



GALAXY
D I G I T A L

Galaxy Digital Holdings LP
Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

(Expressed in US Dollars)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Managers of Galaxy Digital Holdings GP LLC in its capacity as general partner of Galaxy Digital Holdings LP:

Opinion

We have audited the consolidated financial statements of Galaxy Digital Holdings LP and its subsidiaries (collectively, the Partnership), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Partnership, and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit, which include relevant ethical requirements in the United States of America and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that were communicated with those charged with governance and, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Evaluation of audit evidence pertaining to the existence and control of digital assets

As discussed in Note 7 to the consolidated financial statements, the Partnership recognizes a variety of digital assets on its consolidated statement of financial position and measures them at fair value less costs to sell. As of December 31, 2021, the fair value less costs to sell of the Partnership's digital assets was \$2.42 billion.

We identified the evaluation of audit evidence pertaining to the existence of digital assets on the blockchain and the Partnership's rights to the digital assets through control over the private keys, including the risk that the Partnership's digital assets may be subject to unauthorized on blockchain transfers to third parties, as a key audit matter. A high degree of auditor judgment was involved in determining the nature and extent of audit evidence required to assess the existence of the digital assets and whether the Partnership controls the digital assets.



The following are the primary procedures we performed to address this key audit matter. We evaluated the design of certain internal controls over the existence of the digital assets and over the rights to the digital assets through control over the private keys, including internal controls over unauthorized on blockchain transfers to third parties. We also tested the operating effectiveness for certain of these internal controls. We involved information technology professionals with specialized skills and knowledge in blockchain technology, who assisted in evaluating certain internal controls at certain third-party digital asset custodians. We obtained confirmations of the Partnership's digital assets held with certain third parties as of December 31, 2021 and compared the results of the confirmations to the Partnership's records. We also compared the Partnership's records of certain digital asset balances and transactions to the records on public blockchains using software audit tools. For a selection of on blockchain transfers to third parties, we obtained and assessed evidence that the transaction was appropriately authorized and recorded by the Partnership. We evaluated the nature and extent of audit evidence obtained by assessing the results of procedures performed over the digital assets.

Assessment of fair value of certain Level 3 investments

As discussed in Notes 8 and 26 to the consolidated financial statements, the Partnership held investments recorded at fair value of \$1.07 billion as of December 31, 2021, a portion of which represented Level 3 investments. Included in this amount is \$595 million of Level 3 investments that use the market approach valuation method with one or more significant unobservable inputs. The fair value of these investments was determined using certain pricing inputs that are unobservable and included situations where there was little, if any, market activity for the investment.

We identified the assessment of the fair value measurement of certain investments classified as Level 3 in the fair value hierarchy as a key audit matter. There was a high degree of audit effort, including specialized skills and knowledge, and subjective and complex auditor judgment involved in the assessment due to significant measurement uncertainty. Specifically, the assessment involved evaluating certain inputs used in these fair value estimates, such as relevance of prior transactions, marketability and control discounts, volatility, and enterprise value-to-revenue multiples.

The following are the primary procedures we performed to address this key audit matter. We evaluated the design of certain internal controls related to the Partnership's measurement of certain Level 3 investments, including controls related to the review of significant unobservable inputs. We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the reasonableness of the fair value measurement valuation for a selection of Level 3 investments through developing an independent estimate of the fair value of the investment and comparing the results of our estimate of fair value to the Partnership's fair value measurement. As part of this independent estimate, the valuation professionals developed independent pricing inputs.

Other Matter

The accompanying consolidated financial statements of the Partnership as of December 31, 2020 and for the year then ended were audited by other auditors whose report thereon dated March 29, 2021, expressed an unmodified opinion on those financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as issued by the IASB, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise significant doubt about the Partnership's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued; to disclose, as applicable, matters related to going concern; and to use the going concern basis of accounting unless management either intends to liquidate the Partnership or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Partnership's consolidated financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and ISAs will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and ISAs, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise significant doubt about the Partnership's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis for the year ended December 31, 2021 but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.



In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

The engagement partner on the audit resulting in this independent auditors' report is Michael Campanile.

KPMG LLP

New York, New York
March 31, 2022

Galaxy Digital Holdings LP

Consolidated Statements of Financial Position
(Expressed in thousands of US Dollars)

	December 31, 2021	December 31, 2020
Assets		
Current assets		
Cash	\$ 811,129	\$ 137,951
Digital assets (Note 7)	2,420,777	931,480
Receivable for digital asset trades (Note 7)	8,332	13,204
Digital asset loans receivable (Note 11)	192,684	96,724
Digital assets receivables (Note 7)	52,998	12,813
Assets posted as collateral (Note 9, 11, 13)	71,400	15,768
Receivables (Note 10)	26,665	2,710
Due from broker	29,647	4,452
Derivative assets (Note 9)	45,669	39,025
Prepaid expenses and other assets (Note 12)	66,793	6,494
Loans receivable (Note 13)	190,087	8,510
Due from related party (Note 24)	25,023	—
Total current assets	3,941,204	1,269,131
Digital assets receivables (Note 7)	18,659	6,911
Investments (Note 8)	1,069,776	260,383
Right of use asset (Note 14)	11,746	4,573
Property and equipment (Note 14)	17,162	3,693
Deferred tax asset (Note 29)	10,259	—
Intangible assets (Note 14)	3,087	2,406
Goodwill (Note 6)	24,645	15,515
Total non-current assets	1,155,334	293,481
Total assets	\$ 5,096,538	\$ 1,562,612
Liabilities and Equity		
Current liabilities		
Digital assets sold short (Note 16)	\$ —	\$ 5,278
Investments sold short (Note 8)	11,630	4,384
Derivative liabilities (Note 9)	25,567	23,103
Warrant liability (Note 18)	20,488	20,781
Accounts payable and accrued liabilities (Note 15)	146,243	34,154
Payables to customers (Note 15)	142,441	—
Taxes payable	42,341	—
Payable for digital asset trades (Note 7)	13,216	33,329
Digital asset loans payable (Note 11)	905,013	307,499
Loans payable (Note 13)	33,289	—
Collateral payable (Note 9, 11, 13)	480,088	44,660
Lease liability (Note 17)	2,164	742
Non-controlling interests liability	161,536	285,956
Total current liabilities	1,984,016	759,886
Notes payable (Note 18)	475,330	—
Deferred tax liability (Note 29)	25,608	—
Lease liability (Note 17)	13,233	4,515
Total non-current liabilities	514,171	4,515
Total liabilities	2,498,187	764,401
Equity		
Partners' capital (Note 18)	2,598,351	798,211
Total equity	2,598,351	798,211
Total liabilities and equity	\$ 5,096,538	\$ 1,562,612

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

Galaxy Digital Holdings LP

Consolidated Statements of Financial Position

(Expressed in thousands of US Dollars)

Nature and continuance of operations (Note 1)

Commitments and contingencies (Note 28)

Subsequent event (Note 30)

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

"Alex Ioffe"

Chief Financial Officer

"Michael Novogratz"

Chief Executive Officer

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

Galaxy Digital Holdings LP

Consolidated Statements of Comprehensive Income
(Expressed in thousands of US Dollars)

	Year ended December 31, 2021	Year ended December 31, 2020
Income		
Advisory and management fees	\$ 15,736	\$ 9,615
Net realized gain (loss) on digital assets	1,014,260	271,108
Net realized gain (loss) on investments (Note 8)	231,388	10,796
Interest income	73,051	6,132
Net derivative gain (loss) (Note 9)	10,761	5,699
Net income from digital asset mining (Note 23)	10,922	—
Leasing income from mining equipment (Note 23)	3,781	—
Other income	5,682	810
	1,365,581	304,160
Operating expenses		
Compensation and compensation related (Notes 20, 24)	114,426	34,164
Equity based compensation (Note 18, 24)	70,891	11,851
General and administrative (Note 22)	35,214	15,127
Professional fees (Note 21)	53,329	7,664
Profit share arrangement expense (Note 24)	16,568	—
Interest	70,155	9,729
Notes interest expense	1,769	—
Insurance	1,517	1,090
Director fees (Notes 18, 24)	699	249
	(364,568)	(79,874)
Net unrealized gain (loss) on digital assets	451,465	239,720
Net unrealized gain (loss) on investments (Note 8)	546,997	90,587
Net gain (loss) on notes payable - derivative (Note 18)	12,132	—
Net gain (loss) on warrant liability (Note 18)	(45,644)	(14,318)
Foreign currency gain (loss)	2,590	(1,388)
(Gain) loss attributable to non-controlling interests liability	(197,376)	(153,385)
	770,164	161,216
Income before income taxes	1,771,177	385,502
Income taxes (Note 29)	56,900	—
Net income for the year	\$ 1,714,277	\$ 385,502
Other comprehensive income		
Foreign currency translation adjustment	\$ 367	\$ 17
Net comprehensive income for the year	\$ 1,714,644	\$ 385,519

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

Galaxy Digital Holdings LP

Consolidated Statements of Changes in Equity
(Expressed in thousands US Dollars except for share data)

	Class A Unit Capital		Class B Unit Capital		Total
	Number	Amount	Number	Amount	
Balance at December 31, 2019	66,636,540	\$ 180,650	219,332,907	\$ 167,134	\$ 347,784
Equity based compensation (Note 18)	—	2,855	—	9,145	12,000
Distributions (Note 18)	—	—	—	(1,932)	(1,932)
Vesting of Class B Units	—	—	7,063,639	—	—
Exchange of Class B Units	3,469,661	4,833	(3,469,661)	(4,833)	—
Cancellation of Class A Units	(3,600,997)	(2,875)	—	—	(2,875)
Issuance of Class A Units on exercise of options	2,002,832	—	—	—	—
Cancellation of Class B Units withheld	—	—	(20,951)	(38)	(38)
Shares issued for PIPE transaction (net of issuance costs)	19,070,000	49,278	—	—	49,278
Warrant liability allocation	—	(6,463)	—	—	(6,463)
Shares issued for acquisitions	3,670,471	14,938	—	—	14,938
Foreign currency translation adjustment	—	—	—	17	17
Income for the year	—	103,386	—	282,116	385,502
Balance at December 31, 2020	91,248,507	\$ 346,602	222,905,934	\$ 451,609	\$ 798,211
Equity based compensation (Note 18)	—	21,337	—	50,253	71,590
Distributions (Note 18)	—	(19,717)	—	(50,168)	(69,885)
Vesting of Class B Units	—	—	5,872,334	—	—
Exchange of Class B Units	667,895	2,782	(667,895)	(2,782)	—
Issuance of Class A Units on exercise of options and warrants	8,413,907	78,407	—	—	78,407
Shares issued for acquisitions	1,220,185	4,955	—	—	4,955
Other	—	—	—	796	796
Income for the year	—	507,031	—	1,207,246	1,714,277
Balance at December 31, 2021	101,550,494	\$ 941,397	228,110,373	\$ 1,656,954	\$ 2,598,351

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

Galaxy Digital Holdings LP

Consolidated Statements of Cash Flows
(Expressed in thousands of US Dollars)

