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Galaxy Digital Holdings LP

Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 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)

	Notes	September 30, 2022	December 31, 2021
Assets			
Current assets			
Cash and cash equivalent		\$ 1,038,176	\$ 840,776
Digital assets	6	865,463	2,420,777
Receivable for digital asset trades	6	16,208	8,332
Digital asset loans receivable, net of allowance	7	110,336	192,684
Digital assets receivables	6	21,012	52,998
Assets posted as collateral	7,8,9	98,976	71,400
Receivables	11	11,746	26,665
Derivative assets	9	23,909	45,669
Prepaid expenses and other assets	12	52,252	25,768
Loans receivable	8	76,028	190,087
Due from related party	20	—	25,023
Total current assets		2,314,106	3,900,179
Digital assets receivables	6	11,172	18,659
Investments	10	748,163	1,069,776
Right of use assets	13	13,234	11,746
Property and equipment	13	143,116	58,187
Deferred tax asset	25	20,184	10,259
Intangible assets	13	2,742	3,087
Goodwill	13	24,645	24,645
Total non-current assets		963,256	1,196,359
Total assets		\$ 3,277,362	\$ 5,096,538
Liabilities and Equity			
Current liabilities			
Investments sold short	10	7,960	11,630
Derivative liabilities	9	19,334	25,567
Warrant liability	15	318	20,488
Accounts payable and accrued liabilities	14	77,795	146,243
Payables to customers	14	22,771	142,441
Taxes payable		16,981	42,341
Payable for digital asset trades	6	4,589	13,216
Digital asset loans payable	7	501,119	905,013
Loans payable	8	112,528	33,289
Collateral payable	7,8,9	206,187	480,088
Due to related party	8	24,703	—
Lease liability		3,660	2,164
Non-controlling interests liability		56,652	161,536
Total current liabilities		1,054,597	1,984,016
Notes payable		425,629	475,330
Deferred tax liability	25	9,256	25,608

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)

Lease liability		12,792	13,233
Total non-current liabilities		447,677	514,171
Total liabilities		1,502,274	2,498,187
Equity			
Partners' capital	15	1,775,088	2,598,351
Total equity		1,775,088	2,598,351
Total liabilities and equity		\$ 3,277,362	\$ 5,096,538
Commitments and contingencies	24		

The condensed consolidated interim financial statements were authorized by the Board of Managers of Galaxy Digital Holdings GP LLC to be issued on November 9, 2022 and were signed on its behalf by:

<u>"Alex Ioffe"</u>	Chief Financial Officer	<u>"Michael Novogratz"</u>	Chief Executive Officer
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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 (Loss)
(Expressed in thousands of US Dollars - unaudited)

		Three Months Ended		Nine Months Ended	
	Notes	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Income					
Advisory and management fees		\$ 4,608	\$ 3,524	\$ 22,710	\$ 7,881
Net realized gain on digital assets		4,715	130,465	128,558	698,639
Net realized (loss) gain on investments	10	(8,776)	32,557	64,153	225,058
Income from lending		6,395	14,027	31,086	39,395
Net derivative gain	9	17,825	32,078	179,821	105,355
Income from mining	19	5,614	3,799	26,370	7,700
Other income		2,295	619	4,297	5,163
		32,676	217,069	456,995	1,089,191
Operating expenses					
Compensation and compensation related	20	37,247	53,146	112,447	136,780
Equity based compensation	15, 20	27,738	24,192	81,634	44,839
General and administrative	18	49,281	4,004	101,389	19,526
Professional fees	17	(4,260)	21,054	15,271	37,147
Profit share arrangement expense	20	—	1,867	—	14,032
Interest		8,543	19,386	33,417	51,646
Notes interest expense	15	7,504	—	22,113	—
		(126,053)	(123,649)	(366,271)	(303,970)
Net unrealized gain (loss) on digital assets		69,437	355,245	(664,206)	222,540
Net unrealized (loss) gain on investments	10	(39,299)	177,894	(372,318)	401,229
Net (loss) gain on notes payable - derivative	15	(1,041)	—	56,556	—
Net gain (loss) on warrant liability	15	307	9,352	20,005	(24,802)
Foreign currency gain (loss)		2,579	(229)	3,293	1,566
(Gain) loss attributable to non-controlling interests liability		(8,857)	(89,723)	105,160	(164,730)
		23,126	452,539	(851,510)	435,803
(Loss) income before income taxes		\$ (70,251)	\$ 545,959	(760,786)	1,221,024
Income taxes (benefit) expense	25	(2,357)	28,126	(26,984)	28,126
Net (Loss) income for the period		\$ (67,894)	\$ 517,833	\$ (733,802)	\$ 1,192,898
Other comprehensive income (loss)					
Foreign currency translation adjustment		\$ (222)	\$ 40	\$ (710)	\$ 338
Net comprehensive income (loss) for the period		\$ (68,116)	\$ 517,873	\$ (734,512)	\$ 1,193,236

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, except unit data - unaudited)

	Notes	Class A Unit Capital		Class B Unit Capital		Total
		Number	Amount	Number	Amount	
Balance at December 31, 2020		91,248,507	\$ 385,357	222,905,934	\$ 412,854	\$ 798,211
Equity based compensation	15	—	13,425	—	31,915	45,340
Distributions	15	—	—	—	(34,967)	(34,967)
Vesting of Class B Units		—	—	5,857,109	—	—
Exchange of Class B Units	15	667,895	2,782	(667,895)	(2,782)	—
Issuance of Class A Units on exercise of warrants, options, and restricted stock	15	5,039,048	12,200	—	—	12,200
Shares issued for acquisitions		1,220,185	4,954			4,954
Foreign currency translation adjustment		—	—	—	337	337
Income for the period		—	351,657	—	841,241	1,192,898
Balance at September 30, 2021		98,175,635	\$ 770,375	228,095,148	\$ 1,248,598	\$ 2,018,973
Balance at December 31, 2021		101,550,494	\$ 941,397	228,110,373	\$ 1,656,954	\$ 2,598,351
Equity based compensation	15	—	26,711	—	55,426	82,137
Distributions	15	—	(43,463)	—	(93,691)	(137,154)
Exchange of Class B Units		9,326,763	70,344	(9,326,763)	(70,344)	—
Repurchase and cancellation of Class A Units	15	(6,894,427)	(41,166)	—		(41,166)
Issuance of Class A Units on exercise of warrants, options and restricted stock	15	3,216,765	5,563	—		5,563
Other			(224)	—	1,383	1,159
Loss for the period		—	(241,908)	—	(491,894)	(733,802)
Balance at September 30, 2022		107,199,595	\$ 717,254	218,783,610	\$ 1,057,834	\$ 1,775,088

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)

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Operating activities		
Net income (loss) for the period	\$ (733,802)	\$ 1,192,898
Adjustments for:		
Bad debt expense	—	122
Provision for credit losses	10,123	—
Depreciation	11,244	1,903
Amortization of intangible assets	50	785
Impairment loss	27,923	—
Equity based compensation	81,634	44,839
Equity based compensation included in directors fees	503	501
Interest expense	33,417	51,646
Income from lending	(31,086)	(39,395)
Net realized gain on digital assets	(128,558)	(698,639)
Net realized gain on investments	(64,153)	(225,058)
Net realized loss on disposals of property and equipment	572	—
Net derivative gain	(179,821)	(105,355)
Net unrealized loss on digital assets	664,206	(222,540)
Net unrealized (gain) loss on investments	372,318	(401,229)
Net gain on notes payable - derivative	(56,556)	—
Revaluation of warrant liability	(20,005)	24,802
Notes interest expense	22,113	—
(Gain) loss attributable to non-controlling interests liability	(105,160)	164,730
Net deferred tax expense	(26,545)	—
Unrealized foreign currency (gain) loss	(799)	(1,566)
Changes in operating assets and liabilities:		
Net digital asset activity	338,627	78,702
Investments sold short	12,057	(8,045)
Receivables	27,108	3,479
Digital Assets receivable - cash portion	(16,370)	—
Loans receivable, net of repayment	114,059	(102,103)
Due from related party	49,613	(14,220)
Derivative assets and liabilities	195,348	91,097
Prepaid expenses and other assets	(26,484)	(730)
Payable to customers	(119,670)	140,183
Deferred tax liability	—	12,030
Payable for taxes	(25,360)	—
Collateral payable - cash portion	63,632	—
Accounts payable and accrued liabilities	(76,126)	123,251
Net cash provided by operating activities	414,052	112,088
Investing activities		
Additions to property, equipment, and intangible assets	(115,470)	(36,131)
Disposal of property and equipment	1,092	—

