LOANS RECEIVABLE AND PAYABLE**

### **Fiat currency loans**

In the ordinary course of business the Partnership may borrow and lend fiat currency, such as US dollars, to counterparties to facilitate other digital asset trading and lending activity.

During the period ended March 31, 2022, the Partnership loaned fiat currencies to borrowers at annual rates predominantly ranging from 5% to 15%. For most of the loans, there is no set term and the borrower can prepay without penalty. The borrower is generally required to post collateral over 100% of the loan value in select cryptocurrencies.

As of March 31, 2022, the Partnership had a Loans receivable balance of \$303.5 million (December 31, 2021 - \$190.1 million) for which respective borrowers had posted cryptocurrency collateral of \$409.1 million (December 31, 2021 - \$242.2 million), where the Partnership had a right to rehypothecate the assets, and \$119.0 million of cryptocurrency collateral (December 31, 2021 - \$87.5 million), where the Partnership did not have a right to rehypothecate the assets.

During 2021, the Partnership entered into revolving credit agreements with counterparties to extend fiat currency or digital asset loans. As of March 31, 2022, the maximum value of these revolving credit agreements was \$267.5 million. These arrangements have a stated monthly interest rate regardless of credit extended. As of March 31, 2022, \$100.0 million (December 31, 2021 - \$60.0 million) in fiat currency had been borrowed by counterparties under these credit agreements.

During the period ended March 31, 2022, the Partnership borrowed fiat currencies from lenders at annual rates ranging from 4% to 6%. For the majority of these loans, there is no set repayment term and the Partnership can prepay without penalty. As of March 31, 2022, the Partnership had loans payable of \$129.2 million (December 31, 2021 - \$33.3 million) of which the Partnership posted cryptocurrency collateral of \$131.6 million (December 31, 2021 - \$26.4 million).



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## 9. DERIVATIVES ASSETS AND LIABILITIES

For the three months ended March 31, 2022 and 2021, the Partnership recognized \$82.0 million and \$(45.2) million, respectively, of net derivative gain (loss). The net gains for the three months ended March 31, 2022 were due to positioning, economic hedging and as part of a trading strategy. The Company held \$36.7 million of collateral at the period ended March 31, 2022 (December 31, 2021: \$20.3 million), related to derivative activity, and the collateral was included in Collateral payable. The embedded derivative associated with the Exchangeable Notes are presented within Notes payable on the Partnership's consolidated statements of financial position (Note 15).

The following table represents the breakdown of the Partnership's derivatives portfolio as of March 31, 2022 and December 31, 2021:

### March 31, 2022

(in thousands)	Notional	Gross Fair Value - Derivative Assets	Gross Fair Value - Derivative Liabilities
Digital Currency Futures	\$ 178,851	\$ 1,750	\$ (883)
Digital Currency Forwards	9,398	5,564	(1,337)
Digital Currency Options	694,151	32,360	(16,520)
Digital Currency Swaps	9,294	22	(149)
Treasury Futures	1,655,844	—	(1,875)
Foreign Currency Swaps	95,757	441	(35)
Index Futures	198,900	993	(167)
Foreign Currency Forwards	336,394	2,039	(7,713)
Foreign Currency Options	100,598	—	(1,663)
Exchanged Traded Treasury Futures <sup>(1)</sup>	1,562,222	141	(10)
Exchanged Traded Index Futures <sup>(1)</sup>	149,340	1,072	(1,051)
Exchange Traded Digital Currency Options <sup>(1)</sup>	10,977	1,362	(62)
Exchange Traded Digital Currency Futures <sup>(1)</sup>	1	—	(189)
	<b>\$ 5,001,727</b>	<b>\$ 45,744</b>	<b>\$ (31,654)</b>

<sup>1</sup> Exchange traded digital currency futures and options are traded on a traditional financial exchange.

### December 31, 2021

(in thousands)	Notional	Gross Fair Value - Derivative Assets	Gross Fair Value - Derivative Liabilities
Digital Currency Futures	\$ 1,630	\$ —	\$ —
Digital Currency Forwards	4,637	—	(4,378)
Digital Currency Options	26,599	39,574	(9,166)
Digital Currency Swaps	44,876	1	—
Treasury Futures	1,682,238	—	(4,542)
Foreign Currency Swaps	13,206	59	(65)
Index Futures	94,965	—	(4,920)
Exchange Traded Digital Currency Options <sup>(1)</sup>	53,302	6,035	(194)
Exchange Traded Digital Currency Futures <sup>(1)</sup>	43,851	—	(2,302)
	<b>\$ 1,965,304</b>	<b>\$ 45,669</b>	<b>\$ (25,567)</b>

<sup>1</sup> Exchange traded digital currency futures and options are traded on a traditional financial exchange.

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The Partnership's derivative portfolio collectively had a maturity date of less than a year as of March 31, 2022.

As of March 31, 2022, in connection with the open digital currency options, counterparties had posted cash collateral of \$8.5 million (December 31, 2021 - \$6.2 million) and cryptocurrency collateral of \$28.2 million (December 31, 2021 - \$14.3 million), where the Partnership had a right to rehypothecate the assets.

## 10. INVESTMENTS

### Investments

The Partnership's holdings of investments generally are not traded in active markets. Investments are accounted for as financial assets which are initially recognized at fair value and subsequently measured at fair value through unrealized profit or loss. Below are the Partnership's investments as of March 31, 2022 and December 31, 2021:

(in thousands)	March 31, 2022	December 31, 2021
Common stock	\$ 271,905	\$ 271,293
Convertible notes	10,146	9,768
LP/LLC interests	316,907	383,280
Pre-Launch network	5,938	6,393
Preferred stock	393,013	382,182
Warrants/Trust units/Trust shares	8,279	16,860
	<b>\$ 1,006,187</b>	<b>\$ 1,069,776</b>

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.

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

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 and governance rights over the operations of the limited partnership or limited liability company.

Pre-Launch network: 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 network launch.

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.

Warrants/ Trust Units/ Trust Shares: 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. Trust shares represent investments in traditional investment vehicles that enable investors to gain exposure to price movements of underlying assets.

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## Continuity schedule of investments

The below table shows components of the change in investments for the period ended March 31, 2022 and year ended December 31, 2021:

(in thousands)	Investments
<b>Balance as at December 31, 2020</b>	<b>\$ 260,383</b>
Purchases	340,472
Proceeds from investments <sup>(1)</sup>	(252,154)
Distribution	(49,814)
Deconsolidation	(6,842)
Transfer to digital assets	(2,500)
Net realized gain on investments	235,622
Net unrealized gain on investments	540,516
Other <sup>(2)</sup>	4,093
<b>Balance as at December 31, 2021</b>	<b>1,069,776</b>
Purchases	44,351
Proceeds from investments <sup>(1)</sup>	(100,298)
Distribution	(933)
Transfer to digital assets	(1,505)
Net realized gain on investments	69,342
Net unrealized loss on investments	(74,554)
Other <sup>(2)</sup>	8
<b>Balance as at March 31, 2022</b>	<b>\$ 1,006,187</b>

<sup>(1)</sup> Proceeds from investments includes cash and stock proceeds from the sale of investments and other realization events.

<sup>(2)</sup> Other for the period ended March 31, 2022 includes capitalized interest on convertible notes. Other for the year ended December 31, 2021 includes capitalized interest on convertible notes and stock received upon acquisition of an investment.

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

## Investments sold short

Investments sold short are accounted for as financial liabilities, which are both initially recognized and then subsequently measured at fair value through unrealized profit or loss. The fair value of the Partnership's investments sold short as of March 31, 2022 was \$25.4 million (December 31, 2021 - \$11.6 million) while the unrealized gain was \$0.4 million (March 31, 2021 - unrealized loss of \$5.7 million).

The Partnership's realized gain or loss on an investment sold short is calculated as the proceeds from the sale of the investment sold short less the cost of the repurchase. The Partnership's unrealized gain or loss on an investment sold short consists of both the change in fair value on an investment sold short from the beginning of the period and the reversal of any previously recognized unrealized gain or loss on an investment sold short during the period. The realized gain of the Partnership's investments sold short as of March 31, 2022 was \$0.1 million (March 31, 2021 - realized loss of \$1.6 million).

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## 11. RECEIVABLES

The following table represents the Partnership's receivables balance as of March 31, 2022 and December 31, 2021:

(in thousands)	March 31, 2022	December 31, 2021
Interest receivable	\$ 2,592	\$ 2,786
Receivables from investments sold	104,874	18,251
Other <sup>(1)</sup>	13,459	5,628
	<b>\$ 120,925</b>	<b>\$ 26,665</b>

<sup>(1)</sup> Includes \$0.8 million (December 31, 2021 - \$0.8 million) in management fees receivable and includes \$6.2 million of state and local tax payments made on behalf of the Partnership's investors, which are due to be reimbursed by the investors (December 31, 2021 - \$0).

## 12. PREPAID EXPENSES AND OTHER ASSETS

The following table represents the Partnership's prepaid expenses and other assets as of March 31, 2022 and December 31, 2021:

(in thousands)	March 31, 2022	December 31, 2021
Prepaid rent and security deposits	\$ 651	\$ 845
Prepaid insurance	2,792	2,258
Prepaid mining expenses and deposits <sup>(1)</sup>	89,953	57,641
Other	8,213	6,049
	<b>\$ 101,609</b>	<b>\$ 66,793</b>

<sup>1</sup> Includes \$72.0 million for prepaid mining equipment as of March 31, 2022 (December 31, 2021 - \$41.0 million). For the Partnership's mining commitments, see Note 24.

## 13. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

The following table represents activity within the Partnership's property and equipment asset classes for the periods ended March 31, 2022 and December 31, 2021:

(in thousands)	Furniture, Fixtures & Office Equipment	Computer Equipment	Mining Equipment	Leaseholds Improvements <sup>(2)</sup>	WIP / Construction in Progress <sup>(2)</sup>	Total Property and Equipment
<b>Balance as of December 31, 2020</b>	<b>\$ 473</b>	<b>\$ 505</b>	<b>\$ —</b>	<b>\$ 2,715</b>	<b>\$ —</b>	<b>\$ 3,693</b>
Additions	—	797	17,151	—	916	18,864
Depreciation	(62)	(258)	(1,685)	(362)	—	(2,367)
Impairment <sup>(1)</sup>	(411)	(264)	—	(2,353)	—	(3,028)
<b>Balance as of December 31, 2021</b>	<b>\$ —</b>	<b>\$ 780</b>	<b>\$ 15,466</b>	<b>\$ —</b>	<b>\$ 916</b>	<b>\$ 17,162</b>
Additions	260	444	16,848	—	171	17,723
Depreciation	(5)	(75)	(1,614)	—	—	(1,694)
<b>Balance as of March 31, 2022</b>	<b>\$ 255</b>	<b>\$ 1,149</b>	<b>\$ 30,700</b>	<b>\$ —</b>	<b>\$ 1,087</b>	<b>\$ 33,191</b>

<sup>(1)</sup> Recognized in General & Administrative expenses on the consolidated statements of comprehensive income. During the year ended December 31, 2021, the Partnership recorded impairment losses due to the exit of the premises prior to the end of a lease term.

<sup>(2)</sup> Leasehold improvements and WIP / Construction in Progress primarily relate to expenditures for renovation and build out of office space, architect and design costs.

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The following table represents property and equipment balances, accumulated depreciation and impairment (as applicable) for the periods ended March 31, 2022 and December 31, 2021:

(in thousands)	March 31, 2022	December 31, 2021
Furniture, fixtures & office equipment	\$ 884	\$ 624
Computer equipment	2,028	1,584
Mining equipment	33,999	17,151
Leaseholds improvements	3,499	3,499
WIP / Construction in progress	1,087	916
<b>Property and equipment, gross</b>	<b>\$ 41,497</b>	<b>\$ 23,774</b>
Less: Accumulated depreciation	(5,278)	(3,584)
Less: Impairment	(3,028)	(3,028)
<b>Property and equipment, net</b>	<b>\$ 33,191</b>	<b>\$ 17,162</b>

## Goodwill

As of March 31, 2022 and December 31, 2021, the Partnership's Goodwill balance was \$24.6 million. Goodwill of \$15.5 million and \$9.1 million was allocated to the Trading and Asset management segments, respectively, attributable to prior acquisitions. No impairment on goodwill was recorded for the period ended March 31, 2022 and 2021.

