



GALAXY
D I G I T A L

Galaxy Digital Holdings Ltd.

Condensed Consolidated Interim Financial Statements

For the Three Months Ended March 31, 2021 and 2020

(Expressed in US Dollars)

(Unaudited)

Galaxy Digital Holdings Ltd.

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

	March 31, 2021	December 31, 2020
Assets		
Current assets		
Cash	\$ 7,309	\$ —
Investment receivable from warrant exercise (Note 8)	52,708	20,781
	60,017	20,781
Investment in associate (Note 6)	512,360	246,993
Total assets	\$ 572,377	\$ 267,774
Liabilities		
Current liabilities		
Payable to Associate	\$ 7,309	\$ —
Warrant liability (Notes 8,12)	52,708	20,781
Tax payable	15,287	—
	75,304	20,781
Deferred tax liability	32,527	—
Total liabilities	107,831	20,781
Shareholders' equity		
Share capital (Note 8)	314,788	301,306
Reserves (Note 8)	16,969	14,999
Accumulated other comprehensive income	791	791
Surplus (Deficit)	131,998	(70,103)
Total shareholders' equity	464,546	246,993
Total liabilities and shareholders' equity	\$ 572,377	\$ 267,774
Nature and continuance of operations (Note 1)		
Commitments and contingencies (Note 10)		

Approved and authorized for issuance by the Board of Directors of Galaxy Digital Holdings Ltd. on May 14, 2021.

"Bill Koutsouras" Director

"Michael Novogratz" Director

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

Galaxy Digital Holdings Ltd.

Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)
(Expressed in thousands of US Dollars, except per share figures - unaudited)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Operating expenses		
Directors fees (Note 7)	\$ 111	\$ 133
Professional fees	881	6
General and administrative	414	47
Recoveries from associate - reimbursable expenses (Note 7)	(1,406)	(186)
	—	—
Equity income (loss) from associate (Note 6)	249,915	(6,159)
Revaluation of warrant liability (Note 8)	(36,817)	—
Recoveries from associate - warrant liability (Note 8)	36,817	—
Income (loss) before income taxes	249,915	(6,159)
Income taxes expense – current	15,287	—
Income taxes expense – future	32,527	—
	(47,814)	—
Income (loss) and comprehensive income (loss) for the period	\$ 202,101	\$ (6,159)
Basic income (loss) per share (Note 9)	\$ 2.22	\$ (0.09)
Diluted income (loss) per share (Note 9)	\$ 1.92	\$ (0.09)
Weighted average number of common shares outstanding - basic (Note 9)	91,001,470	66,412,564
Weighted average number of common shares outstanding - diluted (Note 9)	342,182,536	66,412,564

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

Galaxy Digital Holdings Ltd.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Expressed in thousands of US Dollars - unaudited)

	Share Capital		Reserves	Accumulated Other Comprehensive Income	Surplus / (Deficit)	Total
	Number	Amount				
Balance at December 31, 2019	66,636,540	\$ 240,638	\$ 13,102	\$ 791	\$ (173,490)	\$ 81,041
Issuance of common stock	722,995	879	—	—	—	879
Repurchase of common stock	(2,769,706)	(2,311)	—	—	—	(2,311)
Equity based compensation from investment in associate (Note 6, 8)	—	318	59	—	—	377
Loss for the period	—	—	—	—	(6,159)	(6,159)
Balance at March 31, 2020	64,589,829	\$ 239,524	\$ 13,161	\$ 791	\$ (179,649)	\$ 73,827
Balance at December 31, 2020	91,248,507	\$ 301,306	\$ 14,999	\$ 791	\$ (70,103)	\$ 246,993
Issuance of common stock (Note 6, 8)	328,116	1,134	—	—	—	1,134
Shares issued on exercise of PIPE warrants (Note 6, 8)	1,128,554	12,199	—	—	—	12,199
Equity based compensation from investment in associate (Note 6, 8)	—	149	1,970	—	—	2,119
Income for the period	—	—	—	—	202,101	202,101
Balance at March 31, 2021	92,705,177	\$ 314,788	\$ 16,969	\$ 791	\$ 131,998	\$ 464,546

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

Galaxy Digital Holdings Ltd.