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Galaxy Digital Holdings LP

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

Purchase of investments	(161,525)	(192,392)
Proceeds and distributions from investments	154,497	245,007
Cash paid for purchase of intangible asset	—	(1,761)
Cash paid on acquisitions	—	(3,863)
Cash assumed on acquisitions	—	289
Net cash provided by (used in) investing activities	(121,406)	11,149
Financing activities		
Cash paid for principal portion of lease liability	(3,289)	(734)
Proceeds from loans payable	185,121	7,185
Repayment of loans payable	(105,881)	—
Notes payable	(15,259)	—
Proceeds from stock option and warrant exercise	5,362	7,309
Receipts from non-controlling interests liability holders	16,733	418,823
Disbursements to non-controlling interests liability holders	(1,253)	(390,159)
Distributions	(137,154)	(34,967)
Repurchase of Class A Units	(41,054)	—
Net cash provided by (used in) financing activities	(96,674)	7,457
Impact of exchange rate change on cash and other	1,428	338
Net increase in cash	197,400	131,032
Cash, beginning of period	840,776	144,901
Cash, end of period	\$ 1,038,176	\$ 275,933
Supplemental disclosure of cash flow information and non-cash investing and financing activities:		
Cash paid during the period for:		
Interest	\$ 7,062	\$ 9,764
Taxes	\$ 25,554	\$ 291
Non-cash activities:		
Purchases of digital assets receivable in digital assets	\$ 35,721	\$ —
Purchase of investments paid in digital assets	\$ 2,950	\$ 14,206
Proceeds from investment received as digital assets	\$ 2,558	\$ 45,700
Purchase of investments with non-cash contributions	\$ 2,100	\$ —

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Galaxy Digital Holdings LP

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2022 and 2021
(Expressed in US Dollars - unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

Galaxy Digital Holdings LP ("GDH LP" and together with its consolidated subsidiaries, the "Partnership") is a Cayman Islands exempted limited partnership formed on May 11, 2018. 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. ("Galaxy", "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".

The Partnership 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. The Partnership'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 Partnership capitalizes on market opportunities made possible by the rapid evolution of the digital asset ecosystem. The Partnership 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. As at September 30, 2022, the Partnership had cash of \$1.0 billion (December 31, 2021 - \$840.8 million) and partners' capital of \$1.8 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.

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.

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.

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.

Galaxy Digital Holdings LP

Notes to the Condensed Consolidated Interim Financial Statements
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(Expressed in US Dollars - unaudited)

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 participates in mining pools operated by third parties in order to limit its exposure to variability of mining output. 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. 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 judgment in determining the appropriate accounting treatment for the recognition of income from mining.

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 significant investments on a quarterly basis.

The Partnership applies the value in use method when determining recoverable amounts of assets being tested for impairment, utilizing both internal and external metrics.

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 September 30, 2022 and December 31, 2021, the Partnership

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had greater than 20% ownership in certain of its underlying investments and board representation in other investments. The Partnership elected the Fair Value Through Profit and Loss option for investments for which it was concluded that it had significant influence under IAS 28, and records changes in fair value of these investments on its condensed consolidated interim statements of comprehensive income (loss).

Classification of the funds formed by the Partnership requires judgment 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 may require equity accounting. As at September 30, 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 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 taxes 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.

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 condensed consolidated interim 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.

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, 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 on the condensed consolidated interim statements of financial position 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 condensed consolidated interim statements of comprehensive income (loss).

All derivatives, including embedded derivatives that must be separately accounted for, are recorded at fair value in the condensed consolidated interim 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.

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 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.

The Partnership evaluates property and equipment for impairment when indicators of impairment are identified. Indicators of impairment include adverse changes to the conditions of the assets, significant reduction of market values of similar assets, or changes in the Partnership's business plans that relate to the property and equipment. Impairment testing requires determination of recoverable amounts, which include significant judgements related to the determination of fair value less cost to dispose and value in use of the relevant 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 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 assessed for indicators of impairment throughout the year, and Galaxy performs a formal impairment review annually. 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

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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 condensed consolidated interim statements 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. 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

Except for the inclusion of the cash and cash equivalent policy noted below, 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.

Cash and cash equivalent

Cash and cash equivalents may include cash on hand, cash on exchanges, cash held at brokers, demand deposits and short-term highly liquid investments that are readily convertible into known amounts of cash, with maturities of three months or less when acquired. As of September 30, 2022, the Company held \$209.1 million at brokers (December 31, 2021 - \$29.6 million) and held \$256.9 million at exchanges (December 31, 2021 - \$57.3 million).

4. NEW ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

The Partnership did not adopt any new accounting standards during the quarter ended September 30, 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

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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 September 30, 2022 and December 31, 2021:

(in thousands)	September 30, 2022	December 31, 2021
Digital assets:		
Unrestricted ⁽¹⁾	\$ 844,750	\$ 2,416,633
Restricted	20,713	4,144
Total	\$ 865,463	\$ 2,420,777

⁽¹⁾ The unrestricted digital asset balance as of September 30, 2022 and December 31, 2021 includes \$88.8 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 also 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 September 30, 2022 and December 31, 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 associated with these strategies are recognized in profit or loss.

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

Receivable and payable for digital asset trades

As of September 30, 2022 and December 31, 2021, there were a number of unsettled trades. The amounts receivable and payable were \$16.2 million (December 31, 2021 - \$8.3 million) and \$4.6 million (December 31, 2021 - \$13.2 million), respectively. These trades settled 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 September 30, 2022, the Partnership had \$21.0 million (December 31, 2021 - \$53.0 million) in short-term digital assets receivables and \$11.2 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; and, the Partnership may, on occasion, lend cryptocurrencies using its holdings.

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Digital asset loans receivable

During the period ended September 30, 2022, the Partnership loaned select cryptocurrencies to borrowers at annual rates predominantly ranging from 2% 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 and 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 majority of the loans are collateralized for over 100% of the loan value in either US dollars or select cryptocurrencies.

The Partnership performs regular analysis over the recoverability of its digital asset loans receivable and recognizes loss allowances for Expected Credit Losses ("ECL") on digital asset loans that meet the definition of financial assets. The allowance represents the expected credit losses over the life of digital asset loans and is presented net of Digital asset loans receivable in the condensed consolidated interim statements of financial position. The majority of the Partnership's digital asset loans receivable are open term and callable on demand. In determining the expected future cash flows, the Partnership considers the type, amount, and relative liquidity of the collaterals held. As of September 30, 2022, the Partnership had a digital asset loans receivable balance of \$110.3 million (December 31, 2021 - \$192.7 million), net of an allowance of \$10.1 million (December 31, 2021 - \$0). The Partnership recorded an allowance against specific digital asset loans receivable where the borrower is in financial distress. The allowance is estimated based on the fair value of the collateral held.

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 September 30, 2022, borrowers posted cash collateral of \$55.1 million (December 31, 2021 - \$9.8 million) and cryptocurrency collateral of \$62.8 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 no such digital asset collateral posted as of September 30, 2022 or December 31, 2021.

Digital asset loans payable

As of September 30, 2022 and December 31, 2021 digital asset loans payable consisted of the following:

(in thousands)	September 30, 2022	December 31, 2021
Master loan agreements	\$ 301,452	\$ 843,872
Credit facility from exchange	199,667	61,141
Total	\$ 501,119	\$ 905,013

Master loan agreements

During the period ended September 30, 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 10%. 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 and twenty business days' notice.

As of September 30, 2022, the Partnership posted cryptocurrency collateral of \$7.3 million (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, five 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 limited to on exchange use and restrict withdrawals from exchange accounts; they bear interest rates ranging from 0% to 5% annually. The total amount extended under these credit facilities at September 30, 2022 was \$0.9 million (December 31, 2021 - \$2.2 million) in cash and \$199.7 million (December 31, 2021 - \$61.1 million) in digital assets.

8. FIAT CURRENCY LOANS RECEIVABLE AND PAYABLE

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.

Fiat currency loans receivable

During the period ended September 30, 2022, the Partnership loaned fiat currencies to borrowers at annual rates predominantly ranging from 8% to 13%. 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 September 30, 2022, the Partnership had a Loans receivable balance of \$76.0 million (December 31, 2021 - \$190.1 million) for which respective borrowers had posted cryptocurrency collateral of \$40.3 million (December 31, 2021 - \$242.2 million) and cash collateral of \$20.1 million (December 31, 2021 - \$0), where the Partnership had a right to rehypothecate the assets, and \$31.5 million of cryptocurrency collateral (December 31, 2021 - \$87.5 million), where the Partnership did not have a right to rehypothecate the assets, which are not included on the balance sheet.

During 2021, the Partnership entered into revolving credit agreements with counterparties to extend fiat currency or digital asset loans. As of September 30, 2022, the maximum value of these revolving credit agreements was \$292.5 million (December 31, 2021 - \$157.5 million). These arrangements have a stated monthly interest rate regardless of credit extended. As of September 30, 2022, \$23.1 million (December 31, 2021 - \$60.0 million) in fiat currency had been borrowed by counterparties under these credit agreements.