## Intangible and Right of use assets

The following table represents activity within the Partnership's intangible and right of use assets for the periods ended March 31, 2022 and December 31, 2021:

(in thousands)	Software Technology <sup>(1)</sup>	Indefinite-lived Intangible Asset <sup>(3)</sup>	Total Intangible assets	Right of Use Assets
<b>Balance as of December 31, 2020</b>	<b>\$ 2,406</b>	<b>\$ —</b>	<b>\$ 2,406</b>	<b>\$ 4,573</b>
Additions	332	1,761	2,093	12,489
Amortization	(1,412)	—	(1,412)	(1,353)
Impairment <sup>(2)</sup>	—	—	—	(1,565)
Lease liability reduction	—	—	—	(2,398)
<b>Balance as of December 31, 2021</b>	<b>\$ 1,326</b>	<b>\$ 1,761</b>	<b>\$ 3,087</b>	<b>\$ 11,746</b>
Additions	—	—	—	—
Amortization	(310)	—	(310)	(446)
Impairment <sup>(2)</sup>	—	—	—	—
Lease liability reduction	—	—	—	—
<b>Balance as of March 31, 2022</b>	<b>\$ 1,016</b>	<b>\$ 1,761</b>	<b>\$ 2,777</b>	<b>\$ 11,300</b>

<sup>(1)</sup> Intangible assets recognized through acquisitions, including the 2021 Vision Hill Group acquisition.

<sup>(2)</sup> Recognized in General & Administrative expenses on the consolidated statements of comprehensive income. During the periods ended December 31, 2021, the Partnership recorded impairment losses on right of use assets due to the exit of the premises prior to the end of the lease term.

<sup>(3)</sup> Represents website domain name purchased in 2021.

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The following table represents intangible assets and accumulated amortization as of the periods ended March 31, 2022 and December 31, 2021:

(in thousands)	March 31, 2022	December 31, 2021
Software technology	\$ 2,738	\$ 2,738
Indefinite-lived intangible asset	1,761	1,761
<b>Intangible assets, gross</b>	<b>\$ 4,499</b>	<b>\$ 4,499</b>
Less: Accumulated amortization	(1,722)	(1,412)
<b>Intangible assets, net</b>	<b>\$ 2,777</b>	<b>\$ 3,087</b>

The following table represents right of use assets activity and balances for the periods ended March 31, 2022 and December 31, 2021:

(in thousands)	March 31, 2022	December 31, 2021
<b>Right of use assets, gross</b>	<b>\$ 18,221</b>	<b>\$ 18,221</b>
Less: Accumulated amortization	(2,958)	(2,512)
Less: Impairment	(1,565)	(1,565)
Less: Lease liability reduction	(2,398)	(2,398)
<b>Right of use assets, net</b>	<b>\$ 11,300</b>	<b>\$ 11,746</b>

## 14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following table represents the Partnership's accounts payable and accrued liabilities balances as of March 31, 2022 and December 31, 2021:

(in thousands)	March 31, 2022	December 31, 2021
Compensation and compensation related	\$ 22,263	\$ 62,143
Interest	8,022	8,055
Professional fees	18,667	17,925
Profit share arrangement	—	16,568
Payable for investment purchased	1,000	1,500
Accrued transaction fees	21,775	21,775
Accounts payable	3,091	4,509
Deferred revenue	2,188	25
Other	12,436	13,743
	<b>\$ 89,442</b>	<b>\$ 146,243</b>

## Payables to Customers

During the year ended December 31, 2021, the Partnership commenced its prime brokerage business. As of March 31, 2022, there was \$138.1 million, including accrued interest due to customers for prime brokerage (December 31, 2021: \$142.4 million). The corresponding fiat currency and loan agreements are not restricted on the statements of financial position as the Partnership has the full right to rehypothecate the funds at any time.

## 15. EQUITY

### Issued Partnership Capital

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

- (i) GDH LP Class A Units, which were subdivided into GDH LP A-1 Units, all of which are held by GDH Ltd., and GDH LP A-2 Units, all of which are held indirectly by GDH Ltd., through GDH Ltd.'s wholly owned U.S. subsidiary, GDH Intermediate LLC; and

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(ii) GDH LP Class B Units, all of which are held by GGI, employees of GDH LP as part of the GDH LP employee compensation plan and certain former First Coin shareholders.

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

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

## Private Investment in Public Equity ("PIPE")

On November 12, 2020, GDH Ltd. closed a PIPE of \$50.0 million of aggregate gross proceeds (\$49.3 million net of cash share issuance costs of \$0.7 million). As part of the PIPE, GDH Ltd. issued 19,070,000 shares and 4,767,500 warrants. Each warrant is exercisable into an ordinary share of the Company for a term of two years from the date of issuance at an exercise price of C\$8.25.

Under the terms of the LPA, the Partnership will issue a Class A Unit for each GDH Ltd. common share issued and any liability associated with the warrant will be pushed down to the Partnership. On initial recognition, the warrants were valued at \$6.5 million and are recorded as a derivative financial liability as these warrants are exercisable in Canadian dollars, differing from the Partnership's functional currency. As at March 31, 2022 the value of the warrant liability was \$17.8 million (December 31, 2021 - \$20.5 million) and the gain recognized in the statement of comprehensive income for the period ended March 31, 2022 was \$2.5 million (March 31, 2021 loss - \$36.8 million).

The fair value of the warrant liability is calculated using the Black-Scholes Option Pricing Model. A continuity table for the change in the liability-classified warrant and the inputs used to value the warrant liability as at March 31, 2022 and December 31, 2021 are included in Note 22. These are the only warrants outstanding in GDH Ltd. During the period ended March 31, 2022, 23,838 of the warrants were exercised at an exercise price of C\$8.25. At March 31, 2022, there were 1,623,718 warrants outstanding and exercisable (December 31, 2021 - 1,647,556).

## Exchangeable Notes

On December 9, 2021, GDH LP issued \$500 million aggregate principal amount of 3.00% exchangeable notes ("Exchangeable Notes"). The Exchangeable Notes will mature and the aggregate principal amount is due in 2026, unless earlier exchanged, redeemed or repurchased. Interest on the exchangeable notes will be payable semi-annually. There is no discount or premium associated with the notes. The Exchangeable Notes have an initial exchange rate of 7,498.2210 ordinary shares per US\$250,000 principal amount. All Exchangeable Notes issued are subject to certain selling and transfer restrictions set forth in each investor's note purchase agreement and as set forth in the indenture that governs the Exchangeable Notes.

The Partnership determined that the conversion feature represented a derivative financial instrument embedded in the "Debenture". The accounting treatment of derivative financial instruments requires that the Partnership record the fair value of that derivative financial instrument as a discount to the value of the Debentures as of the inception date. Accordingly, the Partnership recorded an aggregate initial discount of \$71.0 million for the fair value of the derivative liability at inception of the convertible debentures. The Exchangeable Notes and the associated derivative liability are shown as Notes payable in the Partnership's consolidated statements of financial position. As of March 31, 2022 the total amount for Notes payable was \$472.4 million (December 31, 2021: \$475.3 million) and the gain/loss recognized in the Company's consolidated statement of operations for the year ended March 31, 2022 was \$6.5 million.

On initial recognition, debt issuance costs of \$13.4 million have been recognized as a deferred asset and will be amortized over the term of the debt. The interest expense from the Exchangeable Notes as of March 31, 2022 was \$7.3 million.

## Issued Capital

### Class A Units

During the period ended March 31, 2022, the Partnership issued 85,388 (March 31, 2021 - 1,456,670) Class A Units to GDH Ltd. on exchange of Class B Units, on exercise of stock options and on exercise of the PIPE warrants.

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## Class B Units

During the period ended March 31, 2022, 30,000 Class B Units (March 31, 2021 - 328,116) were exchanged for ordinary shares of GDH Ltd.

As of March 31, 2022, there were 101,635,882 (December 31, 2021 - 101,550,494) Class A Units and 228,080,373 (December 31, 2021 - 228,110,373) Class B Units outstanding. The change during the quarter ended March 31, 2022 was due to exchanges of Class B Units for common shares of GDH Ltd. (and into Class A Units of GDH LP), and issuance of Class A Units as a result of the exercise of some of the PIPE warrants.

## **Equity Based Compensation**

The Partnership has awarded compensatory Class B Units and stock options (equity instruments) to eligible officers and employees. For the three months ended March 31, 2022 and 2021, equity based compensation expense was recognized as follows:

<b>(in thousands)</b>	<b>Three Months Ended March 31, 2022</b>	<b>Three Months Ended March 31, 2021</b>
Stock options	\$ 6,590	\$ 5,735
Restricted Units	15,941	367
Compensatory Class B Unit awards:		
Standard Units	—	—
Profit Interest Units	231	886
Stock options awarded to directors:		
Included in equity based compensation	—	111
	22,762	7,099
Stock options awarded to directors included in director fees	158	208
	<b>\$ 22,920</b>	<b>\$ 7,307</b>

## 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 December 15, 2020, the Partnership transferred 980,932 Class B Units of GDH LP to certain officers and employees as compensation. The Class B Units transferred were composed of 19,068 Standard Units and 961,864 Profit Interest Units. The terms of the Class B Units are as follows:

- Standard Units - 19,068 of the Standard Units vested 100% on December 15, 2020. The fair value was recognized in 2020.
- Profit Interest Units - 355,932 of the Profit Interest Units vested on December 15, 2020, 15,226 vested on December 1, 2021, 390,226 vest on December 1, 2022, 185,255 vest on December 1, 2023 and 15,226 vest on December 1, 2024. 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 \$3,501,531 (or approximately \$3.8325 per Profit Interest Unit). The fair value of the Profit Interest Units was estimated using the probability-weighted expected return method. In applying this method, a payoff was determined for a Profit Interest Unit under three potential scenarios, each payoff was weighted by an estimated probability of the corresponding scenario, and then the probability-weighted payoffs were discounted to the date of grant and summed. The scenarios, probabilities, and other inputs into the model consider, among other things, the results of a one-period trinomial model, the results of a standard Black-Scholes option pricing model under different assumptions, and the estimated fair value of a common share of GDH Ltd. The scenarios probability ranged from 5% to 65%, the annual discount rate used was 0.50%, the term used was 5.04 years, and the share price used ranged from C\$0 to C\$100. The number of Profit Interest Units expected to vest ranged from 90% to 100%.



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

Description	Class B Units
Balance, December 31, 2020	15,251,886
Exchanged	(326,090)
Forfeited	(35,593)
Balance, December 31, 2021	14,890,203
Exchanged	—
Forfeited	—
Balance, March 31, 2022	14,890,203
Class B Units exercisable, March 31, 2022	14,299,496
Class B Units exercisable, December 31, 2021	14,299,496

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

## Equity Plan

The Partnership has granted stock options to employees, officers, directors and consultants of the Partnership under the GDH Ltd. stock option plan (the “Plan”), subject to the approval of the board of directors of GDH Ltd. Under the Plan, the number of stock options granted to any person within a one-year period will not exceed 5% and the number granted to those individuals considered consultants or providing investor relations services may not exceed 2% in a one-year period, in each case on a fully exchanged basis. In addition, the exercise price of each option may not be less than the market price of GDH Ltd.’s shares at the date of grant. Options granted under the Plan will have a term not to exceed 5 years and will be subject to vesting provisions as determined by the board of directors of GDH Ltd., who administer the Plan. On exercise of an option, the holder will receive one common share in GDH Ltd. and GDH LP will issue one Class A Unit to GDH Ltd. The maximum number of shares reserved for issuance under the Plan is fixed at 45,565,739 shares of GDH Ltd. Following the approval of the Long Term Incentive Plan, the Company will no longer make grants under the Plan and future grants will be made from the Long Term Incentive Plan. The Plan reserve has been rolled over into the Long Term Incentive Plan.