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

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Operating activities		
Income (loss) for the period	\$ 202,101	\$ (6,159)
Adjustments for:		
Equity (income) loss from associate	(249,915)	6,159
Revaluation of warrant liability	36,817	—
Recoveries from associate - warrant liability	(36,817)	—
Changes in operating assets and liabilities:		
Payable to associate	7,309	—
Payable for taxes	47,814	—
Net cash provided by operating activities	7,309	—
Net increase in cash	7,309	—
Cash, beginning of period	—	—
Cash, end of period	\$ 7,309	\$ —
Supplemental disclosure of cash flow information and non-cash financing activities:		
Exercise of warrants	\$ 4,890	\$ —

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

1. NATURE AND CONTINUANCE OF OPERATIONS

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

Effective July 6, 2020, the Company has an active public listing on the Toronto Stock Exchange ("TSX") under the ticker "GLXY". The Company was previously listed on the TSX Venture Exchange ("TSX-V") under the same ticker. GDH Ltd.'s ordinary shares are dual-listed on the Frankfurt Stock Exchange under the symbol "7LX".

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

The Company has a minority interest in the Partnership. The Partnership is building a diversified financial services and investment management business in the cryptocurrency and blockchain space, and intends to capitalize on market opportunities made possible by the ongoing evolution of the digital assets space through five primary business lines: trading, principal investing, asset management, investment banking and mining. GDH LP's cryptocurrency related assets may be subject to significant fluctuations in value and are subject to risks unique to the asset class and different from traditional financial assets. Additionally, certain assets are held on cryptocurrency exchanges that are limited in oversight by regulatory authorities. Refer to GDH LP's condensed consolidated interim financial statements for the three months ended March 31, 2021 and 2020 for risks associated with these asset classes.

Corporate Transaction

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

These condensed consolidated interim financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are to manage its minority interest in GDH LP and are dependent on financial support from GDH LP, who has the obligation to reimburse the Company for all reasonable operational expenses (Note 5). At March 31, 2021, the Company had total equity of \$464.5 million (December 31, 2020 - \$247.0 million). Management estimates that, based on the financial support from GDH LP, the Company has the ability to maintain its operations and activities for the upcoming year.

2. BASIS OF PRESENTATION

Statement of Compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the December 31, 2020 audited consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been condensed

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or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with GDH Ltd. audited consolidated financial statements for the year ended December 31, 2020.

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, 2020. The Partnership's interim results are not necessarily indicative of its results for a full year.

These unaudited condensed consolidated interim financial statements were approved by the Company's Board of Directors and authorized for issuance on May 14, 2021.

Basis of Measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value. In addition, the condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow disclosure.

Functional and Presentation Currency

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

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

Basis of Consolidation

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

Use of estimates and judgments

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

Significant judgments in applying accounting policies

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

Influence over Investment in associate

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

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

Significant estimates

Deferred tax assets

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

Investment in associate

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

Furthermore, the Company consistently assesses the overall carrying value of its investment in associate to ensure that it is carried at no more than its recoverable amount, being the higher of its fair value less cost to dispose and value in use. Judgement is required to establish these amounts which may not be indicative of the recoverable value.

Valuation of warrant liability

The warrants issued in connection with the private investment in public equity (Note 8) are recorded as a derivative financial liability as these warrants are exercisable in Canadian dollars, differing from the Company's functional currency, which is US Dollars. The Company 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 Company 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 about the capacity in which warrant holders receive warrants, and to make 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.

COVID-19

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

4. NEW ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

There are no new accounting policies or recent accounting pronouncements adopted in the period ended March 31, 2021.