	Year ended December 31, 2021	Year ended December 31, 2020
Operating activities		
Income for the year	\$ 1,714,277	\$ 385,502
Adjustments for:		
Bad debt expense	122	240
Depreciation	2,367	552
Amortization of intangible and right of use assets	2,765	609
Impairment of property and equipment	3,028	—
Impairment of right of use asset	1,565	—
Equity based compensation	70,891	11,851
Equity based compensation included in directors fees	699	149
Interest expense	70,155	9,729
Interest income	(73,051)	(6,132)
Net realized (gain) loss on digital assets	(1,014,260)	(271,108)
Net realized (gain) loss on investments	(231,388)	(10,796)
Net derivative (gain) loss	(10,761)	(5,699)
Net unrealized (gain) loss on digital assets	(451,465)	(239,720)
Net unrealized (gain) loss on investments	(546,997)	(90,587)
Net (gain) loss on notes payable - derivative	(12,132)	—
Notes interest expense	1,769	—
Net (gain) loss on warrant liability	45,644	14,318
Gain (loss) attributable to non-controlling interests liability	197,376	153,385
Net deferred tax expense	15,349	—
Net unrealized foreign currency (gain) loss	(3,025)	517
Changes in operating assets and liabilities:		
Net digital asset activity	437,565	(108,358)
Investments sold short	9,491	3,810
Digital assets receivable	(16,368)	—
Receivables	28,030	3,733
Loans receivable, net of repayment	(181,578)	4,647
Derivatives assets / liabilities	6,581	(10,222)
Prepaid expenses and other assets	(46,892)	(3,776)
Due from broker	(25,194)	(4,436)
Payables to customers	142,441	—
Payable for taxes	42,341	—
Accounts payable and accrued liabilities	77,623	19,306
Net cash provided by (used in) operating activities	256,968	(142,486)
Investing activities		
Purchase of property and equipment	(18,864)	(109)
Purchase of investments	(324,865)	(27,210)
Proceeds and distributions from investments	246,389	35,359
Purchase of intangible asset	(1,761)	—
Cash paid on acquisitions	(5,438)	(7,762)

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

Galaxy Digital Holdings LP

Consolidated Statements of Cash Flows (Expressed in thousands of US Dollars)

Cash assumed on acquisitions	289	4,456
Net cash provided by investing activities	(104,250)	4,734
Financing activities		
Cash paid for principal portion of lease liability	(1,091)	(261)
Proceeds from PIPE transaction (net of issuance costs)	—	49,278
Notes payable	500,000	—
Notes payable - issuance costs	(13,391)	—
Loans payable, net of repayment	33,289	—
Proceeds from warrant exercise	7,309	—
Receipts from non-controlling interests liability holders	384,994	141,572
Disbursements to non-controlling interests liability holders	(321,562)	(16,321)
Distributions	(69,885)	(1,932)
Cancellation of Class A Units withheld	—	(2,875)
Cancellation of Class B Units withheld	—	(38)
Net cash provided by (used in) financing activities	519,663	169,423
Impact of exchange rate change on cash and other	797	17
Net increase (decrease) in cash	673,178	31,688
Cash, beginning of year	137,951	106,263
Cash, end of year	\$ 811,129	\$ 137,951
Supplemental disclosure of cash flow information and non-cash investing and financing activities:		
Cash paid during the year for:		
Taxes	\$ 1,985	\$ 592
Interest	\$ 10,257	\$ 109
Non-cash activities:		
Receivable for digital asset trades	\$ 3,597	\$ (12,874)
Digital asset loans receivable	\$ (95,960)	\$ (80,662)
Assets posted as collateral	\$ (55,632)	\$ (5,183)
Payable for digital asset trades	\$ (20,114)	\$ 33,079
Digital asset loans payable	\$ 597,513	\$ 240,457
Collateral payable	\$ 435,428	\$ 44,226
Interest paid in digital assets	\$ (43,524)	\$ 9,079
Interest received in digital assets	\$ 25,132	\$ —
Initial recognition of embedded derivative - notes payable	\$ 70,998	\$ —
Equity issued for warrants exercised	\$ 45,938	\$ —
Due from related party for equity issued for warrants and stock options	\$ 25,024	\$ —
Recognition of right of use asset and lease liability	\$ 12,490	\$ —
Write off of lease liability	\$ 2,398	\$ —
Reclassification between investments and digital assets	\$ 2,500	\$ 1,700
Purchase of investments paid in digital assets	\$ (16,362)	\$ 12,085
Proceeds from investment received as digital assets	\$ 45,700	\$ —
Proceeds from investments included in receivables	\$ 5,846	\$ —
Stock received from investments	\$ 4,033	\$ —
Deconsolidation of investment funds	\$ (367,528)	\$ —

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

Galaxy Digital Holdings LP

Consolidated Statements of Cash Flows
(Expressed in thousands of US Dollars)

In-kind receipts from non-controlling interests liability holders	\$	1,781	\$	—
In-kind disbursements to non-controlling interests liability holders	\$	(14,815)	\$	—
Initial recognition of warrant liability from equity	\$	—	\$	6,463
Net assets acquired for acquisition	\$	342	\$	3,359
Shares issued for acquisitions	\$	4,955	\$	14,938

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

Galaxy Digital Holdings LP

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020
(Expressed in US Dollars)

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. During the third quarter of 2021, the Partnership relocated its principal address from 107 Grand Street, New York, New York 10013 to 300 Vesey Street, New York, New York 10282.

GDH LP, an operating partnership, is managed by the board of managers and officers of the general partner, Galaxy Digital Holdings GP LLC ("GDH GP" or the "General Partner"). Galaxy Digital Holdings Ltd. ("GDH Ltd." or "Company") acquired a minority investment in the operating partnership and, effective July 6, 2020, 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.

The Company is listed on the TSX and effective August 4, 2021, successfully exited the TSX Sandbox program. 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 Company graduated having completed a twelve-month period without significant compliance issues after graduation.

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

General Partner

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

Financial Statements

These consolidated financial statements are prepared on a going concern basis which assumes that the Partnership will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Partnership are dependent upon generating sufficient cash flow and/or obtaining necessary financing to meet its commitments as they come due and to continue building a diversified financial services and investment management business in the cryptocurrency and blockchain sectors. At December 31, 2021, the Partnership had cash of \$811.1 million (December 31, 2020 - \$138.0 million) and partners' capital of \$2.6 billion (December 31, 2020 - \$798.2 million). Management estimates that the Partnership has sufficient financial resources to maintain its operations and activities for the upcoming year.

Galaxy Digital Holdings LP

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020
(Expressed in US Dollars)

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were approved by the Board of Managers of GDH GP and authorized for issuance.

Comparative Figures

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

Basis of Measurement

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

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

Functional and Presentation Currency

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standard ("IAS") 21. The functional and the presentation currency for the Partnership is the United States dollar ("US dollar").

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

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

Basis of Consolidation

The consolidated financial statements include the financial statements of GDH LP and its consolidated subsidiaries, which are controlled by the Partnership. The reporting period, as well as the accounting policies, of the financial statements are consistent across all entities included in the consolidation. All inter-company transactions, balances, income and expenses and unrealized gains and losses are eliminated in full upon consolidation.

Scope of financial statements

Income taxes

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

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

Galaxy Digital Holdings LP

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020
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than for GDH LP's UBT obligation and for the entities in the consolidated GDH LP group subject to income taxes in the local jurisdictions in which they operate. The allocation of taxable income to partners may vary substantially from net income reported in these consolidated financial statements.

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

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

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

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

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

Allocation of income and/ or loss

Income and/ or 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 consolidated 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 consolidated 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 consolidated financial statements are as follows:

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Digital assets

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

Income from digital asset mining

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

Determination of lease type

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

Valuation techniques

The fair values of all investments are measured using the market or income approaches (Note 26). 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 thereafter, consistent with fair value accounting guidance in accordance with IFRS 13, *Fair Value Measurement*.

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

Functional currency

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

Business combination

The determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Partnership to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits. The acquisition of Vision Hill Group Inc. was determined to be acquisition of business (Note 6).

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 December 31, 2021 and 2020, the Partnership had greater

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than 20% ownership in certain of its underlying investments and board representation in other investments. The Partnership elected the FVTPL option for investments for which it was concluded that it had significant influence under IAS 28.

Classification of the funds formed by the Partnership requires judgement on the degree of control and influence over these funds. Key to the assessment of control is determining whether the Partnership, as manager of these funds, is acting as principal or agent. Management considers key factors such as power, returns and its ability to use its power to affect the amount of returns, to determine which funds it controls and consolidates and those which it has significant influence and requires equity accounting. As at 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 19). Galaxy Institutional Bitcoin Master Fund, L.P., Galaxy Institutional Bitcoin Fund, L.P., Galaxy Bitcoin Fund, L.P., and Vision Hill Fund I, L.P. were de-consolidated on December 31, 2021 due to loss of control.

Deferred income taxes

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

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

The allocation of taxable income to partners may vary substantially from net income reported in these consolidated financial statements.

Key sources of estimation uncertainty

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

Digital assets and investments - valuation

Although many of the Partnership's digital assets are traded in active markets and are valued based upon quoted prices (less costs to sell), a portion of such digital assets, as well as the majority of the Partnership's investments, are not actively traded and are valued based upon quoted prices for similar assets or based upon unobservable inputs (Note 26). These valuations require the Partnership to make significant estimates and assumptions.

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

Embedded derivatives - valuation

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

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

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

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

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

Estimated useful lives of property and equipment

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

Valuation of equity based compensation

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

Valuation of warrant liability

The warrants issued in connection with the Private Investment in Public Equity ("PIPE") (Note 18) are recorded as a derivative financial liability as these warrants are exercisable in Canadian dollars, differing from the Partnership's functional currency. 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 to make assumptions about the most appropriate inputs to the valuation model including the expected life of the warrants, fair value per unit, volatility and dividend yield. If different input assumptions are used, the changes can materially affect the fair value estimate.

Valuation and economic recoverability of goodwill and intangible assets

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

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calculate the amount of impairment, if needed. The estimates and assumptions are subject to risk and uncertainty; hence there is a possibility that a change in circumstances will alter these projections, which may impact the recoverable amount of the assets.

Income taxes

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

COVID-19

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

Cash

Cash and cash equivalents may include cash on hand, cash on exchanges, demand deposits and short-term highly liquid investments that are readily convertible into known amounts of cash, with maturities of 90 days or less when acquired. As of December 31, 2021 and 2020, the Partnership did not classify any balances as cash equivalents.

Property and equipment

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

Furniture and fixtures	10 years
Office equipment	6 years
Computer equipment	3 - 5 years
Mining equipment	3 years
Leasehold improvements	straight-line over the shorter of the lease term or life of the asset

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

In addition, right-of-use assets are depreciated on a straight-line basis over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Partnership applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described above.

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Completed assets are transferred from work-in-progress and construction-in-progress to their respective asset classes and depreciation begins when an asset is ready for its intended use.

Revenue recognition

The Partnership recognized revenue from advisory services, management fees and interest earned on loans receivable. Revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the fair value of the consideration to which the Partnership expects to be entitled to upon completion of the Partnership's performance obligation for those goods or services. Revenue from services performed is recognized when the amount of revenue can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the Partnership.

The Partnership recognizes revenue from the provision of advisory services upon completion of the delivery of the services stated in the contract. The Partnership earns management fees on each of its managed funds at a fixed percentage of invested capital, committed capital or ending capital, as defined in each of the respective funds. Management fees are recognized based on contractual terms specified in the underlying investment agreements. The Partnership recognizes interest income on an accrual basis.

Segment reporting

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

Financial instruments

Financial assets

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

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Receivables, loans receivable, due from broker and due from exchange are measured at amortized cost with subsequent impairments recognized in profit or loss. Cash, receivable for digital asset trades, digital asset loans receivable, digital assets receivables, assets posted as collateral, derivatives and investments are classified as FVTPL.

Impairment

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

Financial liabilities

All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable, accrued liabilities, Notes payable and lease liability are classified as financial liabilities and carried on the statement of financial position at amortized cost. Digital assets

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sold short, investments sold short, payable for digital asset trades, digital assets loans payable, collateral payable, derivative liabilities and warrant liability are classified as FVTPL.

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

The Partnership recognizes realized gains or losses on its digital assets when it either sells digital assets that it holds or buys digital assets to close out a short position on a first-in-first-out (FIFO) basis.

More specifically, with respect to arbitrage trading, realized gains or losses are recognized on the sale of the digital assets and there are generally no related receivables or payables as the times of trade and settlement are virtually similar. Realized gains or losses from over-the-counter ("OTC") trading with counterparties are recognized once terms of the trade have been mutually agreed and confirmed as of trade date.