## Long Term Incentive Plan

In May 2021, the Board of Directors of GDH Ltd. approved the GDH Ltd. Long Term Incentive Plan (“LTIP”) to grant stock options, stock appreciation rights, restricted stock, and share units in the form of restricted share units and/or performance share units) to employees, officers, and consultants of GDH Ltd. and its affiliates (inclusive of the Partnership) and deferred share units to non-employee directors of GDH Ltd. and non-employee managers of the board of managers of the General Partner. Under the LTIP 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 LTIP will have a term not to exceed ten years and will be subject to vesting provisions as determined by the board of directors of GDH Ltd., who administer the LTIP. On exercise of an option, the holder will receive one ordinary share in GDH Ltd. and GDH LP will issue one Class A Unit to GDH Ltd. The maximum number of shares reserved for issuance under the LTIP is fixed at 48,290,478 shares of GDH Ltd.

## Non-Treasury Plan

In May 2021, the Board of Directors of the Company approved the GDH Ltd. Non-Treasury Share Unit Plan (“Non-Treasury Plan”) as a supplement to the LTIP under which grants made under the plan are settled solely in cash. Share units are restricted share units or performance share units.

## Stock Option Grants

There were no stock options granted during the three months ended March 31, 2022.

On May 27, 2021, the Partnership granted 3,725,000 stock options ("May 27, 2021 Grant") with a fair value of \$50.9 million (or a weighted average fair value of approximately \$13.6597 per option). The options granted vest over five years with varying

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vest schedules. The exercise price is C\$23.12 per option for 3,225,000 stock options and C\$25 per option for 500,000 stock options. The awards will expire on May 27, 2026 if not exercised.

On August 17, 2021, the Partnership granted 300,000 stock options ("August 17, 2021 Grant") with a fair value of \$3.2 million (or a weighted average fair value of approximately \$10.60 per option). The options granted vest over five years with varying vest schedules. The exercise price is C\$22.27 per option for 150,000 stock options and C\$35 per option for 150,000 stock options. The awards will expire on August 17, 2026 if not exercised.

On September 29, 2021, the Partnership granted 400,000 stock options ("September 29, 2021 Grant") with a fair value of \$4.4 million (or a weighted average fair value of approximately \$10.95 per option). The options granted vest over five years with varying vest schedules. The exercise price is C\$20.00 per option for 400,000 stock options. The awards will expire on September 29, 2026 if not exercised.

On December 1, 2021, the Partnership granted 550,000 stock options ("December 1, 2021 Grant") with a fair value of \$9.1 million (or a weighted average fair value of approximately \$16.52 per option). The options granted vest over five years with varying vest schedules. The exercise price is C\$30.76 per option for 550,000 stock options. The awards will expire on December 1, 2026 if not exercised.

On December 8, 2021, the Partnership granted 50,000 stock options ("December 8, 2021 Grant") with a fair value of \$0.8 million (or a weighted average fair value of approximately \$15.01 per option). The options granted vest over five years with varying vest schedules. The exercise price is C\$25.69 per option for 50,000 stock options. The awards will expire on December 8, 2026 if not exercised.

The fair value of the options granted was measured using the Black-Scholes option pricing model with the following weighted average inputs. There were no options granted during the period ending March 31, 2022.

Inputs to the Black-Scholes Model	December 31, 2021
Share price <sup>(1)</sup>	C\$19.15 - C\$29.12
Exercise price	C\$20.00 - C\$35.00
Expected annual volatility <sup>(2)</sup>	95% - 98%
Expected term (years)	5.00
Dividend yield	0%
Risk-free interest rate <sup>(3)</sup>	0.82% - 1.44%
Forfeiture rate	0% - 41%

<sup>(1)</sup> The closing price of GDH Ltd. shares on the respective grant dates were used.

<sup>(2)</sup> Volatility was selected based on the holdings of the Partnership and a review of the historical volatility of digital assets and academic studies of historical venture equity volatility. In addition, the historical trading volatility of the shares of GDH Ltd. was also considered.

<sup>(3)</sup> The risk-free interest rate was calculated by interpolating Government of Canada bond yields over the expected terms of the respective option grants.

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The following table summarizes the activity related to the stock options during the three months ended March 31, 2022 and for the year ended December 31, 2021:

Description	Number of Options	Weighted Average Exercise Price (C\$)
Balance, December 31, 2020	31,565,634	4.03
Granted	5,025,000	24.25
Exercised	(5,293,963)	2.86
Forfeited	(883,326)	1.77
Balance, December 31, 2021	30,413,345	7.64
Granted	—	—
Exercised	(31,550)	3.59
Forfeited	(100,000)	23.12
Balance, March 31, 2022	30,281,795	7.59
Options exercisable as of March 31, 2022	12,153,887	
Options exercisable as of December 31, 2021	8,702,604	

There were 31,550 options exercised during the three months ended March 31, 2022. There were 5,293,963 options exercised for the year ended December 31, 2021. For stock options outstanding as of March 31, 2022, the weighted average remaining contractual life is 3.18 years (December 31, 2021 - 3.43 years).

The following table represents a summary of the stock options outstanding as at March 31, 2022:

Grant Date	Number Outstanding	Number Exercisable	Exercise Price (C\$)	Expiry Date
<b>Employees and Officers:</b>				
July 31, 2018	5,174,222	5,174,222	3.00	July 23, 2023
July 31, 2018	126,000	126,000	5.00	July 23, 2023
September 10, 2018	103,600	103,600	3.00	July 23, 2023
June 25, 2019	1,699,400	1,196,900	2.15	June 25, 2024
September 4, 2019	—	—	1.95	September 4, 2024
April 9, 2020	3,571,623	2,359,965	1.35 - 1.85	April 9, 2025
June 25, 2020	750,000	750,000	1.39	June 25, 2025
November 16, 2020	150,000	150,000	5.65	June 25, 2025
November 16, 2020	5,698,400	325,900	5.65	November 16, 2025
December 3, 2020	7,437,300	1,812,300	6.21	December 3, 2025
December 8, 2020	546,250	130,000	6.00	December 8, 2025
December 21, 2020	100,000	25,000	8.02	December 21, 2025
May 27, 2021	3,625,000	—	23.12 - 25	May 27, 2026
August 17, 2021	300,000	—	22.27 - 35	August 17, 2026
September 29, 2021	400,000	—	20.00	September 29, 2026
December 1, 2021	550,000	—	30.76	December 1, 2026
December 8, 2021	50,000	—	25.69	December 8, 2026
<b>Total</b>	<b>30,281,795</b>	<b>12,153,887</b>		

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.

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## Restricted Share Units

On May 27, 2021, the Partnership granted 6,191,482 restricted share units that will be settled in shares with a fair value of \$118.1 million (or a weighted average fair value of \$19.0665 per share). The restricted share units vest over three to four years with varying vest schedules.

On May 27, 2021, the Partnership granted 422,016 restricted share units that will be settled in cash. The restricted share units vest over three to four years with varying vest schedules and had a fair value of \$8.0 million at grant date. The outstanding liability related to cash settled units as of March 31, 2022 was \$1.3 million.

On August 17, 2021, the Partnership granted 453,629 restricted share units that will be settled in shares with a fair value of \$7.1 million (or a weighted average fair value of \$15.61 per share). The restricted share units vest over three to four years with varying vest schedules.

On August 17, 2021, the Partnership granted 196,851 restricted share units that will be settled in cash. The restricted share units vest over three to four years with varying vest schedules and had a fair value of \$3.1 million at grant date. The outstanding liability related to cash settled units as of March 31, 2022 was \$0.6 million.

On September 29, 2021, the Partnership granted 389,369 restricted share units that will be settled in shares with a fair value of \$5.9 million (or a weighted average fair value of \$15.03 per share). The restricted share units vest over three to four years with varying vest schedules.

On September 29, 2021, the Partnership granted 108,000 restricted share units that will be settled in cash. The restricted share units vest over three to four years with varying vest schedules and had a fair value of \$1.6 million at grant date. The outstanding liability related to cash settled units as of March 31, 2022 was \$0.2 million.

On December 1, 2021, the Partnership granted 810,000 restricted share units that will be settled in shares with a fair value of \$18.5 million (or a weighted average fair value of \$22.83 per share). The restricted share units vest over three to four years with varying vest schedules.

On December 1, 2021, the Partnership granted 51,445 restricted share units that will be settled in cash. The restricted share units vest over three to four years with varying vest schedules and had a fair value of \$1.2 million at grant date. The outstanding liability related to cash settled units as of March 31, 2022 was \$0.1 million.

On December 8, 2021, the Partnership granted 160,000 restricted share units that will be settled in shares with a fair value of \$3.3 million (or a weighted average fair value of \$20.32 per share). The restricted share units vest over three to four years with varying vest schedules.

On December 8, 2021, the Partnership granted 23,500 restricted share units that will be settled in cash. The restricted share units vest over three to four years with varying vest schedules and had a fair value of \$0.5 million at grant date. The outstanding liability related to cash settled units as of March 31, 2022 was not significant.

## Grants to Directors

On August 17, 2021, the Partnership granted 33,864 deferred share units as part of annual director compensation that will be settled in shares with a fair value of \$0.5 million (or a weighted average fair value of \$15.61 per share). The deferred share units vest in June 2022, corresponding with the directors term.

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The following table summarizes the activity related to the restricted share units for the periods ended March 31, 2022 and December 31, 2021:

Description	Number of Units	Fair value per unit (C\$)
Balance, December 31, 2020	—	—
Granted	8,038,345	19.07
Vested	—	—
Forfeited	(204,686)	19.07
Balance, December 31, 2021 and March 31, 2022 <sup>(1)</sup>	7,833,659	19.07

Units vested as of December 31, 2021 and March 31, 2022

—

<sup>1</sup>Includes 138,626 units that vested during the quarter but were not settled until April 2022, due to a blackout period in effect.

### Restricted Shares of GDH Ltd.

On May 19, 2021, in connection with the Vision Hill business combination, the Partnership granted 845,428 restricted shares of GDH Ltd. with a fair value of \$16.2 million (or a weighted average fair value of \$19.1064). The restricted shares vest annually over three years.

### Net Income per Unit

#### Three months ended March 31, 2022

The below table presents the basic and diluted net income per unit for the three months ended March 31, 2022:

	Class A Unitholders	Class B Unitholders	Total Class A and Class B Unitholders
Basic loss per unit	\$ (0.34)	\$ (0.34)	\$ (0.34)
Diluted loss per unit	N/A	N/A	(0.34)
Net loss used in the calculation of basic and diluted loss per unit	(34,016)	(77,192)	(111,208)
Weighted average number of units for the purposes of basic loss per unit <sup>1</sup>	100,541,604	228,081,706	328,623,310
Weighted average number of units for the purposes of diluted loss per unit	N/A	N/A	328,623,310

For the period ended March 31, 2022, the weighted average number of total Units (Class A and Class B Units) for the purposes of diluted income per unit assumes the potential vesting of the Class B Units dilutive stock options, warrants, restricted stock and hold back shares under the GDH LP equity compensation plan.

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

	<b>Three Months Ended March 31, 2022</b>
Weighted average number of units for the purposes of basic loss per unit	328,623,310
Diluted units:	
Compensatory Class B Unit awards	—
Stock options	—
Restricted stock	—
Held back shares	—
<b>Weighted average number of units for the purposes of diluted loss per unit</b>	<b>328,623,310</b>

## Three months ended March 31, 2021

The below table presents the basic and diluted net income per unit for the three months ended March 31, 2021:

	<b>Class A Unitholders</b>	<b>Class B Unitholders</b>	<b>Total Class A and Class B Unitholders</b>
Basic income per unit	\$ 2.74	\$ 2.74	\$ 2.74
Diluted income per unit	N/A	N/A	2.51
Net income used in the calculation of basic and diluted income per unit	249,915	610,043	859,958
Weighted average number of units for the purposes of basic income per unit <sup>1</sup>	91,001,470	222,762,672	313,764,142
Weighted average number of units for the purposes of diluted income per unit	N/A	N/A	342,182,536

<sup>1</sup> Exclude outstanding stock that are potentially subject to recall

For the period ended March 31, 2021, the weighted average number of total Units (Class A and Class B Units) for the purposes of diluted income per unit assumes the potential vesting of the Class B Units dilutive stock options, warrants, restricted stock and hold back shares under the GDH LP equity compensation plan.