5. KEY TERMS OF LIMITED PARTNERSHIP AGREEMENT

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

- *Units* - there are two classes of partnership interests ("Units"): Class A Units, which are held by GDH Ltd., and Class B Units, which are held by GGI and other Class B limited partners.
- *Issuance of Additional Units* - the General Partner will not cause the Partnership to issue any additional Class B Units unless (i) the General Partner determines there is a bona fide business or strategic reason to raise equity capital through the issuance of Class B Units, provided that the aggregate amount of Class B Units that may be issued is less than or equal to 70,000,000 or the GDH Ltd. board of directors approves such issuance.
- *Allocations of Income, Gain, Loss, Deduction and Credit* - each item of income, gain, loss, deduction and credit will generally be allocated pro-rata between Class A Units and Class B Units.
- *Issuances and redemptions of common stock of GDH Ltd.* - If GDH Ltd. issues any of its ordinary shares, the General Partner will, only if either (i) the General Partner has consented to such issuance or (ii) the issuance receives approval by the limited partners holding the majority of Units, cause the Partnership to issue to GDH Ltd., in exchange for GDH Ltd. promptly contributing the net cash proceeds of the issuance to the Partnership, a number of Class A Units equal to the number of ordinary shares issued. Upon the redemption, repurchase, or other acquisition of ordinary shares by GDH Ltd., the Partnership will, at substantially the same time as the redemption, repurchase or acquire, redeem or cancel Class A Units equal to the number of ordinary shares redeemed, repurchased or acquired for an amount equal to the net cash amount paid by the GDH Ltd. for such redemption, repurchase, or other acquisition.
- *Exchanges of Class B Units* - A Class B limited partner may exchange vested Class B Units for ordinary shares of GDH Ltd. On exchange, GDH Ltd. will issue ordinary shares and the General Partner will cancel the Class B Units exchanged and issue Class A Units to GDH Ltd. equal to the number of Class B Units being surrendered, after accounting for any withholding obligation if applicable.
- *Removal of General Partner* - The General Partner may generally be removed by the limited partners holding at least 66 2/3% of the outstanding Units.
- *Reimbursable Expenses* - All expenses reasonably incurred by GDH Ltd. in the conduct of its business, including fees related to professional advisors, required or advisable licenses and filings, and meetings and compensation of directors, will be reimbursable by GDH LP.
- *General Partner Board* - As long as GDH Ltd. owns more than 10% of the outstanding Units of GDH LP, GDH Ltd. will have the right to appoint one person to the board of the general partner. In addition, if GDH Ltd. owns more than 40%, but not more than 50%, of the outstanding Units, GDH Ltd. will have the right to appoint another person to the board of the general partner.

6. INVESTMENT IN ASSOCIATE

The Company holds a 29.4% interest in GDH LP as of March 31, 2021 (29.0% at December 31, 2020), which is subject to key terms of the LPA (Note 5).

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

As of March 31, 2021, the carrying value of the investment in GDH LP was \$512.4 million (December 31, 2020 - \$247.0 million).

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Summarized financial information for GDH LP

Summarized Statements of Financial Position (in thousands)	March 31, 2021	December 31, 2020
Current assets		
Cash	\$ 93,163	\$ 135,766
Other current assets	3,045,358	1,302,875
	3,138,521	1,438,641
Non-current assets	40,857	17,583
Total assets	\$ 3,179,378	\$ 1,456,224
Liabilities	\$ 1,011,328	\$ 372,057
Non-controlling interests	490,091	285,956
	\$ 1,501,419	\$ 658,013
Net Assets	\$ 1,677,959	\$ 798,211
The Company's share of net assets - 29.4% (December 31, 2020 - 29.0%)	\$ 512,360	\$ 246,993
(in thousands)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Income/(Loss)	\$ 849,727	\$ (30,528)
Operating expenses	(130,242)	(14,982)
Net unrealized gain on digital assets	362,909	12,924
Net unrealized gain on investments (Note 8)	60,282	4,674
Revaluation of warrant liability	(36,817)	—
Unrealized foreign currency gain (loss)	3,068	(174)
Realized foreign currency gain (loss)	(350)	332
	389,092	17,756
Income (loss) for the period	\$ 1,108,577	\$ (27,754)
Income (loss) attributed to:		
Unit holders of the Partnership	\$ 859,958	\$ (26,941)
Non-controlling interests	248,619	(813)
	\$ 1,108,577	\$ (27,754)
Foreign currency translation adjustment	284	17
Comprehensive income (loss) for the period	\$ 1,108,861	\$ (27,737)
The Company's share of comprehensive income (loss)	\$ 249,915	\$ (6,159)

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Reconciliation to carrying amount of investment in GDH LP (in thousands):

	Three Months Ended March 31, 2021	Year ended December 31, 2020
Balance, beginning	\$ 246,993	\$ 81,041
Shares issued for PIPE transaction net of issuance costs ¹ (Note 8)	—	42,815
Shares issued for acquisitions (Note 8)	—	14,938
Shares issued on exercise of PIPE warrants (Note 8)	12,199	—
Equity based compensation allocation	2,119	2,855
Increase in ownership interest as a result of GDH LP Class B unit exchanges (Note 8)	1,134	4,833
Cancellation of Class A common stock repurchased (Note 8)	—	(2,875)
Allocation of comprehensive income	249,915	103,386
Balance, ending	<u>\$ 512,360</u>	<u>\$ 246,993</u>

¹ Net of \$0.7 million cash issuance costs and \$6.5 million warrant liability.