Derivatives

As part of its trading activities, the Partnership enters into derivatives. Derivatives are instruments that derive their value from changes in an underlying reference outside the control of the Partnership (which can be foreign exchange rates or the price of a digital asset).

The most frequently used derivatives by the Partnership are digital currency futures, index futures, digital currency swaps and digital currency options.

- Digital currency futures - a digital currency future is an exchange traded contract which represents a legal agreement to either buy or sell the digital currency at a predetermined price at a specified time in the future. Depending on contract specifications, the contract can be settled either in cash or by physical delivery.
- Index futures - an index future is an exchange traded contract which represents a legal agreement to either buy or sell a financial index at a predetermined price at a specified date in the future. Index futures are settled in cash.
- Digital currency swaps - a digital currency swap is an exchange traded contract which represents a legal agreement to either buy or sell a referenced digital currency at a predetermined price at some time in the future. Depending on exchanges, swaps can be settled either in the referenced digital currency, a stable coin (such as USDC or USDT) or cash.
- Digital currency options - a digital currency option is an OTC traded contract, which gives the holder the right, but not the obligation, to either buy or sell a referenced digital currency at a predetermined price at a specified time in the future. Options can be settled in either cash, stable coin or by physical delivery.

The Partnership uses the derivatives for trading purposes, except for a small amount for foreign currency economic hedging (in addition to the above derivatives, the Partnership uses foreign currency swaps for foreign currency hedging). The derivatives are carried at fair value and any realized and unrealized gains (loss) in derivatives are recognized in Net derivative gain or loss.

Leases

Lessee accounting

The Partnership assesses whether a contract is or contains a lease, at inception of the contract. The Partnership recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Partnership recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Partnership uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Partnership remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payment change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

During the year ended December 31, 2021, the Partnership exited the premises prior to the conclusion of the lease term. The Partnership remeasured the lease liability and wrote off the associated right of use asset (Note 14, 17 & 28).

Lessor accounting

As part of its mining business, the Partnership enters into lease agreements with counterparties as a lessor. At the inception of each lease agreement, the Partnership assesses whether the lease is deemed an operating lease or a finance lease. As part of this determination, the Partnership considers a number of factors including the fair value and the useful life of the underlying assets. A finance lease is a lease that transfers substantially all of the risks and rewards incidental to ownership of the underlying assets at inception of the lease. An operating lease is a lease that does not qualify as a finance lease.

For an operating lease, the Partnership continues to recognize the value of the underlying mining equipment as an asset. They are carried at cost less accumulated depreciation and are depreciated to their estimated residual values using the straight-line method over the lease term. Property under operating leases are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds the higher of the asset's fair value less costs to sell and its value in use.

For a finance lease, the Partnership derecognizes the value of the underlying mining equipment and recognizes a receivable equivalent to the Partnership's net investment in the lease, which is the aggregate minimum payments plus guaranteed residual values less unearned finance income. Any difference between the value of the underlying mining equipment and the net investment in the lease is recognized in profit or loss. Finance leases are recognized as being impaired when the Company is no

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longer reasonably assured of the timely collection of the full amount of principal and interest. When amounts receivable are considered impaired, their book value is adjusted to their estimated realizable value based on the fair value of any collateral underlying the receivable net of any costs of realization.

Equity based compensation

Stock Options

The Partnership accounts for stock options granted to directors, officers and employees at the fair value of the options granted. Accordingly, the fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model and equity based compensation is accrued and charged to operations, with an offsetting credit to partners' capital, over the respective vesting periods. Equity based payment to employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity based payment is expensed on a staged (or graded) vesting basis, based on the Partnership's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Partnership revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity. Stock options granted to non-employees are measured at the fair value of goods or services rendered or at the fair value of the instruments issued, if it is determined that the fair value of the goods or services received cannot be reliably measured.

Compensatory Class B Units

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

Restricted Stock

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

Income (loss) per unit

Basic income (loss) per unit is computed by dividing net income (loss) (the numerator) by the weighted average number of outstanding units for the period (denominator). When diluted earnings per unit is calculated, only those outstanding stock options and warrants with exercise prices below the average trading price of GDH Ltd.'s shares for the period will be dilutive.

In the periods when the Partnership reports a net loss, the effect of potential issuances of units under stock option, compensatory Class B Unit and restricted stock plans and on the exercise of warrants is anti-dilutive. Therefore basic and diluted loss per unit are the same.

Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rates prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at exchange rates at the reporting date, with any differences arising recorded in profit or loss.

Business combination

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

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Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. Intangible assets acquired in a business combination are recorded at fair value on the date of acquisition. Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, as and if applicable. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. The software technology acquired as part of the business combination (Note 6) is amortized on a straight-line basis over two to five years from the acquisition date. The website domain name acquired in 2021 (Note 14) was assessed to have an indefinite life and will be assessed for impairment at each fiscal year end and whenever there is an indication that it may be impaired.

Goodwill

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

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is allocated to cash-generating units or groups of cash-generating units which are expected to benefit from the synergies of the combination. The goodwill is tested for impairment annually, or more frequently when there is an indication that there may be an impairment. If the recoverable amount of the cash generating unit is less than the carrying amount of the goodwill, the impairment loss is first allocated to reduce the amount of goodwill and to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss and any impairment loss recognized for goodwill is not reversed in subsequent periods.

Non-controlling interests liability

Non-controlling interests liability in the Partnership's less than wholly owned subsidiaries is reflected as a liability on the consolidated statements of financial position as the limited partners of the consolidated investment funds may redeem or withdraw all or part of their respective interests in the funds upon request, subject to certain conditions. In accordance with the fund limited partner agreements, the Partnership, in its capacity as the General Partner, may, prior to honoring a limited partner's redemption or withdrawal request, suspend redemptions or withdrawals from the relevant investment fund if the General Partner determines, at its discretion, that a suspension event, as defined in the applicable investment fund agreement, has occurred.

On initial recognition, Non-controlling interests liability is measured at its proportionate share of the acquisition date fair value of identifiable net assets of the related subsidiary acquired by the Partnership. Subsequent to the original transaction date, adjustments are made to the carrying amount of the Non-controlling interests liability for the non-controlling interest's share of changes to the subsidiary's equity. The changes in the fair value of the limited partner interests are presented as (Gain) loss attributed to non-controlling interests liability on the consolidated statements of comprehensive income.

Investments in subsidiaries

Subsidiaries are all entities over which the Partnership has control. The Partnership controls an entity when the Partnership is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The Partnership has determined that it is not an investment entity as defined within IFRS 10, Consolidated Financial Statements. As such, the Partnership consolidates its subsidiaries rather than accounting for them at fair value through profit or loss. Subsidiaries are fully consolidated from the date on which control is transferred to the Partnership. They are deconsolidated from the date that control ceases. Intercompany transactions and balances are eliminated.

Change in Presentation

During the 2021 fiscal year, the Partnership identified certain presentation items that required adjustments to be recorded in the historical consolidated statements of financial position, consolidated statements of comprehensive income, consolidated statements of change in equity and consolidated statements of cash flows to conform to the presentation required under IFRS, as described in detail below. These amounts have been reclassified for the periods presented. There were no changes to Net income attributable to Unit holders of the Partnership or earnings per unit in the periods presented or the financial statements previously presented with regard to the items listed below.

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The Partnership believes the following reclassifications and presentation changes are necessary for its December 31, 2020 consolidated financial statements to be consistent with IFRS as follows:

- IFRS requires the Non-controlling interests liability associated with limited partner interests in the Partnership's consolidated investment funds to be recognized as a liability if the Partnership does not have the unilateral and unconditional right to suspend redemptions or withdrawals from the relevant funds indefinitely. Although the Partnership has the unilateral right to suspend redemptions or withdrawals and the computation of the Net Asset Value for these funds if it determines that a suspension event has occurred and is continuing, such right is not unconditional. Accordingly, the \$286.0 million Non-controlling interests liability balance as of December 31, 2020 was reclassified from "Equity" to "Liabilities"; and the \$153.4 million Income (loss) attributable to non-controlling interests liability for the year ended December 31, 2020 was reclassified from "Net income attributions" to "Expenses". There has been no change to Partners' capital, Net income attributable to Unit holders of the Partnership or earnings per unit as a result of this reclassification.
- IFRS requires assets to be classified as current if recoverable within 12 months. The Partnership did not have the intent to dispose of the investments within a 12-month time frame. Accordingly, the \$260 million investments balance as of December 31, 2020 has been reclassified as non-current. There has been no change to total assets as a result of this change.
- IFRS requires goodwill to be classified as non-current; accordingly, the \$15.5 million goodwill balance as of December 31, 2020 has been reclassified as non-current. There has been no change to total assets from this change.
- IFRS provides the option to net asset and liabilities only when two criteria are met: (i) legally enforceable agreement to settle net and (ii) intention to settle net. The Partnership does not satisfy the first criteria for its derivatives and has reclassified its derivative assets and liabilities positions to show the gross position, rather than the net position. Accordingly, an adjustment to increase derivative assets and liabilities by \$23.1 million as of December 31, 2020 was recorded.
- Additionally, one of the subsidiaries of the Partnership engages in trading strategies involving "basis trading" where it simultaneously enters into spot and derivative trades. As the trades lack a legally enforceable agreement to settle net, the Partnership has recorded an increase to cash by \$2.2 million and payable for digital asset trades of \$2.2 million and digital assets of \$81.1 million and digital assets loans payable of \$81.1 million as of December 31, 2020.
- Cumulatively, the increase to cash, digital assets, derivative assets, payable for digital asset trades and derivative liabilities positions caused both total assets and total liabilities to increase by \$106.4 million.

The Partnership believes these reclassifications and presentation changes as at December 31, 2020 are not material but has reflected these reclassifications and presentation changes in the comparative periods included within these consolidated financial statements.

The adjustments to the consolidated statements of financial position correspond to the presentation of cash, digital assets, investments, goodwill, derivatives, payable for digital assets trades, digital assets loans payable, non-controlling interests and non-controlling interests liability. The adjustment to the consolidated statements of comprehensive income corresponds to the presentation of net income attributed to non-controlling interests and net income attributed to non-controlling interests liability. The adjustments to the consolidated statement of cash flows correspond to the reclassification of certain financing activities as non-cash; the reclassification of non-controlling interests from equity to liabilities resulted in a reclassification between operating activities and financing activities with updates to income for the year and the addition of Income attributed to non-controlling interests liability. The non-controlling interests liability in consolidated subsidiaries column was removed from the consolidated statements of changes in equity.

IFRS requires non-cash activities to be disclosed separate from sources and uses of cash. Accordingly, activity related to receivables for digital asset trades, digital assets loans receivable, assets posted as collateral, payable for digital asset trades, digital assets loans payable, collateral payable, and interest received in digital assets has been reclassified to non-cash activities, as they relate to transactions involving digital assets, which do not meet the definition of cash. The reclassification of non-controlling interests from equity to liability resulted in reclassification of Gain (loss) attributable to non-controlling interests liability within operating activities.

There was no impact to the Partnership's segment reporting for the period ended December 31, 2020 for the reclassifications made for investments and goodwill. The derivatives and basis trading portfolios have historically been included within the

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Trading segment, as such, the full gross up has been reflected as an increase in the Trading segment's assets and liabilities, with no change to net assets. Income attributable to non-controlling interests liability has always been reflected in the Asset Management segment, as such, the income statement reclassification will be reflected in the Asset Management segment; and the balance sheet reclassification has been reflected as an increase in Asset Management liabilities. The Partnership does not present segmented cash flow statements. The details of the reclassifications are included in Note 6 for goodwill, Notes 8 and 26 for investments, Note 9 for derivative assets and liabilities and Note 25 for reportable segments.

4. NEW ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

The Partnership did not adopt any new accounting standards during the year ended December 31, 2021.

5. KEY TERMS OF LIMITED PARTNERSHIP AGREEMENT

On June 23, 2020, GDH LP, GDH GP, GDH Ltd., GDH Intermediate LLC (a wholly owned subsidiary of GDH Ltd. established as a tax efficient blocker corporation or similar entity for U.S. tax purposes) and each of the Persons admitted as a "Class B Limited Partner" entered into a fourth 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 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 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 Partnership 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, excluding tax.
- *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.