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

	<b>Three Months Ended March 31, 2021</b>
Weighted average number of units for the purposes of basic income per unit	313,764,142
Diluted units:	
Compensatory Class B Unit awards	6,235,349
Stock options	21,313,719
Restricted stock	714,436
Held back shares	154,890
<b>Weighted average number of units for the purposes of diluted income per unit</b>	<b>342,182,536</b>

# Galaxy Digital Holdings LP

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## 16. STRUCTURED ENTITIES

### *Consolidated Structured entities*

In the normal course of business, the Partnership sponsors and manages investment funds. The Partnership consolidates the sponsored investment funds where it is deemed to have a controlling financial interest. The funds provide specific investment opportunities to limited partners and generate management and performance fees for the Partnership, which are eliminated upon consolidation.

The Partnership's involvement in financing the operations of the funds is limited to its investment in the entity. The Partnership does not provide performance guarantees and has no other financial obligation to provide funding to consolidated funds. The assets of consolidated funds may only be used to settle obligations of the funds. The assets of these funds are not available to creditors of the Partnership. In addition, the investors in these funds have no recourse to the credit of the Partnership; and the Partnership cannot readily access cash held by consolidated sponsored investment funds to use in its operating activities.

The Partnership had \$0 in unfunded commitments to consolidated funds as of March 31, 2022 and December 31, 2021.

### *Non-controlling interests liability*

As of March 31, 2022, the Partnership consolidated the following funds: Galaxy Crypto Index Fund, L.P., Galaxy Crypto Index Master Fund, L.P., Galaxy Ethereum Fund L.P., Galaxy Institutional Ethereum Master Fund, L.P., Galaxy Institutional Ethereum Fund, L.P., Galaxy Bitcoin Liquidity Fund, LP, Galaxy DeFi Index Fund, Galaxy Institutional Solana Fund, LP and Galaxy Institutional Solana Master Fund, LP.

Limited partners of the consolidated investment funds may withdraw all or part of their interests in the funds on a daily, monthly or quarterly basis. In accordance with the fund limited partner agreements (the "Agreements"), the Partnership in its capacity as the General Partner may at its discretion, at any time prior to the payment of a withdrawal, suspend distributions if a suspension event, as defined in the Agreements, has occurred. Limited partner capital is reflected as a liability on the Statements of financial position and changes in the fair value of the limited partner interests are included with non-operating expenses on the Statements of comprehensive income.

### *Non-consolidated structured entities*

The Partnership also holds investments in funds that are not consolidated due to a lack of control. This includes funds which were once controlled but were deconsolidated due to reduced ownership percentage or other changes. The Partnership enters into transactions with non-consolidated structured entities in the normal course of business to provide specific investment opportunities and generate management and performance fees for the Partnership. These non-consolidated interests are presented as Investments in the consolidated statement of financial position.

Similar to the consolidated funds, the Partnership's involvement in financing operations of the funds is limited to its investment in the entity. The Partnership does not provide performance guarantees and has no other financial obligation to provide funding to funds, other than its own capital commitments.

The following table illustrates the Partnership's maximum exposure to unconsolidated funds which is limited to the fair value of its investments and unfunded commitment as of period end.

(in thousands)	March 31, 2022			December 31, 2021		
	Fair Value of Investment	Unfunded Commitments	Maximum Exposure	Fair Value of Investment	Unfunded Commitments	Maximum Exposure
Non-Consolidated Sponsored Investment Funds	\$ 152,382	\$ 53,511	\$ 205,893	\$ 151,370	\$ 21,511	\$ 172,881
Other Non-Consolidated Structured Entities	132,016	13,331	145,347	206,891	12,114	219,005
<b>Total</b>	<b>\$ 284,398</b>	<b>\$ 66,842</b>	<b>\$ 351,240</b>	<b>\$ 358,261</b>	<b>\$ 33,625</b>	<b>\$ 391,886</b>

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## 17. PROFESSIONAL FEES

The following table represents the Partnership's professional fee expenses for the three months ended March 31, 2022 and 2021:

(in thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Legal	\$ 5,065	\$ 2,853
Audit and related	2,998	887
Tax	221	339
Consulting	1,124	334
Valuations	183	153
	<b>\$ 9,591</b>	<b>\$ 4,566</b>

## 18. GENERAL AND ADMINISTRATIVE

The following table represents the Partnership's general and administrative expenses for the three months ended March 31, 2022 and 2021:

(in thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Technology	\$ 3,270	\$ 1,182
Depreciation and amortization (Note 13)	2,454	771
Marketing	4,140	564
Mining hosting fees (Note 19)	1,139	154
Fund administration	463	305
Other	5,789	2,365
	<b>\$ 17,255</b>	<b>\$ 5,341</b>

For the period ended March 31, 2022, the Partnership recognized GDH Ltd. reimbursable expenses of \$0.3 million (March 31, 2021 - \$1.3 million).

## 19. DIGITAL ASSET MINING AND MINING FINANCE

The Partnership entered into a managed hosting arrangement in January 2021 with a service provider for its mining operations. Per the arrangement, the Partnership pays its operating charges based on a fixed per kWh hosting rate. The service provider is entitled to review electricity costs on a quarterly basis to determine the actual power costs incurred by the mining facility. If the power costs are greater or less than the costs used to calculate the current hosting rate, the service provider will notify the Partnership that its hosting rate will increase or decrease by an amount equal to the applicable change in power costs.

The Partnership closely monitors the price volatility associated with Bitcoin and acknowledges that a potential decline in price can have an adverse effect on the profitability of its operations. Profitability varies based on the value of the mining rewards the Partnership receives net against the costs associated with the Partnership's operations, including energy consumption, hosting fees, and mining equipment. The profit or loss of our mining operation is calculated daily by measuring all mining expenses against the fair value of bitcoin.

The following table represents the Partnership's income and expenses from digital asset mining for the three months ended March 31, 2022 and 2021:

(in thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Income from digital asset mining	\$ 6,738	\$ 1,235
Hosting fees <sup>(1)</sup>	(1,139)	(154)
Depreciation expense <sup>(1)</sup>	(1,614)	(158)

<sup>(1)</sup> Included within General and administrative on the consolidated statements of comprehensive income / (loss).



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## Mining equipment

The Partnership purchased mining equipment that has a 256-bit secure hashing algorithm (SHA-256) to verify transactions via a proof of work consensus mechanism and publish blocks to the Bitcoin network. The Partnership only utilizes mining equipment to mine for Bitcoin, however, the miners are capable of mining alternate cryptocurrencies whose blockchains utilize the 256-bit secure hashing algorithm.

As part of its mining business, the Partnership enters into lease agreements with counterparties as a lessor. Income related to mining lease agreements is recognized within leasing income from mining equipment on the Partnership's consolidated statements of comprehensive income. For the three months ended March 31, 2022 and 2021, leasing income from mining equipment was composed of the following:

(in thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Operating lease	\$ 1,865	\$ 144
Finance lease interest income	31	185
Realized gain/loss on finance leases	1,175	177
	<b>\$ 3,071</b>	<b>\$ 506</b>

## 20. RELATED PARTY TRANSACTIONS

The Partnership's related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Partnership, directly or indirectly. Key management personnel include officers, directors, companies controlled by officers or directors and companies with common directors of the Partnership. The transactions the Partnership enters into with related parties are made on terms equivalent to those that prevail in arm's length transactions.

### Compensation of Key Management Personnel

Key management personnel include twelve individuals (March 31, 2021 - eleven individuals), consisting of officers and certain employees, who are considered to have decision making authority. The following table represents compensation provided to key management personnel for the three months ended March 31, 2022 and 2021:

(in thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Base compensation and accrued bonuses <sup>(1)</sup>	\$ 6,739	\$ 27,669
Benefits	123	186
Equity based compensation	7,254	5,373
<b>Total</b>	<b>\$ 14,116</b>	<b>\$ 33,228</b>

<sup>(1)</sup> For the three months ended March 31, 2022, amounts include approximately \$5.7 million (2021 - \$26.7 million) of accrued bonuses within accounts payable and accrued liabilities.

### Sublease

Galaxy Investment Partners LLC ("GIP"), which had leased the office space located on the 7<sup>th</sup> and 8<sup>th</sup> floors of 107 Grand Street, New York, New York 10013, has subleased to Galaxy Digital Services ("GDS") to occupy the 8<sup>th</sup> floor on the same terms as the master lease. In addition, GIP also subleased a portion of the 7<sup>th</sup> floor to GDS (Note 24). During the year ended December 31, 2021, the Partnership exited the premises prior to the conclusion of the lease term. The Partnership will make payments on the lease through June 2023 (Note 24) and has an associated lease liability of \$2.2 million as of March 31, 2022 (December 31, 2021: \$2.5 million).

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## Other

For a period of one year starting on January 1, 2021 (the “earnout period”), related to the acquisition of BFC, certain BFC management personnel, are entitled to receive a percentage of BFC's net profit, payable sixty days after the earnout period, if certain financial metrics are achieved. The arrangement ended on December 31, 2021. As of March 31, 2021, accounts payable and accrued expenses include \$2.9 million of such profit share compensation to the management personnel.

The Partnership's CEO serves as co-chairman of the board for another company, resulting in the Partnership and that company being related party. As at March 31, 2022, the Partnership had an investment in the company valued at \$121.3 million (December 31, 2021 - \$121.3 million).

In accordance with the LPA (Note 5), the Partnership will reimburse or pay for all reimbursable expenses of GDH Ltd. For the periods ended March 31, 2022 and March 31, 2021, the Partnership paid or accrued \$0.7 million and \$1.4 million, respectively, on behalf of GDH Ltd., which has been included in general and administrative expenses (Note 18).

As at March 31, 2022, the Partnership had \$3.2 million (December 31, 2021 - \$25.2 million) in receivables from GDH Ltd. for reimbursement from warrant and stock option exercises, net of reimbursable expenses.

The Partnership has a sub-advisory arrangement with a beneficial owner of GDH Ltd. which invests in certain funds managed by the Partnership. Such sub-advisory arrangements have been entered into with, or advised by, Galaxy Digital Asset Management in its capacity as an investment advisor registered under the Advisers Act, and any fee arrangements, if applicable, have been on an arms-length basis. For the quarter ended March 31, 2022, the total amount of advisory fees received from the sub-advisory arrangement was \$0.4 million (March 31, 2021: \$0.2 million).

The Partnership's CEO, through an entity which he controls, owns a private aircraft that is used for business purposes in the ordinary course of the Partnership's operations. The Partnership paid \$0.5 million for usage of aircraft during the first quarter of 2022.

In order to comply with state and local tax return filing obligations, the Partnership made tax payments on behalf of the Partnership's investors, some of which are related parties. These payments are recorded as receivables from the Partnership's investors and will reduce future distributions the Partnership may make to the investors, at which point the payments will be treated as having been reimbursed to the Partnership.

## Investments in Galaxy Funds

Our directors and executive officers are generally permitted to invest their own capital (or capital of estate planning vehicles controlled by them or their immediate family members) directly in our funds and affiliated entities. In general, such investments are not subject to management fees, and in certain instances may not be subject to performance fees. The cash invested by our directors and executive officers and their investment vehicles aggregated to \$30.8 million as of March 31, 2022 (December 31, 2021 - \$30.8 million).