Fiat currency loans payable

During the period ended September 30, 2022, the Partnership borrowed fiat currencies from lenders at annual rates predominantly ranging from 1% to 7%. For the majority of these loans, there is no set repayment term and the Partnership can prepay without penalty. As of September 30, 2022, the Partnership had loans payable of \$112.5 million (December 31, 2021 - \$33.3 million) for which the Partnership posted cryptocurrency collateral of \$91.1 million (December 31, 2021 - \$26.4 million).

9. DERIVATIVES ASSETS AND LIABILITIES

For the three and nine months ended September 30, 2022, the Partnership recognized \$17.8 million (September 30, 2021 - \$32.1 million) and \$179.8 million (September 30, 2021 - \$105.4 million), respectively, of net derivative gain (loss). The net gains for the three and nine months ended September 30, 2022 were due to positioning, economic hedging and as part of a trading strategy. The Company held \$25.6 million of collateral posted by counterparties at the period ended September 30, 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 is presented within Notes payable on the Partnership's condensed consolidated interim statements of financial position (Note 15).

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The following table represents the breakdown of the Partnership's derivatives portfolio as of September 30, 2022 and December 31, 2021:

September 30, 2022

(in thousands)	Notional	Gross Fair Value - Derivative Assets	Gross Fair Value - Derivative Liabilities
Digital Currency Futures	\$ 37,726	\$ 214	\$ (188)
Digital Currency Forwards	9,332	3,669	(2,479)
Digital Currency Options	617,313	12,126	(10,349)
Digital Currency Swaps	33,107	218	(149)
Foreign Currency Swaps	10,032	143	(4)
Foreign Currency Forwards	981,093	1,883	(4,345)
Foreign Currency Options	271,562	1,443	(418)
Exchange Traded Treasury Futures ⁽¹⁾	1,258,008	1,443	(1,034)
Exchange Traded Index Futures ⁽¹⁾	9,932	224	—
Exchange Traded Digital Currency Options ⁽¹⁾	512	742	(263)
Exchange Traded Digital Currency Futures ⁽¹⁾	58,297	1,748	—
Index Futures	10,275	56	(105)
Total	\$ 3,297,189	\$ 23,909	\$ (19,334)

⁽¹⁾ 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	1,818,720	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 ⁽¹⁾	53,302	6,035	(194)
Exchange Traded Digital Currency Futures ⁽¹⁾	43,851	—	(2,302)
Total	\$ 3,757,425	\$ 45,669	\$ (25,567)

⁽¹⁾ Exchange traded digital currency futures and options are traded on a traditional financial exchange.

The Partnership's derivative portfolio disclosed above, collectively had a maturity date of less than a year as of September 30, 2022. As of September 30, 2022, in connection with the open digital currency forwards and options, counterparties had posted cash collateral of \$15.2 million (December 31, 2021 - \$6.2 million) and cryptocurrency collateral of \$10.4 million (December 31, 2021 - \$14.2 million), where the Partnership had a right to rehypothecate the assets.

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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 September 30, 2022 and December 31, 2021:

(in thousands)	September 30, 2022	December 31, 2021
Common stock	\$ 122,908	\$ 271,293
Convertible notes	20,011	9,768
LP/LLC interests	298,979	383,280
Pre-Launch network	6,800	6,393
Preferred stock	299,431	382,182
Warrants/Trust units/Trust shares	34	16,860
Total	\$ 748,163	\$ 1,069,776

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 or 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 September 30, 2022 and year ended December 31, 2021:

(in thousands)	Investments
Balance as at December 31, 2020	\$ 260,383
Purchases	340,472
Proceeds and distributions from investments ⁽¹⁾	(301,968)
Deconsolidation	(6,842)
Transfer to digital assets	(2,500)
Net realized gain on investments	235,622
Net unrealized gain on investments	540,516
Other ⁽²⁾	4,093
Balance as at December 31, 2021	1,069,776
Purchases	163,049
Proceeds and distributions from investments ⁽¹⁾	(154,497)
Deconsolidation	1,091
Transfer to digital assets	(7,250)
Net realized gain on investments	56,637
Net unrealized loss on investments	(380,650)
Other ⁽²⁾	7
Balance as at September 30, 2022	\$ 748,163

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

⁽²⁾ Other for the period ended September 30, 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 September 30, 2022 was \$8.0 million (December 31, 2021 - \$11.6 million). The unrealized gain/(loss) on the Partnership's investments sold short for the three and nine months ended September 30, 2022 was \$(13.3) million and \$8.2 million, respectively (September 30, 2021 - unrealized gain of \$1.8 million and \$0.6 million, respectively).

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 for the three and nine months ended September 30, 2022 was \$6.7 million and \$7.5 million, respectively (September 30, 2021 - realized loss of \$0.7 million and \$4.2 million, respectively).

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11. RECEIVABLES

The following table represents the Partnership's fiat receivables balance as of September 30, 2022 and December 31, 2021. The Partnership's digital asset loans receivable and digital asset receivables are described in Note 7 and Note 10, respectively.

(in thousands)	September 30, 2022	December 31, 2021
Interest receivable	\$ 3,518	\$ 2,786
Receivables from investments sold	2,811	18,251
Other ⁽¹⁾	5,417	5,628
Total	\$ 11,746	\$ 26,665

⁽¹⁾ Includes receivables related to advisory activities.

12. PREPAID EXPENSES AND OTHER ASSETS

The following table represents the Partnership's prepaid expenses and other assets as of September 30, 2022 and December 31, 2021:

(in thousands)	September 30, 2022	December 31, 2021
Prepaid rent and security deposits	\$ 1,326	\$ 845
Prepaid insurance	489	2,258
Prepaid mining expenses ⁽¹⁾	38,759	16,616
Other ⁽²⁾	11,678	6,049
Total	\$ 52,252	\$ 25,768

⁽¹⁾ Net of impairment losses of \$11.3 million (December 31, 2021 - \$0), which are included in the General and administrative expenses in the Condensed consolidated statements of operations.

⁽²⁾ Includes \$3.1 million (December 31, 2021 - \$1.4 million) in license and subscription fee prepayments and \$6.0 million (December 31, 2021 - \$3.6 million) of prepaid taxes.

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13. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

The following table represents activity within the Partnership's property and equipment asset classes for the periods ended September 30, 2022 and December 31, 2021:

(in thousands)	Furniture, Fixtures & Office Equipment	Computer Equipment	Mining Equipment	Leaseholds Improvements	WIP / Construction in Progress ⁽²⁾	Total Property and Equipment
Balance as of December 31, 2020	\$ 473	\$ 505	\$ —	\$ 2,715	\$ —	\$ 3,693
Additions	—	797	—	—	59,092	59,889
Depreciation	(62)	(258)	(1,685)	(362)	—	(2,367)
Transfers	—	—	17,151	—	(17,151)	—
Impairment ⁽¹⁾	(411)	(264)	—	(2,353)	—	(3,028)
Balance as of December 31, 2021	\$ —	\$ 780	\$ 15,466	\$ —	\$ 41,941	\$ 58,187
Additions	912	1,240	—	—	112,713	114,865
Depreciation	(40)	(280)	(8,191)	(92)	—	(8,603)
Transfers	—	—	31,341	4,012	(35,353)	—
Disposals	—	—	(4,663)	—	—	(4,663)
Impairment ⁽¹⁾	—	—	(1,735)	—	(14,935)	(16,670)
Balance as of September 30, 2022	\$ 872	\$ 1,740	\$ 32,218	\$ 3,920	\$ 104,366	\$ 143,116

⁽¹⁾ Recognized in General & Administrative expenses on the condensed consolidated interim statements of comprehensive income (loss). The Partnership recorded impairment losses on mining equipment and due to the exit of the premises prior to the end of a lease term during the periods ended September 30, 2022 and December 31, 2021, respectively.

⁽²⁾ WIP / Construction in Progress balances primarily relate to mining equipment / data center under construction.

The following table represents property and equipment balances, accumulated depreciation and impairment (as applicable) for the periods ended September 30, 2022 and December 31, 2021:

(in thousands)	September 30, 2022	December 31, 2021
Furniture, fixtures & office equipment	\$ 1,536	\$ 624
Computer equipment	2,824	1,584
Mining equipment	43,829	17,151
Leaseholds improvements	7,511	3,499
WIP / Construction in progress	119,302	41,941
Property and equipment, gross	\$ 175,002	\$ 64,799
Less: Accumulated depreciation	(12,188)	(3,584)
Less: Impairment	(19,698)	(3,028)
Property and equipment, net	\$ 143,116	\$ 58,187

Goodwill

As of September 30, 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 September 30, 2022 and 2021.

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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 September 30, 2022 and December 31, 2021:

(in thousands)	Software Technology ⁽¹⁾	Indefinite-lived Intangible Asset ⁽³⁾	Total Intangible assets	Right of Use Assets
Balance as of December 31, 2020	\$ 2,406	\$ —	\$ 2,406	\$ 4,573
Additions	332	1,761	2,093	12,489
Amortization	(1,412)	—	(1,412)	(1,353)
Impairment ⁽²⁾	—	—	—	(1,565)
Lease liability reduction	—	—	—	(2,398)
Balance as of December 31, 2021	\$ 1,326	\$ 1,761	\$ 3,087	\$ 11,746
Additions	601	—	601	3,229
Amortization	(946)	—	(946)	(1,741)
Balance as of September 30, 2022	\$ 981	\$ 1,761	\$ 2,742	\$ 13,234

⁽¹⁾ Intangible assets recognized through acquisitions and internally developed software.