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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, GDH Ltd. 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 GDH Ltd., GDH Ltd. receives Class A Units of the Partnership. As GDH Ltd.'s interest in GDH LP increases through the ownership of the Class A Units, an ongoing assessment will be performed to determine when GDH Ltd. obtains control of GDH LP. 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.

6. BUSINESS COMBINATIONS

Vision Hill Group Inc.

On May 19, 2021, GDH Ltd. legally acquired 100% of Vision Hill Group Inc. and Vision Hill Advisors, LLC (together, "Vision Hill" or "VHG"). Vision Hill is a Delaware limited liability company and is an asset manager in the digital assets space with four distinct business units: a family of crypto hedge fund indices; a crypto asset manager intelligence database called "VisionTrack"; a bespoke consulting business for allocators; and a fund manager for fund of funds. On completion of the acquisition, all issued and outstanding VHG membership interests and all outstanding rights to receive membership interests were cancelled and converted into the right to receive 1,065,295 ordinary shares plus approximately \$5.5 million of cash net of company transaction expenses. Of the 1,065,295 ordinary shares, a portion were granted to VHG employee sellers, payable in three equal payments in the three years following the closing date of the transaction (May 19, 2021), on the condition that they are still employed by the Company. Given the employment requirement, the shares in GDH Ltd. are considered remuneration for services to be provided post-close, and not part of the purchase consideration for IFRS 3 purposes. Immediately following GDH Ltd.'s acquisition of VHG, and contemplated in connection with the overall ownership structure of GDH Ltd. and GDH LP, GDH Ltd. contributed its ownership interest in VHG to GDH LP in exchange for equity of GDH LP in the same amount of consideration that GDH Ltd. transferred to VHG. Consequently, the effective result of the acquisition was GDH LP contributing equity in exchange for 100% of the ownership interest in VHG in order to expand its asset management business.

VHG met the definition of a business under IFRS 3, and was identified as the accounting acquiree, whereas GDH LP was identified as the accounting acquirer. The acquisition of VHG was accounted for using the acquisition method. The consideration transferred was measured at fair value, which was calculated as the fair value of cash and equity interests issued in exchange for the net identifiable assets of VHG on May 19, 2021.

Fair value of consideration transferred	(in thousands)
Cash	\$ 5,438
Common stock ⁽¹⁾	4,323
Total allocated purchase price	\$ 9,761
Less: Identifiable net assets acquired, at fair value	
Assets:	
Cash	\$ 289
Receivables and other assets	10
Intangible asset - software technology	332
Goodwill	9,130
	\$ 9,761

⁽¹⁾ The fair value was based on the closing share price of GDH Ltd. of 23.74 USD on May 19, 2021 (the date of the acquisition which represents the date the acquirer obtained control of the acquiree).

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Goodwill and Intangible Asset

At the date of acquisition, the Partnership recorded \$9.1 million of goodwill, which was attributed to the asset management segment. Goodwill represented the future economic benefit arising from other assets acquired that could not be individually identified and separately recognized. Goodwill was attributed to the expected synergies from combining operations with GDH LP and the expected future cash flows of the business. The Partnership's cumulative Goodwill amount as of December 31, 2021 was \$24.6 million (December 31, 2020: \$15.5 million). No impairment on goodwill was recorded for the years ended December 31, 2021 and 2020.

The intangible asset of \$0.3 million represents the proprietary software technology built by VHG. The valuation of the intangible asset was based on the estimated cost based on the effort required to replicate the software technology. The intangible asset is amortized over its estimated useful life of 5 years. As at December 31, 2021, the intangible asset was \$0.3 million.

7. DIGITAL ASSETS

The Partnership's digital assets are primarily traded in active markets and are purchased with the intent to resell in the near future, generating a profit from the fluctuations in prices or margins. As a result, the Partnership has determined that its holdings of cryptocurrency, both restricted and unrestricted, are considered to be digital assets and, as a result, are accounted for as inventory 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 December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Cryptocurrency:		
Unrestricted ⁽¹⁾	\$ 2,416,633	\$ 912,222
Restricted	4,144	19,258
	\$ 2,420,777	\$ 931,480

⁽¹⁾ The digital asset balance as of December 31, 2021 and 2020 includes \$288.5 million and \$386.6 million, respectively, of digital assets that are held in funds that are managed by the Partnership. The amount of the funds' digital assets held by the Partnership via its General Partner interest at December 31, 2021 and 2020 was \$123.2 million and \$98.9 million, respectively.

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 or via pre-network investment whereby the related company or project has completed its token generation event or network launch and distributes such digital assets to the holder.

Restricted – Certain digital assets held by the Partnership are restricted due to a lock-up schedule. In addition, the Partnership may participate in a proof of stake program where certain digital assets will be committed to the program and restricted for a certain period of time. 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 years ended December 31, 2021 and 2020, the Partnership engaged in several trading strategies with respect to its digital assets, including cross-exchange arbitrage as well as market neutral trading strategies across a variety of crypto assets and exchanges. Realized gains and losses are recognized in profit or loss.

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

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Payable and receivable for digital asset trades

As of December 31, 2021 and December 31, 2020, there were a number of unsettled trades. The amounts receivable and payable were \$8.3 million (December 31, 2020 - \$13.2 million) and \$13.2 million (December 31, 2020 - \$33.3 million), respectively. These trades settle shortly after year end.

Digital assets receivables

Digital assets receivables relate to certain digital assets that are yet to be distributed to the Partnership as of year end 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 December 31, 2021 the Partnership has \$53.0 million (December 31, 2020 - \$12.8 million) in short-term digital assets receivables and \$18.7 million (December 31, 2020 - \$6.9 million) in long-term digital assets receivables.

8. 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 December 31, 2021 and 2020:

(in thousands)	December 31, 2021	December 31, 2020
Common stock	\$ 271,293	\$ 29,970
Convertible notes	9,768	4,501
LP/LLC interests	383,280	84,311
Pre-Launch network	6,393	500
Preferred stock	382,182	86,258
Warrants/Trust units/Trust shares	16,860	54,843
	\$ 1,069,776	\$ 260,383

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 years ended December 31, 2021 and 2020:

(in thousands)	Investments
Balance as at December 31, 2019	\$ 158,163
Purchases	39,295
Proceeds from investments ⁽¹⁾	(34,768)
Distribution	(591)
Transfer to digital assets	(1,699)
Net realized gain on investments	10,796
Net unrealized gain on investments	91,161
Other ⁽²⁾	(1,974)
Balance as at December 31, 2020	\$ 260,383
Purchases	340,472
Proceeds from investments ⁽¹⁾	(252,154)
Distribution	(49,814)
Deconsolidation	(6,842)
Transfer to digital assets	(2,500)
Net realized gain on investments	235,622
Net unrealized gain on investments	540,516
Other ⁽²⁾	4,093
Balance as at December 31, 2021	\$ 1,069,776

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

⁽²⁾ Other for the year ended December 31, 2021 includes capitalized interest on convertible notes and stock received upon acquisition of an investment. Other for the year ended December 31, 2020 includes capitalized interest and accretion of a discount on convertible notes offset by the dissolution of a promissory note upon the acquisition of Drawbridge.

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 year and the reversal of any previously recognized unrealized gain or loss on an investment sold during the year.

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 December 31, 2021 was \$11.6 million (December 31, 2020 - \$4.4 million) while the unrealized gain / (loss) was \$6.5 million (December 31, 2020 - (\$0.6 million)).

The Partnership's realized gain or loss on an investment sold short is calculated as the proceeds from the sale of the investment sold short less the cost of the repurchase. The Partnership's unrealized gain or loss on an investment sold short consists of both the change in fair value on an investment sold short from the beginning of the period and the reversal of any previously recognized unrealized gain or loss on an investment sold short during the period. The realized gain / (loss) of the Partnership's investments sold short for the year ended December 31, 2021 was (\$4.2 million) (December 31, 2020 -\$0).

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9. DERIVATIVES ASSETS AND LIABILITIES

For the year ended December 31, 2021 and 2020, the Partnership recognized \$10.8 million and \$5.7 million, respectively, of net derivative gain / (loss). The net gains for the year ending December 31, 2021 were due to positioning, economic hedging and as part of a trading strategy. The Company held \$20.3 million of collateral at the year ended December 31, 2021 (December 31, 2020: \$11.7 million), related to derivative activity, and the collateral was included in Collateral payable. The embedded derivative associated with the exchangeable shares are presented within Notes payable on the Partnership's consolidated statements of financial position (Note 18).

The breakdown of the Partnership's derivatives portfolio as of December 31, 2021 and 2020 are as follows:

December 31, 2021

(in thousands)	Notional	Gross Fair Value of Derivative Assets	Gross Fair Value of 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)
	\$ 3,757,425	\$ 45,669	\$ (25,567)

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

December 31, 2020

(in thousands)	Notional	Gross Fair Value of Derivative Assets	Gross Fair Value of Derivative Liabilities
Digital Currency Futures	\$ 121,158	\$ 1,543	\$ (4,088)
Digital Currency Forwards	850	473	(385)
Digital Currency Options	163,022	36,787	(18,148)
Digital Currency Swaps	22,728	88	(198)
Foreign Currency Swaps	4,538	3	(20)
Nasdaq Futures	10,824	—	(264)
Exchange Traded Digital Currency Options ⁽¹⁾	470	131	—
	\$ 323,590	\$ 39,025	\$ (23,103)

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

The Partnership's derivative portfolio collectively had a maturity date of less than a year as of December 31, 2021.

As of December 31, 2021, in connection with the open digital currency options, counterparties had posted cash collateral of \$6.2 million (December 31, 2020 - \$0.3 million) and cryptocurrency collateral of \$14.2 million (December 31, 2020 - \$22.3 million). The cash collateral has been reflected in the Partnership's cash balance with a corresponding entry to collateral payable on the statement of financial position.

As at December 31, 2021, in connection with digital currency options, the Partnership had posted cash collateral of \$0 (December 31, 2020 - \$0.1 million) which is reflected as assets posted as collateral on the statement of financial position.

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10. RECEIVABLES

(in thousands)	December 31, 2021	December 31, 2020
Interest receivable	\$ 2,786	\$ 1,050
Receivable for investment sold	18,251	—
Other ⁽¹⁾	5,628	1,660
	\$ 26,665	\$ 2,710

⁽¹⁾ Includes \$0.8 million (December 31, 2020 - \$0.2 million) in management fee receivable and includes \$1.0 million (December 31, 2020: \$0.3 million) due to the Partnership from managed funds. The amounts due to the Partnership from managed funds represents expenses incurred by the funds that were paid on their behalf by the Partnership.

11. 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 as part of trading strategies. In addition, the Partnership may, on occasion, lend cryptocurrencies using its holdings.

Digital asset loans receivable

During the year ended December 31, 2021, the Partnership loaned select cryptocurrencies to borrowers at annual rates ranging from 2% to 21%. The Partnership's loan portfolio is made up of callable (open-term) loans and term loans. For the Partnership's callable loans, there is no set term and the borrower can prepay without penalty. The Partnership can generally demand the repayment of the loans at any time by providing between three to twenty business days notice. For the Partnership's term loans, either the Partnership or the lender can terminate the outstanding loan upon 30 days notice. The borrower is generally required to post collateral over 100% of the loan value in either US dollars or select cryptocurrencies.

As of December 31, 2021, the Partnership had a digital asset loans receivable balance of \$192.7 million (December 31, 2020 - \$96.7 million).