# Galaxy Digital Holdings LP

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## 21. REPORTABLE SEGMENTS

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

### *Trading*

The trading group manages positions in cryptocurrency and other liquid digital assets contributed to the business at the outset and continues to invest and trade in those and related assets. The Partnership engages in several trading strategies (Note 6). The trading segment includes the performance of the over the counter (OTC) trading and of the short term and long term positioning of the Partnership's digital assets.

### *Principal Investments*

The principal investments business has a diverse portfolio of private principal investments across the blockchain ecosystem, including early- and later-stage equity, pre-launch network contributions, and other structured alternative investments (Note 10).

### *Asset Management*

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

### *Investment Banking*

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

### *Mining*

The Partnership launched Galaxy Digital Mining LLC ("GDM") in October 2020. GDM has a strategic focus to provide novel and sophisticated financial tools for North American miners. GDM will serve as a one-stop financial services platform for miners, drawing the firm's expertise in trading and risk management, investing and lending, and corporate advisory under one umbrella, tailored to the needs of the mining sector. In addition, GDM has also established its own proprietary Bitcoin mining operation, which will host its machines at a third-party data center in the United States.

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

The following table represents assets and liabilities by each of the reportable segments as of March 31, 2022:

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Total assets	\$ 3,102,693	\$ 1,339,486	\$ 138,666	\$ 20,591	\$ 301,825	\$ 366,997	\$ 5,270,258
Total liabilities	\$ 1,991,017	\$ 442	\$ 159,148	\$ 2,132	\$ 4,175	\$ 602,975	\$ 2,759,889

The following table represents assets and liabilities by each of the reportable segments as of December 31, 2021:

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Total assets	\$ 2,971,090	\$ 1,277,707	\$ 193,436	\$ 10,727	\$ 292,942	\$ 350,636	\$ 5,096,538
Total liabilities	\$ 1,666,488	\$ 174	\$ 171,784	\$ 122	\$ 3,202	\$ 656,417	\$ 2,498,187

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The following table represents income and expenses by each of the reportable segments for the three months ended March 31, 2022:

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
<b>Income (loss)</b>							
Advisory and management fees	\$ —	\$ —	\$ 3,862	\$ 8,011	\$ —	\$ —	\$ 11,873
Net realized gain (loss) on digital assets	356,689	(2,856)	1,148	—	—	—	354,981
Net realized gain (loss) on investments	(4,023)	73,461	—	—	—	—	69,438
Interest income	14,615	20	—	—	—	—	14,635
Net derivative gain	81,977	—	—	—	—	—	81,977
Net income from digital asset mining	—	—	—	—	6,738	—	6,738
Leasing income from mining equipment	—	—	—	—	3,071	—	3,071
Other income	122	725	—	—	—	—	847
	<b>449,380</b>	<b>71,350</b>	<b>5,010</b>	<b>8,011</b>	<b>9,809</b>	<b>—</b>	<b>543,560</b>
<b>Operating expenses</b>	<b>42,073</b>	<b>2,731</b>	<b>13,350</b>	<b>2,179</b>	<b>5,278</b>	<b>45,319</b>	<b>110,930</b>
Net unrealized gain (loss) on digital assets	(474,716)	(11,369)	(14,650)	—	464	—	(500,271)
Net unrealized gain (loss) on investments	345	(73,835)	(638)	—	—	—	(74,128)
Net gain on notes payable - derivative	—	—	—	—	—	6,493	6,493
Net gain on warrant liability	—	—	—	—	—	2,521	2,521
Foreign currency gain	2,017	—	—	—	—	—	2,017
Loss attributable to non-controlling interests liability	—	—	13,411	—	—	—	13,411
	<b>(472,354)</b>	<b>(85,204)</b>	<b>(1,877)</b>	<b>—</b>	<b>464</b>	<b>9,014</b>	<b>(549,957)</b>
Income tax expense	—	—	—	—	—	6,119	6,119
<b>Net income (loss) for the period</b>	<b>\$ (65,047)</b>	<b>(16,585)</b>	<b>(10,217)</b>	<b>5,832</b>	<b>4,995</b>	<b>(30,186)</b>	<b>(111,208)</b>
Foreign currency translation adjustment	—	—	—	—	—	(468)	(468)
<b>Comprehensive income (loss) for the period</b>	<b>\$ (65,047)</b>	<b>\$ (16,585)</b>	<b>\$ (10,217)</b>	<b>\$ 5,832</b>	<b>\$ 4,995</b>	<b>\$ (30,654)</b>	<b>(111,676)</b>

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The following table represents income and expenses by each of the reportable segments for the three months ended March 31, 2021:

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
<b>Income (loss)</b>							
Advisory and management fees	\$ 95	\$ —	\$ 1,818	\$ —	\$ —	\$ —	\$ 1,913
Net realized gain on digital assets	544,400	45,515	140,797	—	—	—	730,712
Net realized gain on investments	—	151,138	—	—	—	—	151,138
Interest income	8,511	22	—	—	—	—	8,533
Net derivative loss	(45,185)	—	—	—	—	—	(45,185)
Net income from digital asset mining	—	—	—	—	923	—	923
Leasing income from mining equipment	—	—	—	—	506	—	506
Other income	866	321	—	—	—	—	1,187
	<b>508,687</b>	<b>196,996</b>	<b>142,615</b>	<b>—</b>	<b>1,429</b>	<b>—</b>	<b>849,727</b>
<b>Operating expenses</b>							
	<b>73,811</b>	<b>10,349</b>	<b>4,236</b>	<b>864</b>	<b>715</b>	<b>40,267</b>	<b>130,242</b>
Net unrealized gain on digital assets	158,617	94,818	109,251	—	223	—	362,909
Net unrealized gain on investments	—	58,282	—	—	—	—	58,282
Net gain (loss) on warrant liability	—	—	—	—	—	(36,817)	(36,817)
Foreign currency gain	2,718	—	—	—	—	—	2,718
(Gain) attributable to non-controlling interests liability	—	—	(248,619)	—	—	—	(248,619)
	<b>161,335</b>	<b>153,100</b>	<b>(139,368)</b>	<b>—</b>	<b>223</b>	<b>(36,817)</b>	<b>138,473</b>
<b>Net income (loss) for the period</b>	<b>\$ 596,211</b>	<b>\$ 339,747</b>	<b>\$ (989)</b>	<b>\$ (864)</b>	<b>\$ 937</b>	<b>\$ (77,084)</b>	<b>\$ 857,958</b>
Foreign currency translation adjustment	—	—	—	—	—	284	284
<b>Net comprehensive income (loss) for the period</b>	<b>\$ 596,211</b>	<b>\$ 339,747</b>	<b>\$ (989)</b>	<b>\$ (864)</b>	<b>\$ 937</b>	<b>\$ (76,800)</b>	<b>\$ 858,242</b>

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## Select statement of financial position information

The following table represents the fair value of select assets by reporting segment as of March 31, 2022:

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Digital assets	\$ 1,990,625	\$ 109,997	\$ 146,983	\$ —	\$ 17,837	\$ —	\$ 2,265,442
Digital assets receivables	—	86,092	—	—	—	—	86,092
Digital assets posted as collateral (Note 7, 8, 9)	131,623	—	—	—	—	—	131,623
<b>Investments:</b>							
Pre-Launch Network	—	5,938	—	—	—	—	5,938
Convertible Notes	5,358	4,788	—	—	—	—	10,146
Preferred Stock	—	393,013	—	—	—	—	393,013
Common Stock	32,998	238,906	—	—	—	—	271,904
LP/LLC Interests	—	316,907	—	—	—	—	316,907
Warrants/Trust Units/ Trust Shares	—	8,279	—	—	—	—	8,279
	<b>\$ 2,160,604</b>	<b>\$ 1,163,920</b>	<b>\$ 146,983</b>	<b>\$ —</b>	<b>\$ 17,837</b>	<b>\$ —</b>	<b>\$ 3,489,344</b>

The following table represents the fair value of select assets by reporting segment as of December 31, 2021:

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Digital assets	2,121,772	\$ 123,210	\$ 165,300	\$ —	\$ 10,495	\$ —	\$ 2,420,777
Digital assets receivables	—	71,657	—	—	—	—	71,657
Digital assets posted as collateral	71,400	—	—	—	—	—	71,400
<b>Investments:</b>							
Pre-Launch Network	—	6,393	—	—	—	—	6,393
Convertible Notes	—	9,768	—	—	—	—	9,768
Preferred Stock	—	382,182	—	—	—	—	382,182
Common Stock	34,991	236,303	—	—	—	—	271,294
LP/LLC Interests	—	383,279	—	—	—	—	383,279
Warrants/Trust Units	7,963	8,897	—	—	—	—	16,860
	<b>\$ 2,236,126</b>	<b>\$ 1,221,689</b>	<b>\$ 165,300</b>	<b>\$ —</b>	<b>\$ 10,495</b>	<b>\$ —</b>	<b>\$ 3,633,610</b>

## 22. FINANCIAL INSTRUMENTS, DIGITAL ASSETS AND RISK

The fair values of all financial instruments, digital assets and digital assets sold short were measured using the cost, market or income approaches. The financial instruments, digital assets and digital assets sold short 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.

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

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

The following table represents the fair value hierarchy for the Partnership's digital assets and investments measured at fair value as of March 31, 2022 and December 31, 2021:

(in thousands)	As of March 31, 2022				As of December 31, 2021			
Assets	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Digital assets	\$ —	\$ 2,264,312	\$ 1,130	\$ 2,265,442	\$ —	\$ 2,416,633	\$ 4,144	\$ 2,420,777
Digital assets receivable	\$ —	\$ 11,453	\$ 74,639	\$ 86,092	\$ —	\$ 10,036	\$ 61,621	\$ 71,657
Digital assets posted as collateral	\$ —	\$ 131,623	\$ —	\$ 131,623	\$ —	\$ 71,400	\$ —	\$ 71,400
Derivative assets	\$ —	\$ 45,744	\$ —	\$ 45,744	\$ —	\$ 45,669	\$ —	\$ 45,669
Common stock	\$ 60,116	\$ —	\$ 211,788	\$ 271,904	\$ 56,109	\$ —	\$ 215,185	\$ 271,294
Convertible notes	\$ —	\$ —	\$ 10,146	\$ 10,146	\$ —	\$ —	\$ 9,768	\$ 9,768
LP/LLC interests	\$ —	\$ —	\$ 316,907	\$ 316,907	\$ —	\$ —	\$ 383,279	\$ 383,279
Pre-Launch network	\$ —	\$ —	\$ 5,938	\$ 5,938	\$ —	\$ —	\$ 6,393	\$ 6,393
Preferred stock	\$ —	\$ —	\$ 393,013	\$ 393,013	\$ —	\$ —	\$ 382,182	\$ 382,182
Warrants/Trust units/Trust shares	\$ 1	\$ —	\$ 8,278	\$ 8,279	\$ 7,963	\$ —	\$ 8,897	\$ 16,860
	\$ 60,117	\$ 2,453,132	\$ 1,021,839	\$ 3,535,088	\$ 64,072	\$ 2,543,738	\$ 1,071,469	\$ 3,679,279
Liabilities	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Digital assets sold short	—	—	—	—	—	—	—	—
Investments sold short	25,403			25,403	11,630	—	—	11,630
Derivative liabilities		31,654		31,654	—	25,567	—	25,567
Warrant liability			17,802	17,802	—	—	20,488	20,488
Embedded derivative - Notes payable	—	—	52,372	52,372	—	—	58,866	58,866
	\$ 25,403	\$ 31,654	\$ 70,174	\$ 127,231	11,630	25,567	79,354	116,551

*Valuation of Assets / Liabilities that use Level 1 Inputs ("Level 1 Assets / Liabilities").* Consists of the Partnership's investments in common stock and investments sold short, where quoted prices in active markets are available.

*Valuation of Assets / Liabilities that use Level 2 Inputs ("Level 2 Assets / Liabilities").* Consists of the Partnership's investments in common stock, limited partnership/limited liability company interest investments, pre-launch network investments and warrants/trust units/trust shares and the majority of the Partnership's convertible notes, preferred stock and digital assets, including its digital assets posted as collateral and digital assets sold short, where quoted prices in active markets are available. For the digital assets, the fair value is determined by the volume-weighted average of prices across principal exchanges as of 12:00 AM UTC, per coinmarketcap.com\*.