Accounting for the investment by GDH Ltd.

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

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

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

While there are many factors that need to be considered for the evaluation of control, an important factor would be when GDH Ltd. obtains the ability to impact the Partnership's governance and decision making, including its ability to replace the general partner.

Business Combinations

Drawbridge Lending, LLC

On November 12, 2020, GDH Ltd. acquired Drawbridge Lending, LLC ("Drawbridge" or "DBL"). Drawbridge is a Delaware limited liability company that was established in March 2018 and operates as a Chicago-based CFTC-regulated Commodity Trading Advisor and Commodity Pool Operator. Drawbridge utilizes derivatives to provide hedged financial products to eligible contract participants through its platform. Its flagship product is a crypto-backed fiat loan with no margin call and an option hedge overlay.

On completion of the DBL acquisition on November 12, 2020:

- All of the issued and outstanding DBL membership interests and all other rights to receive DBL membership interests were cancelled and converted into the right to receive the consideration, or \$4.9 million, calculated as \$5.0 million net of company transaction expenses of \$0.1 million. The consideration consisted of 1,507,473 shares and a cash payment of \$0.3 million. As part of the consideration, the Company issued 1,352,583 shares and held back 154,890 shares to satisfy customary representations and warranties.
- Immediately following the execution of the acquisition, GDH Ltd. contributed its membership interests in DBL to GDH LP which, immediately thereafter, contributed them to Galaxy Digital LP. DBL changed its name to Galaxy DBL, LLC.

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- Galaxy Digital LP became the sole member of Galaxy DBL, LLC, and the officers of Drawbridge became the officers of Galaxy DBL, LLC.

Blue Fire Capital

On November 12, 2020, GDH Ltd. acquired BF Holdings I, LLC ("Blue Fire Capital" or "BFC"). Blue Fire Capital is a Delaware limited liability company that was established in 2007 and operates as a Chicago-based propriety trading firm specializing in providing two-sided liquidity for futures markets and digital assets.

On completion of the BFC acquisition on November 12, 2020:

- All of the issued and outstanding BFC membership interests and all other rights to receive membership interests were cancelled and converted into the right to receive the consideration, calculated as 2,317,888 shares, plus \$7.5 million of net cash and net of company transaction expenses and other adjustments.
- Immediately following the execution of the acquisition, GDH Ltd. contributed its membership interests in BFC to GDH LP which, immediately thereafter, contributed them to Galaxy Digital LP. BFC changed its name to Galaxy Blue Fire Holdings, LLC.
- Galaxy Digital LP became the sole member of Galaxy Blue Fire Holdings, LLC, and the officers of Blue Fire Capital became the officers of Galaxy Blue Fire Holdings, LLC.

7. RELATED PARTY TRANSACTIONS

Compensation to key management personnel

The Company's related parties include its subsidiary, associates over which it exercises significant influence, and key management personnel. Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers, directors, companies controlled by officers and directors and companies with common directors of the Company.

Compensation provided to key management personnel for the three months ended March 31, 2021 and 2020 is as follows (in thousands):

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Directors fees	\$ 111	\$ 133

Other

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

In addition, the CEO of GDH Ltd. was a member of the advisory board for another company, resulting in GDH Ltd. and that company being related parties. As of March 31, 2021, GDH LP had an investment in the company valued at \$40.4 million (December 31, 2020 - \$19.6 million).

In accordance with the LPA (Note 5), GDH LP will reimburse or pay for all reimbursable expenses of the Company. For the period ended March 31, 2021, GDH LP paid or accrued \$1.4 million (2020 - \$0.2 million) for the reimbursable expenses.

8. SHARE CAPITAL AND RESERVES

Authorized

The authorized share capital of the Company is C\$2.0 million, divided into 2,000,000,000 ordinary shares of C\$0.001 par value each.

Issued

During the three months ended March 31, 2021, the Company issued 328,116 (December 31, 2020 - 5,472,493) ordinary shares valued at \$1.1 million (December 31, 2020 - \$4.8 million) on exchange of Class B Units of GDH LP. In addition, the Company issued 1,128,554 shares on exercise of warrants. As at March 31, 2021 3,670,471 shares were held in escrow.