As of December 31, 2021, borrowers had posted cash collateral of \$9.8 million (December 31, 2020 - \$0.3 million), cryptocurrency collateral of \$202.3 million (December 31, 2020 - \$25.3 million) and pledged cryptocurrency collateral of \$0 (December 31, 2020 - \$1.5 million) and trust share collateral of \$0 (December 31, 2020 - \$70.8 million). Under the terms of the master loan agreements, the Partnership is entitled to use the cash and cryptocurrency collateral to conduct its digital currency lending and borrowing business and therefore has reflected the amounts in the Partnership's cash and digital asset balances with a corresponding entry to collateral payable on the statement of financial position. In contrast, the pledged cryptocurrency and trust share collateral pledged as collateral by the borrowers has no impact on the Partnership's statement of financial position as the Partnership is not entitled to utilize the pledged amounts unless there is an event of default. Therefore, the value of the cryptocurrency received as collateral and the obligation to return the cryptocurrency are not recognized.

Digital asset loans payable

As of December 31, 2021 and December 31, 2020 digital asset loans payable consisted of the following:

	December 31, 2021	December 31, 2020
Master loan agreements	\$ 843,872	\$ 207,899
Credit facility from exchange	61,141	99,600
	\$ 905,013	\$ 307,499

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Master loan agreements

During the year ended December 31, 2021, the Partnership entered into master loan agreements with lenders and counterparties to borrow select cryptocurrencies at annual rates of interest ranging from 0% to 17%. For most of the loans, there is no set term of repayment and the Partnership can prepay the loans without penalty. In addition, the lenders can generally demand the repayment of the loans at any time by providing between five to twenty business days notice. The Partnership is generally required to post collateral between 0% to 100% of the loan value in either US dollars or in select cryptocurrencies.

	December 31, 2021	December 31, 2020
Digital assets borrowed	\$ 843,872	\$ 213,177
Digital assets sold short ⁽¹⁾	—	(5,278)
Master Loan Agreements	<u>\$ 843,872</u>	<u>\$ 207,899</u>

⁽¹⁾ See Note 16 for disclosure on digital assets sold short. The digital assets sold short balance above reflects the net traded balance of the cryptocurrency borrow.

As of December 31, 2021, the Partnership posted cash and cryptocurrency collateral of \$45.0 million (December 31, 2020 - \$15.6 million) for digital asset loans payable which is reflected as assets posted as collateral on the statement of financial position.

Credit facility from exchange

The Partnership has entered into credit facilities with certain exchanges and uses credit facilities provided within exchange accounts to conduct trading activity. In accordance with the policy of the exchange, four of these arrangements are not pursuant to a formal credit facility agreement and are managed automatically on the trading platform. Two arrangements are pursuant to a formal agreement requiring the Partnership to post collateral of 10 to 25% in conjunction with the amounts drawn. These credit facilities are restricted from withdrawals from exchange accounts and bear interest rates ranging from 0% to 5% annually. The total amount extended under these credit facilities at December 31, 2021 is \$2.2 million (December 31, 2020 - \$2.2 million) in cash and \$61.1 million (December 31, 2020 - \$99.6 million) in digital assets.

12. PREPAID EXPENSES AND OTHER ASSETS

The following table represents the Partnership's prepaid expenses and other assets as of December 31, 2021 and 2020:

(in thousands)	December 31, 2021	December 31, 2020
Prepaid rent and security deposits	\$ 845	\$ 1,384
Prepaid insurance	2,258	312
Prepaid mining expenses and deposits ⁽¹⁾	57,641	3,650
Other	6,049	1,148
	<u>\$ 66,793</u>	<u>\$ 6,494</u>

⁽¹⁾ Includes \$41.0 million for prepaid mining equipment as of December 31, 2021 (December 31, 2020: \$3.7 million). For the Partnership's mining commitments, see Note 28.

13. LOANS RECEIVABLE AND PAYABLE

Fiat currency loans

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

During the year ended December 31, 2021, the Partnership loaned fiat currencies to borrowers at annual rates ranging from 5% to 23%. 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.

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As of December 31, 2021, the Partnership had loans receivable balance of \$190.1 million (December 31, 2020 - \$8.5 million) of which the respective borrowers had posted cryptocurrency collateral of \$242.2 million (December 31, 2020 - \$7.3 million) and pledged \$87.5 million of cryptocurrency collateral (December 31, 2020 - \$11.7 million). The Partnership is entitled to utilize the cryptocurrency posted as collateral by borrowers and therefore, has reflected this amount within its digital assets with a corresponding entry to collateral payable on the statement of financial position. In contrast, the cryptocurrency pledged as collateral by the borrowers has no impact on the Partnership's statement of financial position as the Partnership is not entitled to utilize the pledged cryptocurrency unless there is an event of default.

During the year ended December 31, 2021 the Partnership entered into revolving credit agreements with counterparties to extend fiat currency or digital assets with a maximum value of \$157.5 million. These arrangements have a stated monthly interest rate regardless of credit extended. As of December 31, 2021 \$60.0 million (December 31, 2020 - \$0) in fiat currency had been borrowed by these counterparties.

During the year ended December 31, 2021, the Partnership borrowed fiat currencies from lenders at annual rates ranging from 5% to 14%. For most of the loans, there is no set term of repayment and the Partnership can prepay without penalty. As of December 31, 2021, the Partnership had loans payable of \$33.3 million (December 31, 2020 - \$0) of which the Partnership posted cryptocurrency collateral of \$26.4 million (December 31, 2020 - \$0).

14. PROPERTY, EQUIPMENT AND INTANGIBLES

The following table represents activity within the Partnership's property and equipment asset classes for the years ended December 31, 2021 and 2020:

(in thousands)	Furniture, Fixtures & Office Equipment	Computer Equipment	Mining Equipment	Leaseholds Improvements (3)	WIP / Construction in Progress (3)	Total Property and Equipment
Balance as of December 31, 2019	\$ 536	\$ 445	\$ —	\$ 3,077	\$ —	\$ 4,058
Additions	—	109	—	—	—	109
Depreciation	(63)	(127)	—	(362)	—	(552)
Other ⁽¹⁾	—	78	—	—	—	78
Balance as of December 31, 2020	\$ 473	\$ 505	\$ —	\$ 2,715	\$ —	\$ 3,693
Additions	—	797	17,151	—	916	18,864
Depreciation	(62)	(258)	(1,685)	(362)	—	(2,367)
Impairment ⁽²⁾	(411)	(264)	—	(2,353)	—	(3,028)
Balance as of December 31, 2021	\$ —	\$ 780	\$ 15,466	\$ —	\$ 916	\$ 17,162

⁽¹⁾ Fixed assets acquired through acquisition.

⁽²⁾ Recognized in General & Administrative expenses on the consolidated statements of comprehensive income. During the year ended December 31, 2021, the Partnership recorded impairment losses due to the exit of the premises prior to the end of the lease term (Note 17, 28).

⁽³⁾ Leasehold improvements and WIP / Construction in Progress primarily relate to expenditures for renovation and build out of office space, architect and design costs.

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The following table represents property and equipment balances, accumulated depreciation and impairment (as applicable) for the years ended December 31, 2021 and 2020:

(in thousands)	December 31, 2021	December 31, 2020
Furniture, fixtures & office equipment	\$ 624	\$ 624
Computer equipment	1,584	787
Mining equipment	17,151	—
Leaseholds improvements	3,499	3,499
WIP / Construction in progress	916	—
Property and equipment, gross	\$ 23,774	\$ 4,910
Less: Accumulated depreciation	(3,584)	(1,217)
Less: Impairment	(3,028)	—
Property and equipment, net	\$ 17,162	\$ 3,693

Intangible and Right of use assets

The following table represents activity within the Partnership's intangible and right of use assets for the years ended December 31, 2021 and 2020:

(in thousands)	Software Technology ⁽¹⁾	Indefinite-lived Intangible Asset ⁽³⁾	Total intangible assets	Right of Use Assets
Balance as of December 31, 2019	\$ —	\$ —	\$ —	\$ 5,183
Additions	2,406	—	2,406	—
Depreciation and amortization	—	—	—	(610)
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

⁽¹⁾ Intangible assets recognized through acquisitions, including the 2021 Vision Hill Group acquisition (Note 6).

⁽²⁾ Recognized in General & Administrative expenses on the consolidated statements of comprehensive income. During the year 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 (Note 17, 28).

⁽³⁾ Represents website domain name purchased in 2021.

The following table represents intangible assets and accumulated amortization as of the years ended December 31, 2021 and 2020:

(in thousands)	December 31, 2021	December 31, 2020
Software technology	\$ 2,738	\$ 2,406
Indefinite-lived intangible asset	1,761	—
Intangible assets, gross	\$ 4,499	\$ 2,406
Less: Accumulated amortization	(1,412)	—
Intangible assets, net	\$ 3,087	\$ 2,406

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The following table represents right of use assets activity and balances for the years ended December 31, 2021 and 2020:

(in thousands)	December 31, 2021	December 31, 2020
Right of use assets, gross	\$ 18,221	\$ 5,732
Less: Accumulated amortization	(2,512)	(1,159)
Less: Impairment	(1,565)	—
Less: Lease liability reduction	(2,398)	—
Right of use assets, net	\$ 11,746	\$ 4,573

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following table represents the Partnership's accounts payable and accrued liabilities balances as of December 31, 2021 and 2020:

(in thousands)	December 31, 2021	December 31, 2020
Compensation and compensation related	\$ 62,143	\$ 12,720
Interest	8,055	1,723
Professional fees	17,925	2,236
Profit share arrangement	16,568	—
Payable for investment purchased	1,500	—
Accrued transaction fees	21,775	—
Accounts payable	4,509	821
Other ⁽¹⁾	13,768	16,654
	\$ 146,243	\$ 34,154

⁽¹⁾ Includes \$4.4 million of accrued consulting fees as of December 31, 2021 (December 31, 2020: \$0).

Payables to Customers

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

16. DIGITAL ASSETS SOLD SHORT

In the ordinary course of business, the Partnership enters into facilities or master loan agreements to borrow cryptocurrencies to facilitate trading. For certain of those cryptocurrencies, the Partnership has taken a strategy to short the borrowed cryptocurrency. In those instances, these borrowings have been reflected as digital assets sold short on the statement of financial position. In addition, from time to time, the Partnership sells cryptocurrencies that it does not hold in its inventory or that it has not borrowed. The Partnership will then, at a later date, buy the respective cryptocurrencies to close out the transaction. Such sales have also been reflected as digital assets sold short.

Realized gains and losses are recognized only upon close out of the future position at the settlement date. All other trading activity is recognized in unrealized gains and losses.

As of December 31, 2021, the digital assets sold short balance under the master loan agreements (Note 11) was \$0 (December 31, 2020 - \$5.3 million).

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17. LEASE LIABILITY

The following table represents the Partnership's lease liability as of December 31, 2021 and 2020:

Lease liability (in thousands)	December 31, 2021	December 31, 2020
Lease liability	\$ 15,397	\$ 5,257
Less: current portion	(2,164)	(742)
Classified as a long-term liability	\$ 13,233	\$ 4,515

The following table represents the Partnership's undiscounted lease payments as of December 31, 2021 and 2020:

Undiscounted lease payments (in thousands)	December 31, 2021	December 31, 2020
Later than a year	\$ 17,479	\$ 7,147
Not later than a year	3,463	983
	\$ 20,942	\$ 8,130

During the year ended December 31, 2021, the Partnership exited the premises prior to the conclusion of the lease term, and wrote off \$2.4 million of the remaining lease liability and the corresponding right of use asset (Note 14, 28). The Partnership will make payments on the lease through June 2023.

During the year ended December 31, 2021, the Partnership recognized \$12.5 million of lease liability for new office space (Note 28) and the corresponding right of use assets (Note 14). The lease liability was measured at the present value of the remaining lease payments of \$18.3 million at inception, discounted using an incremental borrowing rate of 10%. Depreciation of the right of use assets is calculated using the straight-line method over the remaining lease term.

For the year ended December 31, 2021, the Partnership recognized interest expense on the lease liability of \$1.1 million (2020 - \$0.6 million), which was recorded within Interest expense.