\* 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.

The Partnership's pre-network launch investments are generally carried at the total contributions made to date, unless impaired, as there are no conditions indicating a change in value and therefore cost approximates fair value. For the Partnership's other

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investments classified as Level 2, the market approach is used. These investments are classified as Level 2 as they are based on observable inputs other than quoted prices, such as transactions in the equity of the investments.

*Valuation of Assets / Liabilities that use Level 3 Inputs ("Level 3 Assets / Liabilities").* Consists of the Partnership's investments in preferred stock, convertible notes, limited partnership/limited liability company interest investments, warrants/trust units/trust shares and pre-ICO investments; certain of the Partnership's investments in common stock and digital assets; and the majority of the Partnership's digital assets receivables,

- For digital assets and digital assets receivables, fair value was determined utilizing a volume-weighted average of prices across principal exchanges as of 12:00 AM UTC, with an adjustment for time of receipt of tokens and/or potential volatility. If the digital asset was contractually or legally to be received over a specific vesting period of potentially multiple years, restricted for trading or lacked access to an active market, a discount was applied to the closing prices. The discount was calculated using an option pricing model to determine the cost to insure the subject asset against the risk of encountering lower prices.
- For the Partnership's common stock investments:
  - Various option pricing models were considered and/or utilized including: a backsolve method, a protective put method for discount for lack of marketability, and a Black-Scholes model for discount for lack of marketability was applied to investments restricted for trading; and
  - A prior transaction approach was used for others; some adjusted.
- For the Partnership's preferred stock investments:
  - Various option pricing models were considered and/or utilized including: a backsolve method, a protective put method for discount for lack of marketability, and a Black-Scholes model for discount for lack of marketability was applied to investments restricted for trading; and
  - A prior transaction approach was used for others; some adjusted.
  - One of the Partnership's preferred stock investments used the adjusted book value method to estimate fair value. This is an approach that relies on adjusting the most recently reported book values of the subject enterprise's assets to their market values and subtracting the corresponding liabilities;
  - A discounted cash flow was utilized for one investment;
  - And one investment was valued based on a sum of the parts method.
- For the Partnership's convertible notes, the market approach is used, with further fair value adjustments (e.g. the application of unobservable probabilities); as well as a prior transaction approach for many, some adjusted.
- For a majority of the Partnership's limited partnership/limited liability company interest investments in funds, fair value was based on the net asset value provided by the fund, adjusted if necessary for events between statement date and the date of the financials. For one limited partnership interest investment in a fund, fair value was based on a probability weighted estimated future payout under the income approach. A prior transaction approach was used for other investments; some adjusted.
- For the Partnership's investment in warrants/trust units/trust shares, an adjusted book value approach was used for one investment; the remainder utilized a prior transaction approach, some adjusted.

The Partnership's warrant liability and Exchangeable Notes were also classified as a Level 3 financial liability. The option pricing models were used to determine the fair value of the associated derivatives.

The fair value of Level 3 assets and liabilities is inherently subjective. Specifically, because of the uncertainty of determining the fair value 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 and quantitative studies designed to estimate liquidity discounts. To estimate the appropriate discount to apply, the Partnership considered the relevant facts and circumstances, including features of the subject assets, expectations related to an active market existing in the future, costs associated with accessing (or trading outside of) existing exchanges as applicable, price volatility of comparable assets, and other identified risks associated with the subject assets.



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

## Level 3 Continuity

The following table represents a reconciliation of Level 3 assets and liabilities for the period ended March 31, 2022:

<b>Assets (in thousands)</b>	<b>Fair value at December 31, 2021</b>	<b>Contributions</b>	<b>Purchases</b>	<b>Sales/ Distributions</b>	<b>Net Realized Gain (Loss) on Digital Assets and Investments</b>	<b>Net Unrealized Gain/(Loss) on Digital Assets and Investments</b>	<b>Transfers in /(out) of Level 3</b>	<b>Fair Value at March 31, 2022</b>
Digital assets	\$ 4,144	\$ —	\$ —	\$ —	\$ —	\$ (251)	\$ (2,763)	\$ 1,130
Digital assets receivables	61,621	—	35,720	—	—	(10,710)	(11,992)	74,639
Common stock	215,185	—	—	—	—	(3,397)	—	211,788
Convertible notes	9,768	—	2,008	—	—	(1,630)	—	10,146
LP/LLC interests	383,279	—	11,555	(67,425)	49,085	(59,587)	—	316,907
Pre-Launch Network	6,393	—	1,050	(1,505)	—	—	—	5,938
Preferred stock	382,182	—	14,781	(25,001)	24,747	(3,696)	—	393,013
Warrants/Trust units/ Trust shares	8,897	—	—	—	—	(619)	—	8,278
<b>Total Digital Assets, Digital Assets Receivables and Investments</b>	<b>\$ 1,071,469</b>	<b>\$ —</b>	<b>\$ 65,114</b>	<b>\$ (93,931)</b>	<b>\$ 73,832</b>	<b>\$ (79,890)</b>	<b>\$ (14,755)</b>	<b>\$ 1,021,839</b>

<b>Liabilities</b>	<b>Fair value at December 31, 2021</b>	<b>Conversions</b>	<b>Revaluation of Warrant Liability</b>	<b>Fair Value at March 31, 2022</b>
Warrant liability	\$ 20,488	\$ (165)	\$ (2,521)	\$ 17,802
Embedded derivative - Notes payable	\$ 58,866	\$ —	\$ (6,494)	\$ 52,372

Transfers in and out of Level 3 are considered to have occurred at the beginning of the period the transfer occurred. Total transfers into Level 3 were \$0 and total transfers out of Level 3 were \$14.8 million. The transfers out of Level 3 for digital assets and digital assets receivable were due to the receipt of digital assets as expected upon vesting.

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The following table represents a reconciliation of Level 3 assets and liabilities for the year ended December 31, 2021:

Assets (in thousands)	Fair value at December 31, 2020	Contributions	Purchases	Sales/ Distributions	Net Realized Gain (Loss) on Digital Assets and Investments	Net Unrealized Gain/(Loss) on Digital Assets and Investments	Transfers in /(out) of Level 3	Fair Value at December 31, 2021
Digital Assets	\$ 6,314	\$ —	\$ 1,951	\$ —	\$ —	\$ 2,193	\$ (6,314)	\$ 4,144
Digital Assets Receivables	\$ 19,724	\$ —	\$ 16,368	\$ —	\$ —	\$ 37,613	\$ (12,084)	\$ 61,621
Convertible Notes	\$ 1,851	\$ —	\$ 6,561	\$ —	\$ —	\$ 694	\$ 662	\$ 9,768
Common Stock	\$ —	\$ —	\$ 53,527	\$ —	\$ —	\$ 146,657	\$ 15,001	\$ 215,185
LP/LLC Interests	\$ 73,861	\$ —	\$ 133,203	\$ (4,114)	\$ —	\$ 177,329	\$ 3,000	\$ 383,279
Pre-Launch Network	\$ —	\$ —	\$ 6,393	\$ —	\$ —	\$ —	\$ —	\$ 6,393
Preferred Stock	\$ 33,385	\$ —	\$ 72,852	\$ (24,010)	\$ 20,114	\$ 251,573	\$ 28,268	\$ 382,182
Warrants/Trust Units/Trust Shares	\$ 54,773	\$ —	\$ 28	\$ (20,497)	\$ 17,602	\$ (12,359)	\$ (30,650)	\$ 8,897
<b>Total Digital Assets, Digital Assets Receivables and Investments</b>	<b>\$ 189,908</b>	<b>\$ —</b>	<b>\$ 290,883</b>	<b>\$ (48,621)</b>	<b>\$ 37,716</b>	<b>\$ 603,700</b>	<b>\$ (2,117)</b>	<b>\$ 1,071,469</b>

Liabilities (in thousands)	Fair value at December 31, 2020	Conversions	Issuance	Revaluation	Fair Value at December 31, 2021
Warrant liability	\$ 20,781	\$ (45,937)	\$ —	\$ 45,644	\$ 20,488
Embedded derivative - Notes payable	\$ —	\$ —	\$ 70,998	\$ (12,132)	\$ 58,866

Transfers in and out of Level 3 are considered to have occurred at the beginning of the period the transfer occurred. Total transfers into Level 3 were \$46.9 million and total transfers out of Level 3 were \$49.0 million. The transfers into Level 3 for common stock were due to fair value adjustments determined by unobservable market inputs as well as the rise of a restriction requiring the application of a discount for lack of marketability. The transfers into Level 3 for convertible notes were due to fair value adjustments determined by unobservable market inputs. The transfers into Level 3 for preferred stock were due to fair value adjustments determined by a market approach utilizing an option pricing based methodology, a discount for lack of marketability and other unobservable market inputs. The transfers into Level 3 for LP/LLC interest were due to fair value adjustments determined by a market approach and other unobservable market inputs. The transfer into Level 3 for Warrants/Trust units/Trust shares was due to fair value adjustments determined by unobservable market inputs. The transfers into Level 3 for digital assets and digital assets receivable were due to digital assets expected to be distributed over time according to a release schedule. The transfer out of Level 3 for trust units was due to the removal of restrictions.

The carrying values of the Partnership's cash, receivable for digital asset trades, digital asset loans receivable, assets posted as collateral, receivables, due from broker, loans receivable, accounts payable and accrued liabilities, payable for digital asset trades, digital asset loans payable and collateral payable approximate fair value due to their short maturities. The carrying value of the Partnership's lease liability is measured as the present value of the discounted future cash flows.

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## Quantitative Information for certain Level 3 Assets and Liabilities

Financial Instrument	Fair Value at March 31, 2022 (in thousands)	Significant Unobservable Inputs	Range
Digital assets	\$1,130	Marketability discount	3.6% - 78.1%
Digital assets receivables	\$74,639	Marketability discount	15.8% - 49.9%
Convertible notes	\$10,146	Recovery rate	0% - 100%
		Scenario probability <sup>(1)</sup> :	
		No deal closure and dissolution	90%
		Deal closure and partial default	5%
		Deal closure and full recovery	5%
LP/LLC interests <sup>(2)</sup>	\$316,907	Marketability discount	10%
		Lack of control discount	10%
Preferred stock <sup>(3)</sup>	\$393,013	Control discount	10%
		Marketability discount	20% - 27.5%
		Time to liquidity event (years)	2.75 - 5.0
		Annualized equity volatility	65% - 90%
		Risk free rate	0.17% - 2.54%
		Expected dividend payout ratio	—
		Enterprise value to revenue multiple	5.0x - 6.75x
Common Stock	\$211,788	Marketability discount	9.4% - 11.7%
		Time to liquidity event (years)	0.04 - 5.0
		Annualized equity volatility	50% - 120%
		Risk free rate	-.011%-0.79%
		Expected dividend payout ratio	-
Warrants/Trust Units	\$8,278	Adjusted book value	
Warrant liability	\$17,802	Volatility	105%
		Time to liquidity event (years)	0.62
		Risk free rate	1.63%
		Expected dividend payout ratio	—
		Dilution factor	0.5%
Embedded derivative - notes payable	\$52,372	Volatility	47.9%
		Time-Step	0.004 years
		Risk free rate	2.4%

<sup>1</sup>Relates to the probability of a deal closure with a potential buyer of the underlying company

<sup>2</sup>The remaining fair value relates to additional investments which utilize net asset values provided by funds.

<sup>3</sup>The remaining fair value relates to an investment which utilizes a pre-money valuation of the Company.