⁽²⁾ Recognized in General & Administrative expenses on the condensed consolidated interim statements of comprehensive income (loss). 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.

⁽³⁾ Represents website domain name purchased in 2021.

The following table represents intangible assets and accumulated amortization as of the periods ended September 30, 2022 and December 31, 2021:

(in thousands)	September 30, 2022	December 31, 2021
Software technology	\$ 3,339	\$ 2,738
Indefinite-lived intangible asset	1,761	1,761
Intangible assets, gross	\$ 5,100	\$ 4,499
Less: Accumulated amortization	(2,358)	(1,412)
Intangible assets, net	\$ 2,742	\$ 3,087

The following table represents right of use assets activity and balances for the periods ended September 30, 2022 and December 31, 2021:

(in thousands)	September 30, 2022	December 31, 2021
Right of use assets, gross	\$ 21,450	\$ 18,221
Less: Accumulated amortization	(4,253)	(2,512)
Less: Impairment	(1,565)	(1,565)
Less: Lease liability reduction	(2,398)	(2,398)
Right of use assets, net	\$ 13,234	\$ 11,746

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14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following table represents the Partnership's accounts payable and accrued liabilities balances as of September 30, 2022 and December 31, 2021:

(in thousands)	September 30, 2022	December 31, 2021
Compensation and compensation related	\$ 40,951	\$ 62,143
Interest	6,586	8,055
Professional fees	13,151	17,925
Profit share arrangement	—	16,568
Payable for investment purchased	500	1,500
Accrued transaction fees	—	21,775
Accounts payable	8,530	4,509
Deferred revenue	2,163	25
Other	5,914	13,743
	<u>\$ 77,795</u>	<u>\$ 146,243</u>

Payables to Customers

During the year ended December 31, 2021, the Partnership commenced its prime brokerage business. As of September 30, 2022, there was \$22.8 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
- (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 shareholders.

The GDH LP Class A Units and GDH LP Class B Units rank pari passu to all distributions from GDH LP.

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 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 to GDH Ltd. for the same amount of common shares issued by GDH Ltd.

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 were recorded as a derivative financial liability. As at September 30, 2022, the value of the warrant liability was \$0.3 million (December 31, 2021 - \$20.5 million) and the gain recognized in the statement of comprehensive income for the three and nine months ended September 30, 2022 was \$0.3 million and \$20.0 million, respectively (September 30, 2021 - \$9.4 million gain and \$24.8 million loss, respectively).

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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 September 30, 2022 and December 31, 2021 are included in Note 22. These are the only warrants outstanding in GDH Ltd. During the period ended September 30, 2022, 23,838 of the warrants were exercised at an exercise price of C\$8.25. At September 30, 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 is payable semi-annually. There was no discount or premium associated with the notes. The Exchangeable Notes had 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 condensed consolidated interim statements of financial position. As of September 30, 2022 the total amount for Notes payable was \$425.6 million (December 31, 2021 - \$475.3 million) and the gain/ (loss) recognized in the Company's condensed consolidated interim statements of comprehensive income (loss) for the three and nine months ended September 30, 2022 was \$(1.0) million and \$56.6 million, respectively.

On initial recognition, debt issuance costs of \$13.4 million were recognized as a reduction of Notes payable and are being accreted over the term of the debt. The interest expense from the Exchangeable Notes for the three and nine months ended September 30, 2022 was \$7.5 million and \$22.1 million, respectively.

Issued Capital

Class A Units

During the nine months ended September 30, 2022, the Partnership issued 12,543,528 (September 30, 2021 - 6,927,128) Class A Units to GDH Ltd. on exchange of Class B Units, on exercise of stock options, on exercise of warrants and restricted stock unit vesting.

Ordinary share repurchase

On May 16, 2022, GDH Ltd announced that the TSX has approved the Company's plan to commence a normal course issuer bid (a "Bid") to purchase up to 10,596,720 ordinary shares (10% of the Company's public float as of May 10, 2022).

GDH Ltd. began repurchasing shares on May 18, 2022. As of September 30, 2022, GDH Ltd. repurchased a total of 6,707,806 shares for a total cost of \$41.1 million. All repurchased shares of GDH Ltd. and the equivalent number of Class A Units in the Partnership were cancelled. In addition, 186,621 ordinary shares were cancelled, including the ordinary shares that were withheld for tax obligations on exercise of the RSUs.

The Company completed its normal course issuer bid program on October 24, 2022. As of October 24, 2022, GDH Ltd. repurchased a total of 10,596,720 shares, the maximum number of shares under the Bid, for a total cost of \$53.3 million.

Class B Units

During the period ended September 30, 2022, 9,326,763 Class B Units (September 30, 2021 - 667,895) were exchanged for ordinary shares of GDH Ltd.

As of September 30, 2022, there were 107,199,595 (December 31, 2021 - 101,550,494) Class A Units and 218,783,610 (December 31, 2021 - 228,110,373) Class B Units outstanding. The change during the quarter and nine months ended September 30, 2022 was due to exchanges of Class B Units for common shares of GDH Ltd. (and into Class A Units of GDH LP), issuance of Class A Units as a result of the exercise of some of the PIPE warrants, stock options and restricted stock units vesting, and repurchase of ordinary shares.

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Distributions

During the period ended September 30, 2022, the General Partner made pro-rata tax distributions of \$137.2 million (September 30, 2021: \$35.3 million). Certain of the recipients of the distributions are related parties (Note 20).

The Partnership made additional pro-rata tax distribution of \$47.1 million in the fourth quarter of 2022. Certain of the recipients of the distributions are related parties.

Equity Based Compensation

The Partnership has awarded compensatory Class B Units and stock options (equity instruments) to eligible officers and employees. For the three and nine months ended September 30, 2022 and 2021, equity based compensation expense was recognized as follows:

(in thousands)	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Stock options	\$ 6,358	\$ 9,312	\$ 22,135	\$ 21,960
Restricted Units ⁽¹⁾	21,144	14,043	58,798	20,176
Compensatory Class B Unit awards:				
Standard Units	—	—	—	—
Profit Interest Units	236	876	701	2,631
Stock options awarded to directors:				
Included in equity based compensation	—	—	—	72
	27,738	24,231	81,634	44,839
Stock options awarded to directors included in director fees	212	76	503	501
Total ⁽²⁾	\$ 27,950	\$ 24,307	\$ 82,137	\$ 45,340

⁽¹⁾ Includes expense associated with restricted stock issued in connection with the Partnership's acquisition of Vision Hill in May 2021.

⁽²⁾ The forfeiture rate assumed for equity based compensation ranged from 0% - 50% (September 30, 2021: 12% - 40%). Forfeiture rate is determined using historical data to estimate option exercise and employee terminations.

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 \$3.5 million (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

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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%.

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	(696,763)
Forfeited	—
Balance, September 30, 2022	14,193,440
Class B Units exercisable, September 30, 2022	13,602,733
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.

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

Inputs to the Black-Scholes Model	September 30, 2022	December 31, 2021
Share price ⁽¹⁾	C\$4.83 - C\$20.40	C\$19.15 - C\$29.12
Exercise price	C\$5.39 - C\$21.3	C\$20.00 - C\$35.00
Expected annual volatility ⁽²⁾	98% - 120%	95% - 98%
Expected term (years)	5.00	5.00
Dividend yield	0%	0%
Risk-free interest rate ⁽³⁾	2.48% - 3.00%	0.82% - 1.44%

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

⁽²⁾ 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.

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

The following table summarizes the activity related to the stock options during the nine months ended September 30, 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	1,565,000	19.63
Exercised ⁽¹⁾	(2,175,621)	2.89
Forfeited	(1,387,499)	12.51
Balance, September 30, 2022	28,415,225	8.42
Options exercisable as of September 30, 2022	9,974,816	
Options exercisable as of December 31, 2021	8,702,604	

⁽¹⁾ Includes 33,334 stock options that were exercised during the three months ended September 30, 2022 and were settled in the subsequent quarter.

The weighted average fair value for stock options granted during the nine months ended September 30, 2022 was \$10.80 per option (December 31, 2021 - \$13.59 per option). There were 2,175,621 options exercised during the nine months ended September 30, 2022. There were 5,293,963 options exercised for the year ended December 31, 2021. For stock options outstanding as of September 30, 2022, the weighted average remaining contractual life is 2.86 years (December 31, 2021 - 3.43 years).