18. EQUITY

Issued partnership capital

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

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

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

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

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 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 (iii) sales of up to 66.6% of the total shares

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issued are permitted ten to twelve months after the Closing and (iv) sales of up to 100% of total shares issued are permitted until eighteen months after the Closing. All shares are 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. ordinary 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 recorded as a derivative financial liability as these warrants are exercisable in Canadian dollars, differing from the Partnership's functional currency. As at December 31, 2021 the value of the warrant liability is \$20.5 million (December 31, 2020 - \$20.8 million) and the Partnership recognized a \$45.6 million loss for the year ended December 31, 2021 (2020 - \$14.3 million loss).

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 December 31, 2020 and December 31, 2021 are included in Note 26. These are the only warrants outstanding in GDH Ltd. During the year ended December 31, 2021, 3,119,944 of the warrants were exercised at an exercise price of C\$8.25. At December 31, 2021, there are 1,647,556 warrants outstanding and exercisable (December 31, 2020 - 4,767,500).

Exchangeable Notes

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

The Partnership determined that the conversion feature represented a derivative financial instrument embedded in the "Debenture". The accounting treatment of derivative financial instruments requires that the Partnership record the fair value of that derivative financial instrument as a discount to the value of the Debentures as of the inception date. Accordingly, the Partnership recorded an aggregate initial discount of \$71.0 million for the fair value of the derivative liability at inception of the convertible debentures. The Exchangeable Notes and the associated derivative liability are shown as Notes payable in the Partnership's consolidated statements of financial position. As of December 31, 2021 the total amount for Notes payable is \$475.3 million and the gain/loss recognized in the Company's consolidated statement of operations for the year ended December 31, 2021 is \$12.1 million.

On initial recognition, debt issuance costs of \$13.4 million have been recognized as a deferred liability and will be accreted over the term of the debt. The interest expense from the exchangeable notes as of December 31, 2021 is \$1.8 million.

Issued capital

Class A Units

During the year ended December 31, 2021, the Partnership issued 10,301,987 (2020 - 28,212,964) Class A Units to GDH Ltd. on exchange of Class B Units, issuance of Class A Units to GDH Ltd. on exercise of options and issuance of Class A Units to GDH Ltd. on exercise of the PIPE warrants, as well as issuance of Class A Units as consideration for the business combination (Note 6).

In fiscal 2019, GDH Ltd. 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 (the "Share Repurchase Program"). All shares were purchased for cancellation. On the repurchase of the shares of GDH Ltd., an equivalent number of Class A Units in GDH LP was cancelled.

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 (\$2.9 million) 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 A Units in the Partnership were cancelled. Effective April 17, 2020, GDH Ltd. completed its normal course issuer bid program repurchases.

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Class B Units

During the year ended December 31, 2021, 667,895 (2020 - 3,469,661) Class B Units were exchanged for ordinary shares of GDH Ltd. The number of Units exchanged for 2020 is after the withholding and cancellation of 20,951 Class B Units, associated with the withholding obligation on the vested compensatory Class B Units.

As of December 31, 2021, there were 101,550,494 (December 31, 2020 - 91,248,507) Class A Units and 228,110,373 (December 31, 2020 - 222,905,934) Class B Units outstanding. The change during the year ended December 31, 2021 was due to exchanges of Class B Units for ordinary shares of GDH Ltd. (and into Class A Units of GDH LP), issuance of Class A Units on exercise of options, issuance of Class A Units as a result of the PIPE and issuance of Class A Units as consideration for the business combinations (Note 6).

Distributions

In June 2020, the board of the General Partner approved a tax distribution of up to \$2.5 million in respect of taxable income related to tax year 2019 and estimated taxable income related to tax year 2020, which was distributed in 2021. Certain of the recipients of the tax distributions are related parties (Note 24). During the period ended December 31, 2021, the General Partner made tax distributions of \$45.1 million in respect of taxable income related to tax year 2021 and \$19.9 million in respect of taxable income related to tax year 2020.

Equity based compensation

The Partnership has awarded compensatory Class B Units, stock options (equity instruments) and restricted units to eligible officers and employees. For the year ended December 31, 2021 and 2020, equity based compensation expense was recognized as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Stock options	\$ 32,076	\$ 4,503
Restricted Units (restricted stock and restricted stock units) ⁽ⁱ⁾	35,899	65
Compensatory Class B Unit awards:		
Standard Units	—	113
Profit Interest Units	2,879	6,937
Class B Units to First Coin	—	—
Stock options awarded to directors:		
Included in equity based compensation	37	233
	70,891	11,851
Stock options awarded to directors included in director fees	699	149
	\$ 71,590	\$ 12,000

⁽ⁱ⁾ Includes expense associated with restricted stock issued in connection with the Partnership's acquisition of Vision Hill

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

2020

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 \$0.1 million (or approximately \$4.7765 per Standard Unit) based on the

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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 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 estimated fair value of an ordinary 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, 2019	18,604,790
Transferred	980,932
Exchanged	(3,129,727)
Cancelled	(20,951)
Forfeited/ Transferred	(980,932)
Balance, December 31, 2020	15,454,112
Exchanged	(468,195)
Forfeited	(35,593)
Balance, December 31, 2021	14,950,324
Class B Units exercisable, December 31, 2021	14,310,447
Class B Units exercisable, December 31, 2020	8,966,429

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 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 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

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units) to employees, officers, and consultants of GDH Ltd. and its affiliates (inclusive of the Partnership) and deferred share units to non-employee directors of GDH Ltd. and non-employee managers of the board of managers of the General Partner. Under the LTIP Plan, the exercise price of each option may not be less than the market price of GDH Ltd.'s shares at the date of grant. Options granted under the LTIP will have a term not to exceed ten years and will be subject to vesting provisions as determined by the board of directors of GDH Ltd., who administer the LTIP. On exercise of an option, the holder will receive one ordinary share in GDH Ltd. and GDH LP will issue one Class A Unit to GDH Ltd. The maximum number of shares reserved for issuance under the LTIP is fixed at 48,290,478 shares of GDH Ltd.

Non-Treasury Plan

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

Stock Option Grants

On April 9, 2020, the Partnership granted 6,810,000 stock options ("April 2020 Grant") with a fair value of \$2.9 million (or a weighted average fair value of approximately \$0.4232 per option). The stock options granted vest by a third annually commencing on March 1, 2021. The exercise price is C\$1.35 per option for the options vesting on March 1, 2021; C\$1.60 for the options vesting on March 1, 2022; and C\$1.85 for the options vesting on March 1, 2023. The awards will expire on April 9, 2025 if not exercised.

On November 16, 2020, the Partnership granted 6,030,000 stock options ("November 2020 Grant") with a fair value of \$17.3 million (or a weighted average fair value of approximately \$2.8625 per option). 1,400,000 options granted vest by a third annually commencing on December 1, 2022. 2,630,000 options granted vest by a quarter annually commencing on December 1, 2021. 2,000,000 options granted vest equally on November 16, 2022 and November 16, 2024. The exercise price is C\$5.65 per option. The awards will expire on November 16, 2025 if not exercised.

On December 3, 2020, the Partnership granted 7,500,000 stock options ("December 3 2020 Grant") with a fair value of \$24.0 million (or a weighted average fair value of approximately \$3.1944 per option). The options granted vest by a quarter annually commencing on December 1, 2021. The exercise price is C\$6.21 per option. The awards will expire on December 3, 2025 if not exercised.

On December 8, 2020, the Partnership granted 555,000 stock options ("December 8 2020 Grant") with a fair value of \$1.7 million (or a weighted average fair value of approximately \$3.1055 per option). The options granted vest by a quarter annually commencing on December 1, 2021. The exercise price is C\$6.00 per option. The awards will expire on December 8, 2025 if not exercised.

On December 21, 2020, the Partnership granted 100,000 stock options ("December 21 2020 Grant") with a fair value of \$0.4 million (or a weighted average fair value of approximately \$4.1277 per option). The options granted vest by a quarter annually commencing on December 1, 2021. The exercise price is C\$8.02 per option. The awards will expire on December 21, 2025 if not exercised.

On May 27, 2021, the Partnership granted 3,725,000 stock options ("May 27, 2021 Grant") with a fair value of \$50.9 million (or a weighted average fair value of approximately \$13.6597 per option). The options granted vest over five years with varying vest schedules. The exercise price is C\$23.12 per option for 3,225,000 stock options and C\$25 per option for 500,000 stock options. The awards will expire on May 27, 2026 if not exercised.

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

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

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

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

Grants to Directors

On June 25, 2020, the Partnership granted 750,000 stock options ("June 2020 Grant") with a fair value of \$0.5 million (or a weighted average fair value of approximately of \$0.7011 per option) to the external directors of GDH Ltd. and external managers of the Partnership. The stock options granted are exercisable into one ordinary share of GDH Ltd. at an exercise price of C\$1.39 per option for a period of five years and vest fully on June 25, 2025.

On November 16, 2020, the Partnership granted 150,000 stock options with a fair value of \$0.4 million (or a weighted average fair value of approximately \$2.86 per option) to an external manager of the Partnership. The stock options granted are exercisable into one ordinary share of GDH Ltd. at an exercise price of C\$5.65 per option for a period of five years and vest fully on June 25, 2025.

The fair value of the options granted was measured using the Black-Scholes option pricing model with the following weighted average inputs. There were 5,025,000 options granted during the year ended December 31, 2021:

Inputs to the Black-Scholes Model	December 31, 2021	December 31, 2020
Share price ⁽¹⁾	C\$19.15 - C\$29.12	C\$0.97 - C\$8.02
Exercise price	C\$20.00 - C\$35.00	C\$1.35 - C\$8.02
Expected annual volatility ⁽²⁾	95% - 98%	85% - 90%
Expected term (years)	5.00	5.00
Dividend yield	0%	0%
Risk-free interest rate ⁽³⁾	0.82% - 1.44%	0.35% - 0.60%
Forfeiture rate	0% - 41%	0% - 48%

⁽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.

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The following table summarizes the activity related to the stock options during the years ended December 31, 2021 and 2020:

Description	Number of Options	Weighted Average Exercise Price (C\$)
Balance, December 31, 2019	17,684,300	2.74
Granted ⁽¹⁾	21,895,000	4.45
Exercised	(1,809,800)	2.52
Forfeited	(6,203,866)	2.32
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
Options exercisable as of December 31, 2021	8,702,604	
Options exercisable as of December 31, 2020	5,207,000	

⁽¹⁾ Includes 5,310,468 options granted as part of an inducement grant that were not considered a use of the stock option plan, but are granted in accordance with the terms of the plan.

There were 5,293,963 options exercised during the year ended December 31, 2021. There were 1,809,800 exercised for the year ended December 31, 2020. For stock options outstanding as of December 31, 2021, the weighted average remaining contractual life is 3.43 years (December 31, 2020 - 3.91 years).

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

Grant Date	Number Outstanding	Number Exercisable	Exercise Price (C\$)	Expiry Date
Employees and Officers:				
July 31, 2018	5,199,222	2,985,472	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	1,699,700	1,197,200	2.15	June 25, 2024
April 9, 2020	3,571,623	1,148,282	1.35 - 1.85	April 9, 2025
June 25, 2020	750,000	750,000	1.39	June 25, 2025
November 16, 2020	150,000	150,000	5.65	June 25, 2025
November 16, 2020	5,698,400	325,900	5.65	November 16, 2025
December 3, 2020	7,437,300	1,812,300	6.21	December 3, 2025
December 8, 2020	552,500	136,250	6.00	December 8, 2025
December 21, 2020	100,000	25,000	8.02	December 21, 2025
May 27, 2021	3,725,000	—	23.12 - 25.00	May 27, 2026
August 17, 2021	300,000	—	22.27 - 35.00	August 17, 2026
September 29, 2021	400,000	—	20.00	September 29, 2026
December 1, 2021	550,000	—	30.76	December 1, 2026
December 8, 2021	50,000	—	25.69	December 8, 2026
Total	30,413,345	8,702,604		

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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.