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Financial Instrument	Fair Value at December 31, 2021	Significant Unobservable Inputs	Range
Digital assets	4,144	Marketability discount	14.4% - 58.2%
Digital assets receivables	61,621	Marketability discount	15.7% - 61.2%
Convertible Notes	9,768	Recovery rate	0% - 100%
		Scenario probability <sup>(1)</sup> :	
		No deal closure and dissolution	90%
		Deal closure and partial default	5%
		Deal closure and full recovery	5%
LP/LLC interests <sup>(2)</sup>	383,279	Risk-free rate	10%
		Marketability discount	10%
		Time to assumed payoff (years)	0.5
Preferred stock <sup>(3)</sup>	382,182	Control discount	10%
		Marketability discount	20.0% - 25.0%
		Time to liquidity event (years)	2.75 - 5.0
		Annualized equity volatility	50%-120%
		Risk free rate	0.12% - 0.79%
		Expected dividend payout ratio	—%
		Enterprise value to revenue multiple	0
Common Stock	215,185	Marketability discount	15.3% - 25.1%
		Time to liquidity event (years)	0.3 - 5.0
		Annualized equity volatility	50% - 120%
		Risk free rate	0.12% - 0.79%
		Expected dividend payout ratio	0
Warrants / Trust units	8,897	Adjusted book value	
Warrant liability	20,488	Volatility	120%
		Time to expiration (years)	0.87
		Risk free rate	0.69%
		Expected dividend payout ratio	0
		Dilution factor	0.5%
Embedded derivative - notes payable	58,866	Volatility	47.9%
		Time-step	0.004 years
		Risk free rate	1.25%

<sup>1</sup>Relates to the probability of a deal closure with a potential buyer of the underlying company.

<sup>2</sup>The remaining fair value relates to additional investments which utilize net asset values provided by funds.

<sup>3</sup>The remaining fair value relates to an investment which utilizes a pre-money valuation of the Company.

For the three months ended March 31, 2022 and the year ended December 31, 2021, the latest available reported net asset value of the underlying funds were used to fair value the Level 3 limited partnership/ limited liability company interests.

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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.

## Valuation Techniques

The following tables summarize the valuation techniques and significant inputs used in the fair value measurement of the Partnership's digital assets and investments as of March 31, 2022 and December 31, 2021, respectively.

Category	Valuation Methods & Techniques	Key Inputs
Cryptocurrency	<ul style="list-style-type: none"> <li>Black-Scholes option pricing model for discount for lack of marketability</li> </ul>	<ul style="list-style-type: none"> <li>Volume-weighted average of trading prices</li> <li>Selected volatilities of subject cryptocurrencies</li> <li>Vesting period</li> <li>Risk-free rate</li> <li>Dividend yield</li> </ul>
Pre-Network launch	<ul style="list-style-type: none"> <li>Prior transactions method</li> </ul>	<ul style="list-style-type: none"> <li>Prior prices of subject pre-ICO cryptocurrencies</li> </ul>
Convertible notes	<ul style="list-style-type: none"> <li>Prior transactions method</li> <li>Probability-weighted expected return model</li> </ul>	<ul style="list-style-type: none"> <li>Prior prices of subject convertible note</li> <li>Scenario probabilities</li> <li>Recovery rates</li> </ul>
Preferred stock	<ul style="list-style-type: none"> <li>Prior transactions method</li> <li>Comparable transactions method</li> <li>Backsolve method in an option pricing model framework</li> <li>Discounted cash flows</li> <li>Control adjustments</li> <li>Marketability adjustments</li> <li>Guideline public company method</li> <li>Adjusted book value</li> </ul>	<ul style="list-style-type: none"> <li>Prior prices of subject preferred stock</li> <li>Enterprise value-to-revenue multiple</li> <li>Expected time to exit</li> <li>Volatility of the company's total equity</li> <li>Risk free rate</li> <li>Expected dividend payout ratio</li> <li>Discount rate</li> <li>Selected discounts for lack of control</li> <li>Selected discounts for lack of marketability</li> <li>Net assets of subject company</li> </ul>
Common stock	<ul style="list-style-type: none"> <li>Prior transactions method</li> <li>Public closing price</li> </ul>	<ul style="list-style-type: none"> <li>Prior prices of subject common stock</li> <li>Public closing prices of subject securities</li> </ul>
LP/LLC interests	<ul style="list-style-type: none"> <li>Prior transactions method</li> <li>Comparable transactions method</li> <li>Net asset value provided by fund</li> <li>Discounted cash flow analysis</li> <li>Adjusted net assets method</li> </ul>	<ul style="list-style-type: none"> <li>Prior prices of subject LP/LLC interests</li> <li>Net asset value provided by fund</li> <li>Current trading price of Bitcoin</li> <li>Scenario probabilities</li> <li>Selected discount for lack of marketability</li> <li>Vesting period</li> <li>Volatility</li> </ul>
Warrants/Trust Units/ Trust Shares	<ul style="list-style-type: none"> <li>Public closing price</li> <li>Black-Scholes model</li> <li>Prior transactions method</li> </ul>	<ul style="list-style-type: none"> <li>Public closing prices of subject securities</li> <li>Selected volatility of underlying trust units</li> <li>Prior prices of subject trust shares</li> </ul>

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## Industry

As of March 31, 2022 and December 31, 2021, details of the industry composition of the Partnership's digital assets and investments are as follows:

Industry	March 31, 2022		December 31, 2021	
	Percentage	# of Investments	Percentage	# of Investments
Other (Digital assets and Pre-Launch network investments)	69 %	131	69 %	124
Finance	15	37	17	33
High tech industries	10	34	9	29
Services: Business	5	11	5	11
Software	1	6	<1	4
Finance technology	<1	2	<1	2
Media: Diversified and production	<1	1	<1	1
Utilities: Electric	0	0	0	0
Total	100 %	222	100 %	204

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

## Safeguarding of Digital Assets

The Partnership utilizes the Fireblocks platform to maintain custody, transfer, and secure a material portion of its digital assets associated with its trading businesses. Fireblocks, with locations in New York and Tel Aviv, utilizes a secure hot vault and secure transfer environment to help establish connections between the Partnership's wallets, exchanges, counterparties, and networks. Fireblocks utilizes multi-party computation ("MPC") protection layers to distribute private key secrets across multiple locations to ensure there is no single point of failure associated with the private keys. The use of MPC ensures private key shards are never concentrated to a single device at any point in time. The Partnership utilizes the Fireblocks Policy Engine to designate transaction approval policies for digital assets held within the Fireblocks portal. As such, administrators configure automated rules to ensure all transactions are disbursed based on the asset sent, total value of the transaction, source and destination of funds and signor requirements. All transactions initiated from Fireblocks that fail to meet the Partnership's pre-defined criteria per the engine policy are automatically rejected. The Partnership also utilizes the Fireblocks network as a settlement layer to transact and settle with pre-approved counterparties or entities. The Fireblocks Network utilizes secure enclave technology and data-in-motion encryption to prevent traditional vulnerabilities associated with authenticating wallet addresses. All internal wallets owned by the Partnership and external wallets for addresses of the partnerships counterparties require multiple approvals in accordance with our whitelisting policy. As such, the Partnership settles with counterparties or entities without the risk of losing funds due to deposit address attacks or errors.

Fireblocks is SOC 2 Type II certified for 2021 and undergoes a SOC 2 review on an annual basis. The Partnership reviews the Fireblocks SOC 2 report to ensure they maintain a secure technology infrastructure and that their systems are designed and operating effectively. Additionally, the Partnership reviews its own complementary user entity controls in conjunction with the Fireblocks controls to ensure that applicable trust services criteria can be met. Fireblocks maintains an insurance policy which has coverage for technology, cyber, and professional liability and is rated "A" by A.M. Best based on the strength of the policy and has had no known security breaches or incidents reported to date. The Partnership currently has an investment interest in Fireblocks in the form of preferred shares.

The Partnership also utilizes cold storage solutions to self-custody a portion of its digital assets offline. Private keys are generated, backed-up and stored in hardware wallets which are maintained in secured locations. Access to private keys and back-ups are segregated amongst authorized personnel throughout the Partnership to ensure appropriate segregation of duties are maintained between departments. Specific details relating to the Partnership's private key management protocols remain highly sensitive in nature and are only discussed internally with the appropriate personnel to minimize security threats.

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Institutional grade custodians are used by the Partnership to secure digital assets for its fund products. A material percentage of which are custodied among Bakkt Trust Company, LLC ("Bakkt Warehouse"), Gemini Trust Company, LLC, and Coinbase Custody Trust Company, LLC. The Partnership maintains internal controls to ensure that accounts held with each custodian are appropriately authorized and access restricted. As a part of regular operations, designated individuals of the Partnership review and monitor custodied balances against internal fund records, verifying the accuracy of each holding. Additionally, the Partnership performs due-diligence procedures including regular reviews over each custodian issued SOC report(s) covering the applicable period.

Bakkt, an Atlanta headquartered entity, is a New York State Department of Financial Services (NYDFS) regulated qualified custodian and has business continuity operations at ICE locations in Chicago, New York, and London. Terms and conditions for account services and offerings are predefined and agreed upon by both the Partnership and the custodian per the Bakkt Trust Warehouse Agreement. All Bakkt wallets require multi-signature authorization by 2 of 3 keys to approve each withdrawal transaction. The Warehouse provides both online ("Warm Wallets") and offline ("Cold Wallets") custody solutions, and its systems algorithmically balance between both mechanisms to minimize the inherent risks of online custody. Private keys are stored on hardened systems in cold storage as well as on FIPS 140-2 level 3 HSMs. Additionally, private keys are never transferred across any open or unencrypted communication channels. Bakkt's warm and cold wallets are covered by a \$125 million insurance policy from a leading global syndicate. The Partnership currently has an investment interest in Bakkt Holdings, LLC in the form of Class B Voting Units. Bakkt is SOC 1 Type II compliant as of the period April 23, 2021 to December 31, 2021.

Gemini, a New York headquartered cryptocurrency exchange and custodian, is a New York trust company regulated by the New York State Department of Financial Services (NYDFS); therefore, Gemini is subject to capital reserve requirements, cybersecurity requirements, and banking compliance standards set forth by the NYDFS and the New York Banking Law. Cold wallet private keys are stored in geographically distributed HSMs and require multi-signature authorization (M-of-N) for transfer of funds. Gemini is SOC 1 Type II and SOC 2 Type II compliant as of the period October 1, 2020 to September 30, 2021.

Leveraging the infrastructure of Coinbase, Inc. for their operations, Coinbase Custody provides cold storage as a service that enables client deposits and withdrawals of supported digital assets into and out of custodial accounts established on the books and records of Coinbase Custody. Private keys are encrypted and sharded so that the process of bringing a key online requires a consensus of individuals and network access with encrypted shards being stored in a restricted storage cabinet in a cold storage environment. Coinbase Custody is SOC 1 Type II compliant and SOC 2 Type II compliant as of the period October 1, 2020 to September 30, 2021.

## ***Crypto Asset Trading Platforms***

The Partnership utilizes multiple cryptocurrency exchanges to assist in conducting digital trading activity. As such, the Partnership maintains digital asset balances on their exchange accounts to facilitate operations. Active exchanges are domiciled across multiple geographies including the United States, Malta, Luxembourg, Singapore, Seychelles, and Hong Kong. The Partnership has a robust due diligence program for all exchanges, regardless of domicile or jurisdiction. Each exchange is required to provide all information and documentation that is necessary to do business with the Partnership. Information security reviews are conducted on each exchange to assess data retention protocols, infrastructure, and applicable IT policies and procedures. Designated departments review all documentation to ensure each exchange meets pre-defined criteria before providing approval for onboarding. Additionally, the Partnership assesses security, reputation, and operational risks in its determination of utilizing any exchange. Once onboarded, each exchange is monitored on an ongoing basis to ensure they maintain compliance with required legal and regulatory standings.

As part of the Partnership's control procedures, certain individuals are designated to administrator and authenticate users with exchange access and secure accounts per IT security protocols. Upon opening a new account, passwords, application programming interface ("API") keys, and multi-factor authentication mechanisms are created to secure credentials under the Partnership's Password and Multi-Factor Authentication Policy. Credentials are managed in secured locations and are only made accessible to authorized personnel with privileged access.