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Private Investment in Public Equity ("PIPE")

On November 12, 2020 (the "Closing"), GDH Ltd. closed a PIPE of \$50 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 share was accompanied by a warrant to purchase 0.25 of an ordinary share ("security") and each security was issued at a price of C\$3.50. 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. All securities issued pursuant to the PIPE will be subject to certain selling restrictions set forth in the investment agreements. The investment agreements provide that: (i) no sales are permitted during the first six months from the Closing; (ii) sales of up to 33.3% of total shares issued are permitted seven to nine months after the Closing, subject to a maximum daily sale participation of no more than 10% of daily traded volume; (iii) sales of up to 66.6% of the total shares issued are permitted ten to twelve months after the Closing, subject to a maximum daily sale participation of no more than 10% of daily traded volume; and (iv) until eighteen months after the Closing, all shares remain subject to a daily selling restriction of no more than 10% of daily traded volume. The selling restrictions terminate upon certain corporate actions by GDH Ltd.

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. Therefore, the Company has recognized a corresponding asset, investment receivable from warrant exercise, which represents the Class A units that the Partnership will issue to GDH Ltd. on exercise of the warrants. On initial recognition, the warrants were valued at \$6.5 million and are recorded as a derivative financial liability as these warrants are exercisable in Canadian dollars, differing from the Partnership's functional currency. As at March 31, 2021 the value of the warrant liability is \$52.7 million (December 31, 2020 - \$20.8 million) and the loss and corresponding recovery recognized in the statement of income (loss) and comprehensive income (loss) for the period ended March 31, 2021 is \$36.8 million (2020 - \$nil).

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 issuance date and March 31, 2021 are included in Note 12. These are the only warrants outstanding in GDH Ltd. During the period ended March 31, 2021, 1,128,554 of the warrants were exercised at an exercise price of C\$8.25. At March 31, 2021, there are 3,638,946 warrants outstanding and exercisable (December 31, 2020 - 4,767,500).

Shares issued for acquisitions

On November 12, 2020, GDH Ltd. acquired Drawbridge and Blue Fire Capital (Note 6). As part of the Drawbridge acquisition, the consideration consisted of 1,507,473 shares of which the Company issued 1,352,583 shares valued at \$5.5 million and held back 154,890 shares to satisfy customary representations and warranties. As part of the Blue Fire Capital acquisition, the Company issued 2,317,888 shares valued at \$9.4 million as part of the consideration.

Ordinary Share Repurchase

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

GDH Ltd. began repurchasing shares on October 2, 2019. GDH Ltd. repurchased a total of 3,600,997 shares for a total cost of C\$3.9 million (\$2,874,622) for the year ended December 31, 2020. Shares repurchased from October 2, 2019 through April 17, 2020 were 4,916,431 for a total cost of C\$5.5 million. All repurchased shares of GDH Ltd. and the equivalent number of Class Units in the Partnership were cancelled. Effective April 17, 2020, GDH Ltd. completed its normal course issuer bid program repurchases.

Reserves

Up to the date of the closing of the Arrangement, the Company had its own stock option plan, which provided employees, directors, officers and consultants of the Company with the opportunity to acquire common shares of the Company through the exercise of stock options. Stock options granted under the plan were limited to a maximum term of ten years and limited to 10% of the Company's outstanding common shares. As of March 31, 2021, the following options were outstanding:

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

No options were granted, exercised or forfeited under the above plan during the three months ended March 31, 2021 or 2020.

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

Equity based compensation

During the three months ended March 31, 2021, the Company recognized equity based compensation of \$2.1 million (2020 - \$0.4 million) from its investment in associate (Note 6).

9. INCOME (LOSS) PER SHARE

The table below presents basic and diluted net income (loss) per share of common stock for the three months ended March 31, 2021 and 2020, respectively:

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Basic income (loss) per share	\$ 2.22	\$ (0.09)
Diluted income (loss) per share	\$ 1.92	\$ (0.09)

Basic income (loss) per share

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

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Net income (loss) used in the calculation of basic income (loss) per share	\$ 202,101	\$ (6,159)
Weighted average number of ordinary shares for the purposes of basic income (loss) per share	91,001	66,413

Diluted income (loss) per share

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

	Three Months Ended March 31, 2021
Net income (loss) used in the calculation of diluted income (loss) per share	\$ 657,315
Weighted average number of ordinary shares for the purposes of diluted income (loss) per share	342,183

For the three months ended March 31, 2021, the weighted average number of ordinary shares for the purposes of diluted income (loss) per share assumes the potential conversion of the outstanding GDH LP Class B Units, the conversion of the Class B Units under the GDH LP equity compensation plan (Note 10), the potential exercise of in-the-money stock options and other stock grants.