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The following table represents a summary of the stock options outstanding as at September 30, 2022:

Grant Date	Number Outstanding	Number Exercisable	Exercise Price (C\$)	Expiry Date
Employees and Officers:				
July 31, 2018	3,982,952	3,982,952	3.00	July 23, 2023
June 25, 2019	1,382,200	967,200	2.15	June 25, 2024
April 9, 2020	2,784,873	1,773,214	1.35 - 1.85	April 9, 2025
June 25, 2020	750,000	750,000	1.39	June 25, 2025
November 16, 2020	5,638,400	415,900	5.65	November 16, 2025
December 3, 2020	7,384,300	1,759,300	6.21	December 3, 2025
December 8, 2020	452,500	111,250	6.00	December 8, 2025
December 21, 2020	100,000	25,000	8.02	December 21, 2025
May 27, 2021	3,075,000	165,000	23.12 - 25	May 27, 2026
August 17, 2021	300,000	—	22.27 - 35	August 17, 2026
September 29, 2021	400,000	25,000	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
April 1, 2022	1,315,000	—	21.3 - 23.00	April 1, 2027
May 11, 2022	200,000	—	10.52	May 11, 2027
June 30, 2022	50,000	—	5.39	June 30, 2027
Total	28,415,225	9,974,816		

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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The following table summarizes the activity related to the restricted share units for the periods ended September 30, 2022 and December 31, 2021:

Description	Number of Units ⁽¹⁾	Fair value per unit (C\$)
Balance, December 31, 2020	—	—
Granted	8,038,345	23.31
Vested	—	—
Forfeited	(204,686)	23.04
Balance, December 31, 2021	7,833,659	23.32
Granted	6,598,554	18.36
Vested	(1,050,096)	22.17
Forfeited / Cancelled	(466,118)	22.93
Balance, September 30, 2022	12,915,999	20.89
Units vested as of September 30, 2022	36,686	
Units vested as of December 31, 2021	—	

⁽¹⁾ Includes deferred share units granted to the directors as part of annual compensation.

During the nine months ended September 30, 2022, the Partnership granted 43,000 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 \$0.2 million at grant date. The outstanding liability related to cash settled units as of September 30, 2022 was \$1.8 million.

Net Income (Loss) per Unit

September 30, 2022

The tables below present total Class A and B loss per unit as Class A Units and Class B Units rank equal in all economic respects.

The below table presents the basic and diluted net loss per unit for the three months ended September 30, 2022:

(in thousands, except unit and per unit data)	Total Class A and Class B Unitholders
Basic and diluted loss per unit	\$ (0.21)
Net loss used in the calculation of basic and diluted loss per unit	\$ (67,894)
Weighted average number of units for the purposes of basic and diluted loss per unit	326,187,757

The below table presents the basic and diluted net loss per unit for the nine months ended September 30, 2022:

(in thousands, except unit and per unit data)	Total Class A and Class B Unitholders
Basic loss per unit	\$ (2.24)
Diluted loss per unit	(2.29)
Net loss used in the calculation of basic loss per unit	\$ (733,802)
Net loss used in the calculation of diluted loss per unit	(786,951)
Weighted average number of units for the purposes of basic loss per unit	327,599,342
Weighted average number of units for the purposes of diluted loss per unit	342,921,483

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For the period ended September 30, 2022, the weighted average number of total Units (Class A and Class B Units) for the purposes of diluted loss per unit assumes the potential vesting of the Class B Units dilutive stock options, warrants, restricted stock and held back shares under the GDH LP equity compensation plan.

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

	Three months ended September 30, 2022	Nine months ended September 30, 2022
Weighted average number of units for the purposes of basic loss per unit	326,187,757	327,599,342
Diluted units:		
Compensatory Class B Unit awards	—	—
Stock options	—	—
Restricted stock	—	—
Held back shares	—	—
Warrants	—	430,674
Exchangeable notes	—	14,891,467
Weighted average number of units for the purposes of diluted loss per unit	326,187,757	342,921,483

September 30, 2021

The below table presents the basic and diluted net income per unit for the three months ended September 30, 2021:

(in thousands, except unit and per unit data)	Total Class A and Class B Unitholders
Basic income per unit	\$ 1.62
Diluted income per unit	1.48
Net income used in the calculation of basic and diluted loss per unit	\$ 517,833
Weighted average number of units for the purposes of basic loss per unit	319,815,465
Weighted average number of units for the purposes of diluted loss per unit ⁽¹⁾	349,210,552

⁽¹⁾ Potentially dilutive Compensatory B Units awards, stock options, restricted stock, restricted stock units, and warrants were excluded from the computation of diluted loss per unit for the three months ended September 30, 2021 because their effect would have been antidilutive.

The below table presents the basic and diluted net income per unit for the nine months ended September 30, 2021:

(in thousands, except unit and per unit data)	Total Class A and Class B Unitholders
Basic income per unit	\$ 3.77
Diluted income per unit	3.43
Net income used in the calculation of basic and diluted income per unit	\$ 1,192,898
Weighted average number of units for the purposes of basic income per unit	316,314,861
Weighted average number of units for the purposes of diluted income per unit	348,041,169

For the period ended September 30, 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.

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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:

	Three months ended September 30, 2021	Nine months ended September 30, 2021
Weighted average number of units for the purposes of basic income per unit	319,815,465	316,314,861
Diluted units:		
Compensatory Class B Unit awards	4,408,895	5,680,798
Stock options	22,261,350	24,253,565
Restricted stock	938,808	934,688
Held back shares	134,705	144,798
Restricted stock units	1,651,329	712,459
Weighted average number of units for the purposes of diluted income per unit	349,210,552	348,041,169

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 entities. 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 September 30, 2022 and December 31, 2021.

Non-controlling interests liability

As of September 30, 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 (loss).

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 entities. The Partnership does not provide performance guarantees and has no other financial obligation to provide funding to funds, other than its own capital commitments.

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

(in thousands)	September 30, 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	\$ 157,791	\$ 71,511	\$ 229,301	\$ 151,370	\$ 21,511	\$ 172,881
Other Non-Consolidated Structured Entities	88,640	13,331	101,971	206,891	12,114	219,005
Total	\$ 246,431	\$ 84,842	\$ 331,272	\$ 358,261	\$ 33,625	\$ 391,886

17. PROFESSIONAL FEES

The following table represents the Partnership's professional fee expenses for the three and nine months ended September 30, 2022 and 2021:

(in thousands)	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Legal	\$ 3,943	\$ 2,210	\$ 12,318	\$ 10,454
Audit and related	2,356	2,895	8,731	7,959
Tax	474	276	1,628	1,501
Consulting ⁽¹⁾	(11,130)	15,480	(7,831)	16,753
Valuations	97	193	425	480
Total	\$ (4,260)	\$ 21,054	\$ 15,271	\$ 37,147

⁽¹⁾ Transaction fees of \$12 million related to the BitGo acquisition were reversed during the three months ended September 30, 2022 as they were contingent on completion of the acquisition.

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18. GENERAL AND ADMINISTRATIVE

The following table represents the Partnership's general and administrative expenses for the three and nine months ended September 30, 2022 and 2021:

(in thousands)	Notes	Three months ended		Nine months ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Technology		\$ 3,661	\$ 2,474	\$ 10,975	\$ 5,429
Depreciation and amortization	13	4,452	908	11,295	2,688
Marketing		1,345	2,222	8,862	3,853
Mining hosting fees	19	1,538	226	6,622	691
Impairment loss		27,923	—	27,923	—
Fund administration		453	475	1,464	1,208
Provision for credit losses	7	—	122	10,123	122
Insurance		2,740	429	3,912	1,082
Directors fees	15, 20	213	115	578	577
Other		6,956	(2,967)	19,635	3,876
Total		\$ 49,281	\$ 4,004	\$ 101,389	\$ 19,526

For the three and nine months ended September 30, 2022, the Partnership recognized GDH Ltd. reimbursable expenses of \$0.5 million and \$2.0 million (September 30, 2021 - \$0.6 million and \$3.4 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 by measuring all mining expenses against the fair value of the bitcoin rewards generated.

The following table represents the Partnership's income and expenses from digital asset mining for the three and nine months ended September 30, 2022 and 2021:

(in thousands)	Three months ended		Three months ended		Nine months ended	
	September 30, 2022		September 30, 2021		September 30, 2022	
Income from digital asset mining	\$	4,224	\$	2,543	\$	21,330
Hosting fees ⁽¹⁾		(1,538)		(226)		(6,622)
Depreciation expense ⁽¹⁾		(3,057)		(301)		(8,191)
Loss on disposal of mining equipment ⁽¹⁾		(572)		—		(572)
Impairment loss		(27,923)		—		(27,923)

⁽¹⁾ Included within General and administrative on the condensed consolidated interim 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. The Partnership assesses mining equipment for impairment when market prices of similar equipment are below the Partnership's cost basis. The Partnership determined the recoverable amounts using the VIU of the mining equipment, which is deemed to be higher than their FVLCD.