Restricted Share Units

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

On May 27, 2021, the Partnership granted 422,016 restricted share units that will be settled in cash. The restricted share units vest over three to four years with varying vest schedules and had a fair value of \$8.0 million at grant date. The outstanding liability related to cash settled units as of December 31, 2021 was \$1.0 million.

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

On August 17, 2021, the Partnership granted 196,851 restricted share units that will be settled in cash. The restricted share units vest over three to four years with varying vest schedules and had a fair value of \$3.1 million at grant date. The outstanding liability related to cash settled units as of December 31, 2021 was \$0.4 million.

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

On September 29, 2021, the Partnership granted 108,000 restricted share units that will be settled in cash. The restricted share units vest over three to four years with varying vest schedules and had a fair value of \$1.6 million at grant date. The outstanding liability related to cash settled units as of December 31, 2021 was \$0.1 million.

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

On December 1, 2021, the Partnership granted 51,445 restricted share units that will be settled in cash. The restricted share units vest over three to four years with varying vest schedules and had a fair value of \$1.2 million at grant date. The outstanding liability related to cash settled units as of December 31, 2021 was not significant.

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

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

Grants to Directors

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

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

Restricted Shares of GDH Ltd.

On December 15, 2020, the Partnership issued 1,079,971 restricted shares of GDH Ltd. with a fair value of \$5.2 million (or at a weighted average fair value of \$4.7765). Of the shares granted, 454,971 vest on December 1, 2023 and the remainder on December 1, 2024. The restricted share units were issued as part of an inducement grant to an officer.

On May 19, 2021, in connection with the Vision Hill business combination (Note 6), the Partnership granted 845,428 restricted shares of GDH Ltd. with a fair value of \$16.2 million (or a weighted average fair value of \$19.1064). The restricted shares vest annually over three years.

Net Income per Unit

2021

The below table presents the basic and diluted net income per unit for the year ended December 31, 2021.

(in thousands, except units and per unit data)	Class A Unitholders	Class B Unitholders	Total Class A and Class B Unitholders
Basic income per unit	\$ 5.38	\$ 5.38	\$ 5.38
Diluted income per unit	N/A	N/A	4.88
Net income used in the calculation of basic and diluted income per unit	507,031	1,207,246	1,714,277
Weighted average number of units for the purposes of basic income per unit	94,195,024	224,464,902	318,659,926
Weighted average number of units for the purposes of diluted income per unit	N/A	N/A	349,318,648

For the year ended December 31, 2021, the weighted average number of total Units (Class A and Class B Units) for the purposes of diluted income per unit assumes the potential vesting of the Class B Units and dilutive stock options, restricted stock, held back shares, and restricted stock units under the GDH LP equity compensation plan, and potential conversion of Exchangeable notes.

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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:

	Year ended December 31, 2021
Weighted average number of units for the purposes of basic income per unit	318,659,926
Diluted units:	
Compensatory Class B Unit awards	4,375,077
Stock options	22,353,262
Restricted stock	1,027,757
Held back shares	144,798
Restricted stock units	1,853,933
Exchangeable notes	903,895
Weighted average number of units for the purposes of diluted income per unit	349,318,648

2020

The table below presents the basic and diluted net income per unit for the year ended December 31, 2020.

(in thousands, except units and per unit data)	Class A Unitholders	Class B Unitholders	Total Class A and Class B Unitholders
Basic income per unit	\$ 1.51	\$ 1.28	\$ 1.33
Diluted income per unit	N/A	N/A	\$ 1.28
Net income used in the calculation of basic and diluted income per unit	\$ 103,386	\$ 282,116	\$ 385,502
Weighted average number of units for the purposes of basic income per unit	68,512,122	220,318,705	288,830,827
Weighted average number of units for the purposes of diluted income per unit	N/A	N/A	301,177,355

For the year ended December 31, 2020, 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 and dilutive stock options, restricted stock, held back shares and restricted stock units under the GDH LP equity compensation plan.

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

	Year ended December 31, 2020
Weighted average number of units for the purposes of basic income per unit	288,830,827
Diluted units:	
Compensatory Class B Unit awards	6,487,682
Stock options	5,808,683
Restricted stock	50,163
Weighted average number of units for the purposes of diluted income per unit	301,177,355

19. 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.

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

The Partnership had \$0 in unfunded commitments to consolidated funds as of December 31, 2021 and December 31, 2020.

Non-controlling interests liability

As of year ended December 31, 2021, the Partnership consolidated the following funds: Galaxy Ethereum Fund L.P. ("GEF"), Galaxy Institutional Ethereum Master Fund, L.P. ("GIEF"), Galaxy Bitcoin Liquidity Fund, Galaxy DeFi Index Fund, Galaxy Institutional Solana Fund and Galaxy Crypto Index Fund, L.P.

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

Non-consolidated structured entities

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

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

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

(in thousands)	December 31, 2021			December 31, 2020		
	Fair Value of Investment	Unfunded Commitments	Maximum Exposure	Fair Value of Investment	Unfunded Commitments	Maximum Exposure
Non-Consolidated Sponsored Investment Funds	\$ 151,370	\$ 21,511	\$ 172,881	\$ 18,779	\$ 6,801	\$ 25,580
Other Non-Consolidated Structured Entities	206,891	12,114	219,005	109,363	375	109,738
Total	\$ 358,261	\$ 33,625	\$ 391,886	\$ 128,142	\$ 7,176	\$ 135,318

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20. COMPENSATION AND COMPENSATION RELATED

The following table represents the Partnership's compensation and compensation related expenses for the years ended December 31, 2021 and 2020:

(in thousands)	Year ended December 31, 2021	Year ended December 31, 2020
Base compensation and accrued bonuses	\$ 95,824	\$ 28,062
Benefits	4,490	2,298
Payroll taxes	6,038	1,512
Consultants	1,496	1,052
Placement Fees	5,834	610
Other ⁽¹⁾	744	630
	\$ 114,426	\$ 34,164

⁽¹⁾ Year ended December 31, 2021 includes \$0.6 million of administration expense payments (December 31, 2020: \$0.5 million).

21. PROFESSIONAL FEES

The following table represents the Partnership's professional fee expenses for the years ended December 31, 2021 and 2020:

(in thousands)	Year ended December 31, 2021	Year ended December 31, 2020
Legal	14,734	\$ 2,607
Transaction fees	12,000	—
Audit and related	13,820	2,572
Consulting	9,762	1,000
Tax	2,258	1,156
Valuations	755	329
	\$ 53,329	\$ 7,664

22. GENERAL AND ADMINISTRATIVE

The following table represents the Partnership's general and administrative expenses for the years ended December 31, 2021 and 2020:

(in thousands)	Year ended December 31, 2021	Year ended December 31, 2020
Technology	8,239	3,278
Marketing	6,747	2,611
Depreciation and amortization (Note 14)	5,132	1,161
Loss on disposal	3,028	—
Impairment on right of use assets	1,565	—
Bad debt expense (Note 13)	122	240
Travel and entertainment	1,025	408
Fund administration	1,818	768
Occupancy	832	660
Other ⁽¹⁾	6,706	6,001
	\$ 35,214	\$ 15,127

⁽¹⁾ Includes GDH Ltd. Reimbursable Expenses of \$4.2 million and Mining hosting fees of \$1.4 million for the year ended December 31, 2021 (December 31, 2020 - \$1.9 million for the reimbursable expenses and \$0 for mining hosting fees).

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23. DIGITAL ASSET MINING AND MINING FINANCE

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

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

The following table represents the Partnership's income and expenses from digital asset mining for the years ended December 31, 2021 and 2020:

(in thousands)	Year ended December 31, 2021	Year ended December 31, 2020
Income from digital asset mining	\$ 10,922	\$ —
Hosting fees ⁽¹⁾	(1,415)	—
Depreciation expense ⁽¹⁾	(1,685)	—

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

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 (Note 12, 28). The Partnership only utilizes mining equipment to mine for Bitcoin, however, the miners are capable of mining alternate cryptocurrencies whose blockchains utilize the 256-bit secure hashing algorithm.

As part of its mining business, the Partnership enters into lease agreements with counterparties as a lessor. Mining equipment lease income for year ended December 30, 2021 was \$3.8 million (2020 - \$nil).

24. 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.

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Compensation of Key Management Personnel

Key management personnel include twelve individuals (December 31, 2020 - thirteen individuals), consisting of officers, former officers and certain employees, who are considered to have decision making authority. Compensation provided to key management personnel for the years ended December 31, 2021 and 2020 are as follows:

(in thousands)	Year ended December 31, 2021	Year ended December 31, 2020
Base compensation and accrued bonuses ⁽¹⁾	\$ 21,089	\$ 6,901
Benefits	410	295
Equity based compensation	30,710	10,524
Total	\$ 52,209	\$ 17,720

¹For the years ended December 31, 2021 and 2020, amounts include approximately \$17.2 million and \$3.6 million, respectively, of accrued bonuses within accounts payable and accrued liabilities.

Distributions

During the year ended December 31, 2021, the Partnership made tax distributions of \$65.0 million (December 31, 2020 - \$1.6 million), of which \$0.0 million (December 31, 2020 - \$0.2 million) is included in other accrued liabilities at year end, to individuals and a company considered to be related parties (Note 18).

Sublease

Galaxy Investment Partners LLC ("GIP"), which has leased the office space located on the 7th and 8th floors 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. In addition, effective August 1, 2019, GIP also subleased a portion of the 7th floor to GDS (Note 28). 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 17) and has an associated lease liability of \$2.5 million as of December 31, 2021 (December 31, 2020: \$4.5 million).

Other

For a period of one year starting on January 1, 2021 (the "earnout period"), related to the acquisition of Blue Fire Capital ("BFC"), certain management personnel are entitled to receive a percentage of BFC's net profit, payable sixty days after the earnout period, if certain financial metrics are achieved. During the year ended December 31, 2021, the Partnership incurred \$11.6 million of profit share expense related to the aforementioned management personnel, all of which remain in accounts payable at year end.

The Partnership's CEO serves as co-chairman of the board for another company, resulting in the Partnership and that company being related party. As at December 31, 2021, the Partnership had an investment in the company valued at \$121.3 million (December 31, 2020 - \$19.6 million).

In accordance with the LPA (Note 5), the Partnership will reimburse or pay for all reimbursable expenses of GDH Ltd. For the years ended December 31, 2021 and 2020, the Partnership paid or accrued \$4.2 million and \$1.9 million, respectively, on behalf of GDH Ltd., which has been included in general and administrative expenses (Note 22).

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

The Partnership has a sub-advisory arrangement with a beneficial owner of GDH Ltd. which invests in certain funds managed by the Partnership. Such sub-advisory arrangements have been entered into with, or advised by, Galaxy Digital Asset Management in its capacity as an investment advisor registered under the Advisers Act, and any fee arrangements, if applicable, have been on an arms-length basis. For the year ended December 31, 2021, the total amount of advisory fees received from the sub-advisory arrangement was \$1.0 million (December 31, 2020: \$0 million).

Investments in Galaxy Funds

Our directors and executive officers are generally permitted to invest their own capital (or capital of estate planning vehicles controlled by them or their immediate family members) directly in our funds and affiliated entities. In general, such investments are not subject to management fees, and in certain instances may not be subject to performance fees. The cash invested by our directors and executive officers and their investment vehicles aggregated to \$30.8 million as of December 31, 2021 (December 31, 2020 - \$6.7 million).

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25. REPORTABLE SEGMENTS

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

Trading

The trading group manages positions in cryptocurrency and other liquid digital assets contributed to the business at the outset and continues to invest and trade in those and related assets. The Partnership engages in several trading strategies (Note 7). The trading segment includes the performance of the over the counter (OTC) trading and of the short term and long term positioning of the Partnership's digital assets.