Exchange balances are aggregated via live API feeds to ensure risk exposures are monitored across the Partnership's positions. Exchange accounts with material balances are integrated within the Fireblocks platform; the integration allows for authorized users to initiate exchange withdrawals directly from Fireblocks to dedicated vault accounts within the platform. The Partnership maintains contingency plans to securely transfer digital assets of exchanges to pre-defined wallets and vault accounts. On an

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ongoing basis, the Partnership assesses its risk exposure based on current market conditions and its digital asset positions. To date, no known security breaches have occurred with any of the Partnership's exchange accounts which have resulted in a loss or theft of digital assets. The Partnership performs reconciliation procedures to review exchange balances, trades, and fees against internal and third-party records to ensure digital asset holdings are complete and accurate.

## ***Risk***

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

## ***Credit Risk***

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into, causing the other party to incur a financial loss. The Partnership's cash, receivables, receivable for digital asset trades, and loans (including digital asset loans) receivable are exposed to credit risk. The Partnership limits its credit risk by placing its cash with high credit quality financial institutions and with cryptocurrency exchanges on which the Partnership has performed internal due diligence procedures. The Partnership deems these procedures necessary as some exchanges are unregulated and not subject to regulatory oversight. Furthermore, crypto-exchanges engage in the practice of commingling their clients' assets in exchange wallets. When crypto-assets are commingled, transactions are not recorded on the applicable blockchain ledger but are only recorded by the exchange. Therefore, there is risk around the occurrence of transactions or the existence of period end balances represented by exchanges. As at March 31, 2022, the Partnership held approximately \$14.3 million (December 31, 2021 - \$13.4 million) in cash and \$1.2 billion (December 31, 2021 - \$1.3 billion) in digital assets at exchanges or custodians that do not have system or organization control reporting available. The Partnership's due diligence procedures around exchanges include, but are not limited to, internal control procedures around on-boarding new exchanges which includes review of the exchanges anti-money laundering ("AML") and know-your-client ("KYC") policies by the Partnership's chief compliance officer, obtaining a security ratings report by an independent third-party on certain exchanges, constant review of market information specifically regarding the exchanges security and solvency risk, setting balance limits for each exchange account based on risk exposure thresholds and preparing daily asset management reports to ensure limits are being followed and having a fail-over plan to move cash and digital assets held on an exchange in instances where risk exposure significantly changes. The Partnership limits its credit risk with respect to its receivables, receivables for digital asset trades, digital assets loans receivable and digital assets receivables by transacting with credit worthy counterparties that are believed to have sufficient capital to meet their obligations as they come due and, with regards to OTC and Master Loan Agreement (MLA) counterparties for the trading business, on which the Partnership has satisfactorily performed the relevant AML and KYC procedures and required the posting of collateral if deemed necessary. As of March 31, 2022 and subsequently, the Partnership does not expect a material loss on any of its loans. As of each reporting period, the Partnership assesses if there may be expected credit losses requiring recognition of a loss allowance. As of March 31, 2022, the Partnership is exposed to credit risk. While the Partnership intends to only transact with counterparties or exchanges that it believes to be creditworthy, there can be no assurance that a counterparty will not default and that the Partnership will not sustain a material loss on a transaction as a result.



## Derivative-related credit risk

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

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

## ***Interest Rate Risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. General interest rate fluctuations may have an impact on the Partnership's investment opportunities, primarily within its principal investments segment. An increase in interest rates may make it more expensive to utilize a leverage facility in the future to make investments. To the extent the Partnership invests in debt instruments, interest rate changes may affect the value of the instrument indirectly in the case of fixed rate obligations, or directly in the case of adjustable rate instruments. In general, rising rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Interest rate sensitivity generally is more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate changes would also affect its ability to earn interest income on cash balances at variable rates. The Partnership did not have a leverage facility in place, and its digital assets loans receivable and payable (Note 7) are at fixed rates of interest. The Partnership's remaining loans all have fixed rates however in some cases can also be settled in digital assets at the option of the borrower. As of March 31, 2022, the Partnership's exposure to interest rate risk is limited.

## ***Liquidity Risk***

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as they come due, as well as the risk of not being able to liquidate assets at reasonable prices. The Partnership manages liquidity risk by maintaining sufficient cash balances to enable settlement of its liabilities. Accounts payable and accrued liabilities, other than accrued compensation, and payables for digital asset trades generally have maturities of 30 days or less or are due on demand, or in the case of digital assets loan payable, on 5 to 20 business days' notice or at the end of the set term unless renewed. The Partnership intends to manage its short-term liquidity needs through its available cash balance and cash inflows from its ongoing business activities. In addition, as of March 31, 2022, 96.5% (December 31, 2021 - 69.6%) of the Partnership's digital assets portfolio was in liquid, actively traded cryptocurrency market 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. For the period ended March 31, 2022, the Partnership minimized exposure to digital assets transactions completed in foreign currencies by entering into foreign currency swaps, which are not significant.

## ***Market Risk***

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

are susceptible to other market risk arising from uncertainties about future prices of the instruments. The Partnership moderates this risk through the various investment strategies within the parameters of the Partnership's investment guidelines.

As of March 31, 2022, management's estimate of the effect on equity due to a +/- 20% change in the market prices of the Partnership's investments and investments sold short, with all other variables held constant, was +/- \$196.2 million (December 31, 2021 - \$211.6 million).

## ***Digital Asset Risk***

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

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

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

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

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

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

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may result in loss or less favorable prices of digital assets, or may adversely affect the Partnership, its operations and its investments.

As of March 31, 2022, management's estimate of the effect on equity due to a +/- 20% change in the market prices of the Partnership's digital assets, with all other variables held constant, was +/- \$453.1 million (December 31, 2021 - \$484.2 million).

## ***Loss of access risk***

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

## ***Irrevocability of transactions***

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

## ***Hard fork and air drop risks***

Hard forks may occur for a variety of reasons including, but not limited to, disputes over proposed changes to the protocol, significant security breach, or an unanticipated software flaw in the multiple versions of otherwise compatible software. In the event of a hard fork in a cryptocurrency held by the Partnership, it is expected that the Partnership would hold an equivalent amount of the old and new cryptocurrency following the hard fork.

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

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

## ***Regulatory oversight risk***

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

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## 23. 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 March 31, 2022 and December 31, 2021, the Partnership had \$2.5 billion and \$2.6 billion in equity, respectively. The Partnership has the flexibility to acquire or dispose of assets and to issue debt or equity to adjust its capital structure in the future. The Partnership is not subject to externally imposed capital requirements other than the minimum net capital requirement for its broker dealer of \$0.1 million, nor were there any changes to the Partnership's approach to capital management during the period ended March 31, 2022.

## 24. COMMITMENTS AND CONTINGENCIES

### Sublease

As of March 31, 2022, the Partnership has lease commitments for the next five years as follows:

(in thousands)	Rent Due
2022	2,751
2023	4,418
2024	2,545
2025	2,388
2026	2,557
<b>Total</b>	<b>\$ 14,659</b>

Additionally, the Partnership has \$5.6 million in total commitments under the subleases for the period from 2027 to the expiration of the final sublease terms on February 27, 2029.

For the period ended March 31, 2022, the Partnership recognized interest expense on the lease liability of \$0.3 million (2021 - \$0.2 million), which was recorded within interest expense.

### Investment and loan commitments

As of March 31, 2022, the Partnership was obligated to 10 investment funds to fund up to \$70.3 million, of which \$9.0 million was funded subsequent to period end. The Partnership has outstanding loan commitments of \$267.5 million under revolving credit agreements, out of which \$100.0 million was funded as of March 31, 2022 (Note 8).

Additionally, the Partnership committed up to \$85.0 million to participate as an investor in two SPAC merger financings. Both transactions are dependent on SEC and shareholder approval of the respective executed merger agreements within the next twelve months. If the SPAC merger transactions close, the Partnership will be required to fund the relevant portion of its commitment in exchange for shares of the SPACs' common stock. As the SPAC mergers have not yet occurred, no investment from the Partnership has occurred as of March 31, 2022.

### Agreement for mining equipment

The Partnership has entered into agreements for the supply of mining equipment. The commitment amount and the amount paid as of March 31, 2022 are disclosed below:

	Commitment Amount (\$ millions)	Amount Paid as of Period End (\$ millions)	Net (\$ millions)
Mining equipment	111.2	83.9	27.3

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## BitGo

On March 30, 2022, GDH Ltd., GDH LP and GDH GP, along with various subsidiaries, amended and restated the merger agreement governing the previously announced acquisition of BitGo. BitGo is an independent digital assets infrastructure provider. Under the terms of the merger agreement, the consideration to BitGo shareholders will consist of 44.8 million newly issued shares of common stock of the successor to GDH Ltd. following its domestication as a Delaware corporation and \$265 million in cash, subject to certain adjustments and deferred purchase considerations. The acquisition is expected to close immediately following the domestication of GDH Ltd. as a Delaware corporation, subject to approval by the Company's shareholders as well as certain other acquisition-related closing conditions and regulatory approvals. A reverse termination fee of \$100 million will be payable by the GDH LP to BitGo in certain circumstances if the transaction has not been completed by March 31, 2023, subject to certain conditions set forth in the merger agreement.

## 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 March 31, 2022 and December 31, 2021, there was no liability accrued under these arrangements.

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

## Financial Support of GDH Ltd.

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

## 25. INCOME TAXES

GDH LP is a Cayman exempted limited partnership treated as a partnership for US Federal tax purposes and as such income taxes are generally the responsibility of the partners through an allocation of GDH LP's taxable income (loss), and not that of GDH LP. GDH LP is subject to a 4.0% entity level New York City unincorporated business tax ("UBT") on income allocated or apportioned to New York City. Foreign corporate subsidiaries are generally subject to taxes in the foreign jurisdictions where they are located. Accordingly, no provision for income taxes has been recorded in these consolidated financial statements other than for GDH LP's UBT obligation and for the entities in the consolidated GDH LP group subject to income taxes in the local jurisdictions in which they operate. The allocation of taxable income to members may vary substantially from net income reported in these condensed consolidated interim financial statements.

Income taxes expense (recovery) for the three months ended March 31, 2022 and 2021 consists of the following:

(in thousands)	Three months ended March 31, 2022	Three months ended March 31, 2021
Current income taxes	\$ 13,909	\$ —
Deferred income taxes	(20,028)	
<b>Total income taxes expense (benefit)</b>	<b>\$ (6,119)</b>	<b>\$ —</b>

The effective income tax rate of 5.2% for the three months ended March 31, 2022 was generally higher than the Cayman Island statutory rate of 0.0% due to the entity level UBT tax imposed by NYC and higher tax rates in certain jurisdictions where the Partnership's foreign corporate subsidiaries operate. The effective income tax rate for the three months ended March 31, 2022 was generally higher than the effective income tax rate for the three months ended March 31, 2021 primarily due to changes in the jurisdictional mix of earnings as compared to the prior period.

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## 26. SUBSEQUENT EVENT

On April 14, 2022, the board of the General Partner approved a pro rata distribution of up to \$82.5 million in respect of taxable income related to tax year 2021. In connection therewith, on April 14, 2022 the Partnership entered into a Promissory Note (the "Promissory Note") with GDH Intermediate LLC ("GDHI LLC"). Under the terms of the Promissory Note, the Partnership can request that GDHI LLC make advances to the Partnership from time to time, which decision is in GDHI LLC's sole and absolute discretion. As such, immediately after receiving its pro rata tax distribution, GDHI LLC advanced \$23.6 million to the Partnership.

Under the terms of the Promissory Note, interest accrues on any outstanding advances at a rate per annum equal to 7.0%. Interest is payable semi-annually in arrears on June 30 and December 31 of each year, commencing on December 31, 2022, subject to the right of GDHI LLC to elect that the amount of any such interest payment be capitalized and increase the principal amount of the Promissory Note in lieu of being paid in cash by the Partnership. The Promissory Note will mature, and the principal amount of all outstanding advances, plus any accrued and unpaid interest, will be due and payable, on December 31, 2024, unless extended by GDHI LLC.