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 Income from mining on the Partnership's condensed consolidated interim statements of comprehensive income / (loss). For the three and nine months ended September 30, 2022 and 2021, leasing income from mining equipment was composed of the following:

(in thousands)	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Operating lease	\$ 1,390	\$ 589	\$ 5,030	\$ 1,167
Finance lease interest income	1	10	10	29
Realized gain (loss) on finance leases	— ⁽¹⁾	637	—	1,196

⁽¹⁾ Includes an adjustment to realized gains related to leasing activities.

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 eleven individuals (September 30, 2021 - twelve 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 and nine months ended September 30, 2022 and 2021:

(in thousands)	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine Months Ended September 30, 2021
Base compensation and accrued bonuses ⁽¹⁾	\$ 8,653	\$ 40,029	\$ 14,842	\$ 62,906
Benefits	108	121	342	373
Equity based compensation	8,799	9,777	25,090	21,879
Total	\$ 17,560	\$ 49,927	\$ 40,274	\$ 85,158

⁽¹⁾ As of September 30, 2022, the amount includes approximately \$11.9 million (2021 - \$34.5 million) of accrued bonuses within accounts payable and accrued liabilities.

GDH LP, an operating partnership, is managed by the board of managers and officers of the general partner, Galaxy Digital Holdings GP LLC. Director fees, including equity based compensation provided to the directors was \$0.1 million and \$0.2 million for the three and nine months ended September 30, 2022, respectively (three and nine months ended September 2021: \$0.1 million and \$0.5 million).

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Distributions

During the nine months ended September 30, 2022, the General Partner made pro-rata tax distributions of \$137.2 million (September 2021 - \$35.0 million). Certain of the recipients of the distributions are related parties.

Sublease

Galaxy Investment Partners LLC ("GIP"), which has leased the office space located on the 8th floor of 107 Grand Street, New York, New York 10013, has subleased to Galaxy Digital Services ("GDS") to occupy the 8th floor on the same terms as the master lease. 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 \$1.5 million as of September 30, 2022 (December 31, 2021 - \$2.5 million).

Transactions with GDH Ltd

In accordance with the LPA (Note 5), the Partnership will reimburse or pay for all reimbursable expenses of GDH Ltd. For the three and nine months ended September 30, 2022, the Partnership paid or accrued \$0.5 million and \$2.0 million, respectively (September 30, 2021 - \$0.6 million and \$3.4 million, respectively), on behalf of GDH Ltd., which has been included in general and administrative expenses (Note 18).

On April 14, 2022 the Partnership entered into a Promissory Note (the "Promissory Note") with GDH Intermediate LLC ("GDHI LLC"), a subsidiary of GDH Ltd. 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 of September 30, 2022, GDHI LLC has advanced \$37.2 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. As of September 30, 2022, the Partnership had interest payable of \$1.0 million. 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.

As at September 30, 2022, the Partnership had \$28.2 million (December 31, 2021 - \$25.2 million receivable) in payables to GDH Ltd. primarily for the aforementioned Promissory note offset by receivables for warrant and stock option exercises.

Other

For a period of one year starting on January 1, 2021 (the "earnout period"), related to the acquisition of BlueFire Capital ("BFC"), certain BFC management personnel, were entitled to receive a percentage of BFC's net profit, payable sixty days after the earnout period, if certain financial metrics were achieved. The arrangement ended on December 31, 2021. As of September 30, 2021, accounts payable and accrued expenses include \$9.8 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 parties. As at September 30, 2022, the Partnership had an investment in the company valued at \$26.8 million (December 31, 2021 - \$121.3 million).

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 three and nine months ended September 30, 2022, the total amount of advisory fees received from the sub-advisory arrangement was \$0.2 million and \$0.8 million, respectively (September 30, 2021 - \$0.4 million and \$1.0 million, respectively).

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 \$0.7 million and \$1.1 million for usage of aircraft during the three and nine months ended September 30, 2022, respectively.

Investments in Galaxy Funds

Our directors and executive officers are generally permitted to invest their own capital (or capital of estate planning vehicles

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controlled by them or their immediate family members) directly in our sponsored 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 fair value of such investments aggregated to \$11.1 million as of September 30, 2022 (December 31, 2021 - \$56.0 million).

21. REPORTABLE SEGMENTS

The Partnership has identified five reportable segments: trading, asset management, investment banking, mining and principal investments. 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.

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.

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).

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

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The following table represents assets and liabilities by each of the reportable segments as of September 30, 2022:

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Total assets	\$ 1,931,023	\$ 822,108	\$ 86,938	\$ 22,853	\$ 349,598	\$ 64,842	\$ 3,277,362
Total liabilities	\$ 876,591	\$ 242	\$ 56,886	\$ 2,102	\$ 3,037	\$ 563,416	\$ 1,502,274

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 September 30, 2022:

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Income (loss)							
Advisory and management fees	\$ 383	\$ —	\$ 3,374	\$ 851	\$ —	\$ —	\$ 4,608
Net realized gain (loss) on digital assets	29,738	(17,226)	(7,797)	—	—	—	4,715
Net realized gain (loss) on investments	(6,568)	(2,208)	—	—	—	—	(8,776)
Income from lending	6,260	135	—	—	—	—	6,395
Net derivative gain	17,825	—	—	—	—	—	17,825
Income from mining	—	—	—	—	5,614	—	5,614
Other income	796	1,453	46	—	—	—	2,295
	48,434	(17,846)	(4,377)	851	5,614	—	32,676
Operating expenses	37,144	1,767	12,890	2,464	40,517	31,271	126,053
Net unrealized gain (loss) on digital assets	36,257	15,366	17,814	—	—	—	69,437
Net unrealized gain (loss) on investments	2,499	(41,161)	(637)	—	—	—	(39,299)
Net gain on notes payable - derivative	—	—	—	—	—	(1,041)	(1,041)
Net gain on warrant liability	—	—	—	—	—	307	307
Foreign currency gain	2,739	—	—	—	—	(160)	2,579
Loss attributable to non-controlling interests liability	—	—	(8,857)	—	—	—	(8,857)
	41,495	(25,795)	8,320	—	—	(894)	23,126
Income (loss) before income taxes	52,785	(45,408)	(8,947)	(1,613)	(34,903)	(32,165)	(70,251)
Income tax benefit	—	—	—	—	—	(2,357)	(2,357)
Net income (loss) for the period	\$ 52,785	\$ (45,408)	\$ (8,947)	\$ (1,613)	\$ (34,903)	\$ (29,808)	\$ (67,894)
Foreign currency translation adjustment	—	—	—	—	—	(222)	(222)
Comprehensive income (loss) for the period	\$ 52,785	\$ (45,408)	\$ (8,947)	\$ (1,613)	\$ (34,903)	\$ (30,030)	\$ (68,116)

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The following table represents income and expenses by each of the reportable segments for the nine months ended September 30, 2022:

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Income (loss)							
Advisory and management fees	\$ 446	\$ —	\$ 11,143	\$ 11,121	\$ —	\$ —	\$ 22,710
Net realized gain (loss) on digital assets	166,472	(28,492)	(9,422)	—	—	—	128,558
Net realized gain (loss) on investments	(11,434)	75,587	—	—	—	—	64,153
Income from lending	30,908	178	—	—	—	—	31,086
Net derivative gain	179,821	—	—	—	—	—	179,821
Income from mining	—	—	—	—	26,370	—	26,370
Other income	1,227	2,958	112	—	—	—	4,297
	367,440	50,231	1,833	11,121	26,370	—	456,995
Operating expenses	126,506	6,748	41,130	7,387	55,200	129,300	366,271
Net unrealized gain (loss) on digital assets	(434,063)	(138,209)	(91,934)	—	—	—	(664,206)
Net unrealized gain (loss) on investments	(2,253)	(368,951)	(1,114)	—	—	—	(372,318)
Net gain on notes payable - derivative	—	—	—	—	—	56,556	56,556
Net gain on warrant liability	—	—	—	—	—	20,005	20,005
Foreign currency gain	3,450	—	—	—	—	(157)	3,293
Loss attributable to non-controlling interests liability	—	—	105,160	—	—	—	105,160
	(432,866)	(507,160)	12,112	—	—	76,404	(851,510)
Income (loss) before income taxes	(191,932)	(463,677)	(27,185)	3,734	(28,830)	(52,896)	(760,786)
Income tax benefit	—	—	—	—	—	(26,984)	(26,984)
Net income (loss) for the period	\$ (191,932)	\$ (463,677)	\$ (27,185)	\$ 3,734	\$ (28,830)	\$ (25,912)	\$ (733,802)
Foreign currency translation adjustment	—	—	—	—	—	(710)	(710)
Comprehensive income (loss) for the period	\$ (191,932)	\$ (463,677)	\$ (27,185)	\$ 3,734	\$ (28,830)	\$ (26,622)	\$ (734,512)

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The following table represents income and expenses by each of the reportable segments for the three months ended September 30, 2021:

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Income (loss)							
Advisory and management fees	\$ 62	\$ —	\$ 3,462	\$ —	\$ —	\$ —	\$ 3,524
Net realized gain (loss) on digital assets	100,314	13,227	16,924	—	—	—	130,465
Net realized gain (loss) on investments	12,675	19,821	61	—	—	—	32,557
Income from lending	13,739	288	—	—	—	—	14,027
Net derivative gain (loss)	32,078	—	—	—	—	—	32,078
Income from mining	—	—	—	—	3,799	—	3,799
Other income	619	—	—	—	—	—	619
	159,487	33,336	20,447	—	3,799	—	217,069
Operating expenses	55,227	4,937	10,667	2,283	2,689	47,846	123,649
Net unrealized gain (loss) on digital assets	244,146	44,387	66,712	—	—	—	355,245
Net unrealized gain (loss) on investments	(385)	183,472	(5,193)	—	—	—	177,894
Net gain (loss) on warrant liability	—	—	—	—	—	9,352	9,352
Foreign currency gain	(219)	(10)	—	—	—	—	(229)
(Gain) loss attributable to non-controlling interests liability	—	—	(89,723)	—	—	—	(89,723)
	243,542	227,849	(28,204)	—	—	9,352	452,539
Income (loss) before income taxes	347,802	256,248	(18,424)	(2,283)	1,110	(38,494)	545,959
Income tax expense	—	—	—	—	—	28,126	28,126
Net income (loss) for the period	\$ 347,802	\$ 256,248	\$ (18,424)	\$ (2,283)	\$ 1,110	\$ (66,620)	\$ 517,833
Foreign currency translation adjustment	—	—	—	—	—	40	40
Comprehensive income (loss) for the period	\$ 347,802	\$ 256,248	\$ (18,424)	\$ (2,283)	\$ 1,110	\$ (66,580)	\$ 517,873

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The following table represents income and expenses by each of the reportable segments for the nine months ended September 30, 2021:

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Income (loss)							
Advisory and management fees	\$ 217	\$ —	\$ 7,664	\$ —	\$ —	\$ —	\$ 7,881
Net realized gain (loss) on digital assets	406,718	56,217	235,704	—	—	—	698,639
Net realized gain (loss) on investments	21,854	203,143	61	—	—	—	225,058
Income from lending	39,066	329	—	—	—	—	39,395
Net derivative gain (loss)	80,355	25,000	—	—	—	—	105,355
Income from mining	—	—	—	—	7,700	—	7,700
Other income	2,705	2,383	75	—	—	—	5,163
	550,915	287,072	243,504	—	7,700	—	1,089,191
Operating expenses	162,783	16,602	20,697	3,483	4,022	96,383	303,970
Net unrealized gain (loss) on digital assets	224,730	71,703	(73,893)	—	—	—	222,540
Net unrealized gain (loss) on investments	(385)	406,807	(5,193)	—	—	—	401,229
Net gain (loss) on warrant liability	—	—	—	—	—	(24,802)	(24,802)
Foreign currency gain	1,924	(358)	—	—	—	—	1,566
(Gain) loss attributable to non-controlling interests liability	—	—	(164,730)	—	—	—	(164,730)
	226,269	478,152	(243,816)	—	—	(24,802)	435,803
Income (loss) before income taxes	614,401	748,622	(21,009)	(3,483)	3,678	(121,185)	1,221,024
Income tax expense	—	—	—	—	—	28,126	28,126
Net income (loss) for the period	\$ 614,401	\$ 748,622	\$ (21,009)	\$ (3,483)	\$ 3,678	\$ (149,311)	\$ 1,192,898
Foreign currency translation adjustment	—	—	—	—	—	338	338
Comprehensive income (loss) for the period	\$ 614,401	\$ 748,622	\$ (21,009)	\$ (3,483)	\$ 3,678	\$ (148,973)	\$ 1,193,236

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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 September 30, 2022:

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Digital assets	\$ 776,609	\$ 29,363	\$ 59,491	\$ —	\$ —	\$ —	\$ 865,463
Digital assets receivables	7,647	24,537	—	—	—	—	32,184
Digital assets posted as collateral (Note 7, 8, 9)	98,976	—	—	—	—	—	98,976
Investments:							
Pre-Launch Network	2,500	4,300	—	—	—	—	6,800
Convertible Notes	5,368	14,643	—	—	—	—	20,011
Preferred Stock	—	297,331	—	—	2,100	—	299,431
Common Stock	8,379	114,139	—	390	—	—	122,908
LP/LLC Interests	—	298,979	—	—	—	—	298,979
Warrants/Trust Units/ Trust Shares	—	34	—	—	—	—	34
Total	\$ 899,479	\$ 783,326	\$ 59,491	\$ 390	\$ 2,100	\$ —	\$ 1,744,786

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
Investments:							
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
Total	\$ 2,236,126	\$ 1,221,689	\$ 165,300	\$ —	\$ 10,495	\$ —	\$ 3,633,610

22. FINANCIAL INSTRUMENTS, DIGITAL ASSETS AND RISK

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

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

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

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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 September 30, 2022 and December 31, 2021:

(in thousands)	As of September 30, 2022				As of December 31, 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Digital assets	\$ —	\$ 865,463	\$ —	\$ 865,463	\$ —	\$ 2,416,633	\$ 4,144	\$ 2,420,777
Digital assets receivable	—	1,651	30,533	32,184	—	10,036	61,621	71,657
Digital assets posted as collateral	—	98,976	—	98,976	—	71,400	—	71,400
Derivative assets	—	23,909	—	23,909	—	45,669	—	45,669
Common stock	46,887	—	76,021	122,908	56,109	—	215,185	271,294
Convertible notes	—	—	20,011	20,011	—	—	9,768	9,768
LP/LLC interests	—	—	298,979	298,979	—	—	383,279	383,279
Pre-Launch network	—	—	6,800	6,800	—	—	6,393	6,393
Preferred stock	—	—	299,431	299,431	—	—	382,182	382,182
Warrants/Trust units/Trust shares	—	—	34	34	7,963	—	8,897	16,860
Total	\$ 46,887	\$ 989,999	\$ 731,809	\$ 1,768,695	\$ 64,072	\$ 2,543,738	\$ 1,071,469	\$ 3,679,279
Liabilities								
Investments sold short	7,960	—	—	7,960	11,630	—	—	11,630
Derivative liabilities	—	19,334	—	19,334	—	25,567	—	25,567
Warrant liability	—	—	318	318	—	—	20,488	20,488
Embedded derivative - Notes payable	—	—	2,310	2,310	—	—	58,866	58,866
Total	\$ 7,960	\$ 19,334	\$ 2,628	\$ 29,922	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 derivatives, digital assets and its digital assets posted as collateral, 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.

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, 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.

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

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Level 3 Continuity

The following table represents a reconciliation of Level 3 assets and liabilities for the period ended September 30, 2022:

Assets (in thousands)	Fair value at December 31, 2021	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 September 30, 2022
Digital assets	\$ 4,144	\$ —	\$ —	\$ —	\$ —	\$ (4,144)	\$ —
Digital assets receivables	61,621	40,965	—	—	(42,530)	(29,523)	30,533
Common stock	215,185	250	(2,910)	2,153	(100,633)	(38,024)	76,021
Convertible notes	9,768	2,008	—	—	8,235	—	20,011
LP/LLC interests	383,279	61,188	(82,216)	52,579	(118,341)	2,490	298,979
Pre-Launch Network	6,393	3,050	(2,470)	(173)	—	—	6,800
Preferred stock	382,182	38,700	(25,142)	24,789	(111,103)	(9,994)	299,432
Warrants/Trust units/ Trust shares	8,897	4	(2)	—	(8,865)	—	34
Total Digital Assets, Digital Assets Receivables and Investments	\$ 1,071,469	\$ 146,165	\$ (112,740)	\$ 79,348	\$ (373,237)	\$ (79,195)	\$ 731,810

Liabilities	Fair value at December 31, 2021	Conversions	Revaluation	Fair Value at September 30, 2022
Warrant liability	\$ 20,488	\$ (165)	\$ (20,005)	\$ 318
Embedded derivative - Notes payable	\$ 58,866	\$ —	\$ (56,556)	\$ 2,310

Transfers in and out of Level 3 are considered to have occurred at the beginning of the period the transfer occurred. The only transfers into Level 3 for the period were due to investment category changes, and total transfers out of Level 3 were \$79.2 million. The transfers out of Level 3 for digital assets and digital assets receivable were due to vesting of digital assets as expected. There were two investments that changed investment type categories during the period ended September 30, 2022: \$7.0 million transferred out of Common stock and into LP/LLC interest and \$19.9 million transferred out of common stock and into Preferred stock. These are included in the 'Transfers in/(out) of Level 3' column in the above table.