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

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Reconciliation of the net income (loss) used in the calculation of basic income (loss) per share to net income (loss) used in the calculation of diluted income (loss) per share (in thousands):

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Net income (loss) used in the calculation of basic income (loss) per share	\$ 202,101	\$ (6,159)
Net income currently allocated to outstanding GDH LP Class B Units ^{1,2}	455,214	—
Net income (loss) used in the calculation of diluted income (loss) per share	657,315	(6,159)

¹ Net income allocated to GDH LP Class B Units for the three months ended March 31, 2021 is net of an estimated tax adjustment.

² Net income allocated to GDH LP Class B Units was not included for the three months ended March 31, 2020 as the calculation would be antidilutive.

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

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Weighted average number of ordinary shares for the purposes of basic income (loss) per share ¹	91,001,470	66,412,564
Diluted shares:		
Weighted average of outstanding Class B Units for the period	222,762,672	—
Compensatory Class B Unit awards	6,235,349	—
Stock Options	21,313,719	—
Restricted Stock	714,436	—
Held Back Shares	154,890	—
Weighted average number of ordinary shares for the purposes of diluted income (loss) per share	342,182,536	\$ 66,412,564

¹ Potentially dilutive Compensatory B Units awards and other stock awards were excluded from the computation of diluted income (loss) per unit for the three months ended March 31, 2020 because their effect would have been antidilutive.

10. COMMITMENTS AND CONTINGENCIES

GDH LP Class B Units

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

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 comprised 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. Once vested, each Standard Unit can be exchanged for one share of GDH Ltd. for no additional consideration. The fair value of the Standard Units transferred, measured as of the grant date, was \$91,078 (or approximately \$4.7765 per Standard Unit) based on the 10-day volume weighted average share price of GDH Ltd. from December 2, 2020 through December 15, 2020 ("10-day WA") and on the number of Standard Units expected to vest (100%). The fair value was recognized in 2020.
- Profit Interest Units - 355,932 of the Profit Interest Units vest on December 15, 2020, 15,226 vest 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

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

As of March 31, 2021, after accounting for exchanges (Note 8) and forfeitures, there were 229,076,452 (December 31, 2020 - 229,404,568) Class B Units issued, of which 222,577,818 (December 31, 2020 - 222,905,934) were outstanding and exercisable into ordinary shares of GDH Ltd.

Stock Option Plan

The Company has a stock option plan (the “Plan”) to grant options, which are exercisable into an equivalent amount of the Company's common shares, to employees, officers, directors and consultants of the Company and its affiliates (inclusive of GDH LP). The number of stock options granted to any person within a one-year period will not exceed 5% and the number granted to those individuals considered consultants or providing investor relations services may not exceed 2% in a one-year period, in each case on a fully diluted basis. Under the Plan, the exercise price of each option may not be less than the market price of the Company's shares at the date of grant. Options granted under the Plan will have a term not to exceed 5 years and be subject to vesting provisions as determined by the Board of Directors of the Company who administer the Plan. On exercise of an option, the holder will receive one common share in the Company and GDH LP will issue one Class A Unit to the Company. The maximum number of shares reserved for issuance under the Plan is fixed at 45,565,739 shares of the Company.

Modification of stock options previously granted

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

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A summary of stock options outstanding as at March 31, 2021 is as follows:

Grant Date	Number Outstanding	Number Exercisable	Exercise Price (C\$)	Expiry Date
Employees and Officers:				
July 31, 2018	8,722,700	6,508,950	3.00	July 23, 2023
July 31, 2018	126,000	94,500	5.00	July 23, 2023
September 10, 2018	103,600	77,700	3.00	July 23, 2023
June 25, 2019	2,235,000	1,017,500	2.15	June 25, 2024
September 4, 2019	150,000	50,000	1.95	September 4, 2024
April 9, 2020	5,143,334	1,936,667	1.35 - 1.85	April 9, 2025
June 25, 2020	750,000	—	1.39	June 25, 2025
November 16, 2020	150,000	—	5.65	June 25, 2025
November 16, 2020	6,030,000	—	5.65	November 16, 2025
December 3, 2020	7,500,000	—	6.21	December 3, 2025
December 8, 2020	555,000	—	6.00	December 8, 2025
December 21, 2020	100,000	—	8.02	December 21, 2025
Total	31,565,634	9,685,317		

Restricted Stock

On December 15, 2020, the Company issued 1,079,971 restricted shares. Of the shares granted, 454,971 vest on December 1, 2023 and the remainder on December 1, 2024. The restricted shares were issued as part of an inducement grant to an officer.