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	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
Common stock	\$ —	\$ 53,527	\$ —	\$ —	\$ 146,657	\$ 15,001	\$ 215,185
Convertible notes	\$ 1,851	\$ 6,561	\$ —	\$ —	\$ 694	\$ 662	\$ 9,768
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
Total Digital Assets, Digital Assets Receivables and Investments	\$ 189,908	\$ 290,883	\$ (48,621)	\$ 37,716	\$ 603,700	\$ (2,117)	\$ 1,071,469

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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 September 30, 2022 (in thousands)	Significant Unobservable Inputs	Range
Digital assets receivables	\$30,533	Marketability discount	7.2% - 70.2%
Common Stock	\$76,021	Marketability discount	75.0%
		Time to liquidity event (years)	5.0
		Annualized equity volatility	90%
		Risk free rate	0.66% - 4.06%
		Expected dividend payout ratio	-
Convertible notes	\$20,011	Recovery rate	0% - 100%
		Scenario probability ⁽¹⁾ :	
		No deal closure and dissolution	90%
		Deal closure and partial default	5%
		Deal closure and full recovery	5%
LP/LLC interests ⁽²⁾	\$298,979	Marketability discount	10%
		Lack of control discount	10%
Preferred stock ⁽³⁾	\$299,431	Control discount	10%
		Marketability discount	25% - 60%
		Time to liquidity event (years)	3.25 - 5.0
		Annualized equity volatility	90%
		Risk free rate	0.17% - 4.23%
		Expected dividend payout ratio	—
		Enterprise value to revenue multiple	2.5x - 4.0x
		EV/EBITDA multiple	6.0x
Warrants/Trust Units	\$34	Adjusted book value	
Warrant liability	\$318	Volatility	100%
		Time to liquidity event (years)	0.15
		Risk free rate	3.77%
		Expected dividend payout ratio	—
		Dilution factor	0.5%
Embedded derivative - notes payable	\$2,310	Volatility	55.0%
		Time-Step	0.004 years
		Risk free rate	4.1%

⁽¹⁾Relates to the probability of a deal closure with a potential buyer of the underlying company

⁽²⁾The remaining fair value relates to additional investments which utilize net asset values provided by funds.

⁽³⁾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%
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	—
Convertible Notes	9,768	Recovery rate	0% - 100%
		Scenario probability ⁽¹⁾ :	
		No deal closure and dissolution	90%
		Deal closure and partial default	5%
		Deal closure and full recovery	5%
LP/LLC interests ⁽²⁾	383,279	Risk-free rate	10%
		Marketability discount	10%
		Time to assumed payoff (years)	0.5
Preferred stock ⁽³⁾	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	—
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	—
		Dilution factor	0.5%
Embedded derivative - notes payable	58,866	Volatility	47.9%
		Time-step	0.004 years
		Risk free rate	1.25%
Impairment testing		Discount rate	13.9%

⁽¹⁾Relates to the probability of a deal closure with a potential buyer of the underlying company.

⁽²⁾The remaining fair value relates to additional investments which utilize net asset values provided by funds.

⁽³⁾The remaining fair value relates to an investment which utilizes a pre-money valuation of the Company.

For the nine months ended September 30, 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 September 30, 2022 and December 31, 2021, respectively.

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

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Industry

As of September 30, 2022 and December 31, 2021, details of the industry composition of the Partnership's digital assets and investments are as follows:

Industry	September 30, 2022		December 31, 2021	
	Percentage	# of Investments	Percentage	# of Investments
Other (Digital assets and Pre-Launch network investments)	54 %	113	69 %	124
Finance	26	41	17	33
High tech industries	14	35	9	29
Services: Business	4	14	5	11
Software	2	9	<1	4
Finance technology	<1	3	<1	2
Mining	<1	1	0	0
Consumer	<1	1	0	0
Media: Diversified and production	<1	1	<1	1
Total	100 %	218	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 Partnership's 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 issues an annual SOC 2 Type II attestation report. 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.

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 issues annual SOC 1 Type II attestation reports that are reviewed by the Partnership for control reliance.

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 issues annual SOC 1 Type II and SOC 2 Type II attestation reports that are reviewed by the Partnership for control reliance.

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 issues annual SOC 1 Type II compliant and SOC 2 Type II attestation reports that are reviewed by the Partnership for control reliance.

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, Gibraltar, Panama, Taiwan, Luxembourg, Singapore, Seychelles, South Korea, Japan 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 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, prepaids, 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 September 30, 2022, the Partnership held approximately \$0 (December 31, 2021 - \$13.4 million) in cash and \$599.6 million (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 prepaids, 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 September 30, 2022 and subsequently, the Partnership does not expect a material loss on any of its loans except for those for which it has recorded an allowance. As of each reporting period, the Partnership assesses if there are expected credit losses requiring recognition of a loss allowance. As of September 30, 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 the Partnership's ability to earn interest income or borrow at variable rates. The Partnership's 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 September 30, 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 a 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 September 30, 2022, 97.7% (December 31, 2021 - 69.6%) of the Partnership's digital assets portfolio was in liquid, actively traded cryptocurrency markets 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 September 30, 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 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 also market risk arising from uncertainties about future prices of the instruments. The Partnership moderates this risk through the various investment strategies within the parameters of the Partnership's investment guidelines.

As of September 30, 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 +/- \$148.0 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 are relatively new and, in many cases, largely unregulated, and therefore may be more exposed to fraud and failure than regulated exchanges for other assets.

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

As of September 30, 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 +/- \$173.1 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 the 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.

Galaxy Digital Holdings LP

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(Expressed in US Dollars - unaudited)

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 September 30, 2022 and December 31, 2021, the Partnership had \$1.8 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 September 30, 2022.

24. COMMITMENTS AND CONTINGENCIES

Leases

As of September 30, 2022, the Partnership has lease commitments for the next five years as follows:

(in thousands)	Rent Due
2022	1,402
2023	5,979
2024	4,300
2025	3,177
2026	2,557
Total	\$ 17,415

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

For the three and nine months ended September 30, 2022, the Partnership recognized interest expense on the lease liability of \$0.4 million and \$1.1 million, respectively (2021 - \$0.4 million and \$0.7 million, respectively), which was recorded within interest expense.

Investment and loan commitments

As of September 30, 2022, the Partnership was obligated to 10 investment funds to fund up to \$85.6 million, of which \$0 million was funded subsequent to period end.

As of September 30, 2022, the Partnership had outstanding loan commitments of \$292.5 million (December 31, 2021 - \$157.5 million) under revolving credit agreements, out of which \$23.1 million (December 31, 2021 - \$60.0 million) was funded (Note 8).

Additionally, the Partnership committed up to \$35.0 million to participate as an investor in a SPAC merger financing. As of September 30, 2022, the transaction was dependent on SEC and shareholder approval of the respective executed merger agreements within the next three months. If the SPAC merger transaction closes, 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 merger has not yet occurred, no investment from the Partnership has occurred as of September 30, 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 September 30, 2022 are disclosed below:

	Commitment Amount (\$ millions)	Amount Paid as of Period End (\$ millions)	Net (\$ millions)
Mining equipment	111.2	109.5	1.7

Galaxy Digital Holdings LP

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Indemnification

The Partnership has provided standard representations for agreements and customary indemnification for claims and legal proceedings. Insurance has been purchased to mitigate certain of these risks. Generally, there are no stated or notional amounts included in these indemnifications and the contingencies triggering the obligation for indemnification are not expected to occur. Furthermore, often counterparties to these transactions provide comparable indemnifications. The Partnership is unable to develop an estimate of the maximum payout under these indemnifications for several reasons. In addition to the lack of a stated or notional amount in a majority of such indemnifications, it is not possible to predict the nature of events that would trigger indemnification or the level of indemnification for a certain event. The Partnership believes, however, that the possibility of making any material payments for these indemnifications is remote. As of September 30, 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 and nine months ended September 30, 2022 and 2021 consists of the following:

(in thousands)	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Current income taxes	\$ (8,340)	\$ 15,607	\$ (440)	\$ 15,607
Deferred income taxes	5,983	12,519	(26,544)	12,519
Total income taxes expense (benefit)	\$ (2,357)	\$ 28,126	\$ (26,984)	\$ 28,126

The effective income tax rate of 3.4% and 3.5% for the three and nine months ended September 30, 2022 respectively was generally higher than the Cayman Island statutory rate of 0.0% due to the entity level UBT tax imposed by New York City 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 September 30, 2022 was 3.4%, compared to 5.2% for the three months ended September 30, 2021. The effective income tax rate for the nine months ended September 30, 2022 of 3.5% was generally higher than the effective income tax rate for the nine months ended September 30, 2021 of 2.3% primarily due to changes in the jurisdictional mix of earnings and changes to certain tax estimates.

26. SUBSEQUENT EVENTS

On November 8, 2022, FTX.com ("FTX"), a digital asset exchange on which the Partnership holds cash and digital assets, announced that it entered into a non-binding arrangement with Binance Holdings Ltd. to provide liquidity. As of the date of this filing, the Partnership has an exposure of approximately \$76.8 million of cash and digital assets to FTX, of which \$47.5 million is currently in the withdrawal process. The Company is evaluating the recoverability of these assets.