Other

The Company has provided standard representations for agreements and customary indemnification for claims and legal proceedings. Insurance has been purchased to mitigate certain of these risks. Generally, there are no stated or notional amounts included in these indemnifications and the contingencies triggering the obligation for indemnification are not expected to occur. Furthermore, often counterparties to these transactions provide comparable indemnifications. The Company is unable to develop an estimate of the maximum payout under these indemnifications for several reasons. In addition to the lack of a stated or notional amount in a majority of such indemnifications, it is not possible to predict the nature of events that would trigger indemnification or the level of indemnification for a certain event. The Company believes, however, that the possibility of making any significant payments for these indemnifications is remote. As of March 31, 2021 and December 31, 2020, there was no liability accrued under these arrangements.

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

11. CAPITAL MANAGEMENT

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

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

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

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

The Company's cash is measured at fair value using level 1 inputs and the Company's payable to associate approximates its carrying value.

The Company's warrant liability is classified as a Level 3 financial liability. The warrant liability was deemed to be a Level 3 financial liability as one or more inputs to the valuation are unobservable and significant to the fair value measurement of the liability. The fair value of the warrant liability is calculated using the Black-Scholes Option Pricing Model. (Unobservable inputs reflect management's assumptions on how market participants would price the asset or liability based on the information available.)

Quantitative Information for Warrant Liability (in thousands):

Financial Instrument	Fair Value at March 31, 2021 (in thousands)	Significant Unobservable Inputs	Range
Warrant Liability	\$52,708	Volatility	85%
		Time to liquidity event (years)	1.62 - 2.0
		Risk free rate	0.17% - 0.20%
		Expected dividend payout ratio	—
		Dilution factor	1.1%

Level 3 Continuity

The following is a reconciliation of the Level 3 liability for the period ended March 31, 2021 (in thousands):

Liabilities	Fair value at December 31, 2020	Conversions	Revaluation of Warrant Liability	Fair Value at March 31, 2021
Warrant Liability	\$ 20,781	\$ (4,890)	\$ 36,817	\$ 52,708

Risk Management

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts, if applicable. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. As at March 31, 2021, the Company is not exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and financial support from GDH LP. The Company manages its liquidity risk by forecasting cash flows from operations and

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anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. Furthermore, under the LPA, GDH LP is responsible for reimbursing the Company for all reasonable operating expenses. Therefore, the Company is not currently exposed to significant liquidity risk.

Interest rate risk

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

Foreign exchange risk

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

Digital assets and market risks

The Company's investment in associate is impacted by the associate's investments in digital assets as well as private companies, both of which may be subject to significant changes in value. The Company seeks to minimize potential adverse effects of these risks on performance by ensuring that the risk management at GDH LP appropriately addresses these risks by, for example, employing experienced personnel, daily monitoring of the Partnership's investments and digital assets and review of the Partnership's investment objectives. Refer to GDH LP's condensed consolidated interim financial statements for the three months ended March 31, 2021 and 2020 for risks associated with these asset classes.

13. SUBSEQUENT EVENT

On May 5, 2021, GDH Ltd. announced that it agreed to acquire BitGo, an independent digital assets infrastructure provider. Under the terms of the merger agreement, the consideration to BitGo shareholders will consist of 33.8 million of newly issued shares of GDH Ltd. common stock and \$265 million in cash, subject to certain adjustments and deferred purchase considerations. GDH Ltd. will use its balance sheet to fund the cash consideration, a significant portion of which will be deferred up to 12 months post-close. Additionally, GDH Ltd. will issue incremental shares of its common stock to BitGo's shareholders in exchange for BitGo's net digital assets at close.

The transaction has been approved by the boards of directors of both GDH Ltd. and BitGo. The acquisition is expected to close in the fourth quarter of 2021, subject to approval by GDH Ltd.'s shareholders of the domestication of GDH Ltd. as a Delaware corporation and specified internal restructuring, as well as certain related matters and other acquisition-related closing conditions and regulatory approvals.