Principal Investments

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

Asset Management

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

Investment Banking

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

Mining

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

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

Assets and liabilities by each of the reportable segments as of December 31, 2021 are as follows:

(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

Assets and liabilities by each of the reportable segments as of December 31, 2020 are as follows:

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Total assets	\$ 896,730	\$ 319,980	\$ 306,065	\$ 6,190	\$ 3,633	\$ 30,014	\$ 1,562,612
Total liabilities	\$ 439,709	\$ 101	\$ 304,126	\$ 22	\$ —	\$ 20,443	\$ 764,401

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Income and expenses by each of the reportable segments for the year ended December 31, 2021 is as follows:

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Income (loss)							
Advisory and management fees	\$ 254	\$ —	\$ 11,390	\$ 4,092	\$ —	\$ —	\$ 15,736
Net realized gain (loss) on digital assets	711,731	59,440	243,089	—	—	—	1,014,260
Net realized gain (loss) on investments	—	231,388	—	—	—	—	231,388
Interest income	72,343	706	—	—	—	2	73,051
Net derivative gain (loss)	(14,239)	25,000	—	—	—	—	10,761
Net income from digital asset mining	—	—	—	—	10,922	—	\$ 10,922
Leasing income from mining equipment	—	—	—	—	3,781	—	\$ 3,781
Other income (loss)	3,148	2,383	78	58	15	—	5,682
	773,237	318,917	254,557	4,150	14,718	2	1,365,581
Operating expenses	175,270	17,279	28,161	4,094	6,100	133,664	364,568
Net unrealized gain (loss) on digital assets	382,289	117,281	(47,315)	—	(790)	—	451,465
Net unrealized gain (loss) on investments	2,050	536,341	8,606	—	—	—	546,997
Net unrealized gain (loss) on notes payable - derivative	—	—	—	—	—	12,132	12,132
Net gain (loss) on warrant liability	—	—	—	—	—	(45,644)	(45,644)
Foreign currency gain (loss)	2,950	(358)	—	—	—	(2)	2,590
(Gain) loss attributable to non-controlling interests liability	—	—	(197,376)	—	—	—	(197,376)
	387,289	653,264	(236,085)	—	(790)	(33,514)	770,164
Income tax expense	—	—	—	—	—	(56,900)	(56,900)
Net income (loss) for the year	\$ 985,256	\$ 954,902	\$ (9,689)	\$ 56	\$ 7,828	\$ (224,076)	\$ 1,714,277
Foreign currency translation adjustment	—	—	—	—	—	367	367
Net comprehensive income (loss) for the year	\$ 985,256	\$ 954,902	\$ (9,689)	\$ 56	\$ 7,828	\$ (223,709)	\$ 1,714,644

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Income and expenses by each of the reportable segments for the year ended December 31, 2020 is as follows:

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Income (loss)							
Advisory and management fees	\$ 25	\$ —	\$ 5,279	\$ 4,311	\$ —	\$ —	\$ 9,615
Net realized gain (loss) on digital assets	258,766	4,567	7,775	—	—	—	271,108
Net realized gain (loss) on investments	—	10,796	—	—	—	—	10,796
Interest income	5,542	542	10	38	—	—	6,132
Net derivative gain (loss)	5,699	—	—	—	—	—	5,699
Other income (loss)	864	22	(45)	(31)	—	—	810
	270,896	15,927	13,019	4,318	—	—	304,160
Operating	35,925	2,382	15,242	3,066	617	22,642	79,874
Net unrealized gain (loss) on digital assets	11,382	81,209	147,129	—	—	—	239,720
Net unrealized gain (loss) on investments	—	90,587	—	—	—	—	90,587
Net gain (loss) on warrant liability	—	—	—	—	—	(14,318)	(14,318)
Foreign currency gain (loss)	(1,388)	—	—	—	—	—	(1,388)
(Gain) loss attributable to non-controlling interests liability	—	—	(153,385)	—	—	—	(153,385)
	9,994	171,796	(6,256)	—	—	(14,318)	161,216
Net income (loss) for the year	\$ 244,965	\$ 185,341	\$ (8,479)	\$ 1,252	\$ (617)	\$ (36,960)	\$ 385,502
Foreign currency translation adjustment	—	—	—	—	—	17	17
Net comprehensive income (loss) for the year	\$ 244,965	\$ 185,341	\$ (8,479)	\$ 1,252	\$ (617)	\$ (36,943)	\$ 385,519

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Select statement of financial position information

The fair value of select assets by reporting segment as of December 31, 2021 is as follows (in thousands):

(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 receivable	—	71,657	—	—	—	—	71,657
Digital assets posted as collateral (Note 11)	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/ Trust Shares	7,963	8,897	—	—	—	—	16,860
	\$ 2,236,126	\$ 1,221,689	\$ 165,300	\$ —	\$ 10,495	\$ —	\$ 3,633,610

The fair value of select assets by reporting segment as of December 31, 2020 is as follows (in thousands):

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Corporate and Other	Totals
Digital assets	\$ 544,796	\$ 100,730	\$ 285,954	\$ —	\$ —	931,480
Digital assets posted as collateral	15,625	—	—	—	—	15,625
Investments:						
Pre-Launch Network	—	500	—	—	—	500
Convertible Notes	—	4,501	—	—	—	4,501
Preferred Stock	—	86,258	—	—	—	86,258
Common Stock	—	29,970	—	—	—	29,970
LP/LLC Interests	—	84,311	—	—	—	84,311
Warrants/Trust Units	30,654	24,189	—	—	—	54,843
	\$ 600,407	\$ 340,851	\$ 285,954	\$ —	\$ —	\$ 1,227,212

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26. FINANCIAL INSTRUMENTS, DIGITAL ASSETS AND RISK

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

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

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

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

The following table presents the fair value hierarchy for the Partnership's digital assets and investments measured at fair value as of December 31, 2021 and 2020 (in thousands):

Assets	As of December 31, 2021				As of December 31, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Digital assets	\$ —	\$ 2,416,633	\$ 4,144	\$ 2,420,777	\$ —	\$ 925,166	\$ 6,314	\$ 931,480
Digital assets receivable	—	10,036	61,621	71,657	—	—	19,724	19,724
Digital assets posted as collateral	—	71,400	—	71,400	—	15,625	—	15,625
Derivative assets	—	45,669	—	45,669	—	39,025	—	39,025
Common stock	56,109	—	215,185	271,294	19,572	10,398	—	29,970
Convertible notes	—	—	9,768	9,768	—	2,650	1,851	4,501
LP/LLC interests	—	—	383,279	383,279	—	10,450	73,861	84,311
Pre-Launch network	—	—	6,393	6,393	—	500	—	500
Preferred stock	—	—	382,182	382,182	—	52,873	33,385	86,258
Warrants/Trust units/Trust shares	7,963	—	8,897	16,860	61	9	54,773	54,843
	<u>\$ 64,072</u>	<u>\$ 2,543,738</u>	<u>\$ 1,071,469</u>	<u>\$ 3,679,279</u>	<u>\$ 19,633</u>	<u>\$ 1,056,696</u>	<u>\$ 189,908</u>	<u>\$ 1,266,237</u>
Liabilities	As of December 31, 2021				As of December 31, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Digital assets sold short	—	—	—	—	—	5,278	—	5,278
Investments sold short	11,630	—	—	11,630	4,384	—	—	4,384
Derivative liabilities	—	25,567	—	25,567	—	23,103	—	23,103
Warrant liability	—	—	20,488	20,488	—	—	20,781	20,781
Embedded derivative - Notes payable	—	—	58,866	58,866	—	—	—	—
	<u>\$ 11,630</u>	<u>\$ 25,567</u>	<u>\$ 79,354</u>	<u>\$ 116,551</u>	<u>\$ 4,384</u>	<u>\$ 28,381</u>	<u>\$ 20,781</u>	<u>\$ 53,546</u>

Valuation of Assets / Liabilities that use Level 1 Inputs ("Level 1 Assets / Liabilities"). Consists of the Partnership's investments in common stock, investments sold short and Trust shares, 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 digital assets posted as collateral and digital assets sold short, where quoted prices in active markets are available. For the digital

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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 or lacked access to an active market, a discount was applied to the closing prices. The discount was calculated using the Black-Scholes 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 Black Scholes models were utilized: A backsolve method was utilized for one investment, a protective method was utilized for another, and a 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 Black Scholes models were utilized: A backsolve method was utilized for a few investments; option pricing models were applied to others;
 - A prior transaction approach was used for various investments; 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 Black-Scholes model was used to determine the fair value of the associated derivatives.

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

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 studies designed to estimate liquidity discounts. To estimate the appropriate discount to apply, the Partnership considered the relevant facts and circumstances, including features of the subject assets, expectations related to an active market existing in the future, costs associated with accessing (or trading outside of) existing exchanges as applicable, price volatility of comparable assets, and other identified risks associated with the subject assets.

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

Level 3 Continuity

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

<u>Assets (in thousands)</u>	<u>Fair value at December 31, 2020</u>	<u>Contributions</u>	<u>Purchases</u>	<u>Sales/ Distributions</u>	<u>Net Realized Gain (Loss) on Digital Assets and Investments</u>	<u>Net Unrealized Gain/(Loss) on Digital Assets and Investments</u>	<u>Transfers in /(out) of Level 3</u>	<u>Fair Value at December 31, 2021</u>
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

<u>Liabilities (in thousands)</u>	<u>Fair value at December 31, 2020</u>	<u>Conversions</u>	<u>Issuance</u>	<u>Revaluation</u>	<u>Fair Value at December 31, 2021</u>
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 following is a reconciliation of Level 3 Assets for the year ended December 31, 2020:

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<u>Assets (in thousands)</u>	<u>Fair value at December 31, 2019</u>	<u>Contributions</u>	<u>Purchases</u>	<u>Sales/ Distributions</u>	<u>Net Realized Gain (Loss) on Digital Assets and Investments</u>	<u>Net Unrealized Gain/(Loss) on Digital Assets and Investments</u>	<u>Transfers in /(out) of Level 3</u>	<u>Fair Value at December 31, 2020</u>
Digital assets	\$ 189	\$ —	\$ 250	\$ (618)	\$ 537	\$ 4,925	\$ 1,031	\$ 6,314
Digital assets receivables	—	—	4,700	(808)	468	14,864	500	19,724
Convertible notes	4,552	—	733	—	—	(1,266)	(2,168)	1,851
LP/LLC interests	16,772	—	18,528	(591)	—	24,703	14,449	73,861
Preferred stock	17,416	—	—	—	—	(5,786)	21,755	33,385
Warrants/Trust units/ Trust shares	534	—	8,981	—	—	45,302	(44)	54,773
Total Digital assets, Digital assets receivables and Investments	39,463	—	33,192	(2,017)	1,005	82,742	35,523	189,908

<u>Liabilities (in thousands)</u>	<u>Fair value at December 31, 2019</u>	<u>Issuance</u>	<u>Revaluation</u>	<u>Fair Value at December 31, 2020</u>
Warrant liability	\$ —	\$ 6,463	\$ 14,318	\$ 20,781

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 \$37.7 million and total transfers out of Level 3 were \$2.2 million. The transfers into Level 3 for preferred stock were due to fair value determined by a market approach that utilized an option pricing based methodology. The transfers into Level 3 for LP/LLC interest were due to a fair value determined by an income approach that utilized discounted cash flows, fair value determined by a market approach that utilized an option pricing based methodology and an investment, which utilizes net asset values provided by funds. The transfers into Level 3 for digital assets and digital assets receivable were due to restrictions of digital assets committed to a proof of stake program and due to digital assets that are expected to be distributed over time according to a release schedule. The transfers out of Level 3 for preferred stock were due to the availability of an observable input (transaction in the investment entity), the transfer out of Level 3 for convertible notes was due to the acquisition completed in the fourth quarter of 2020, the transfer out of Level 3 for warrants/trust units/trust shares was due to the expiry of warrants during the year and the transfers out of Level 3 for digital assets were 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 December 31, 2021 (in thousands)	Significant Unobservable Inputs	Range
Digital assets	\$4,144	Marketability discount	14.4% - 58.2%
Digital assets receivables	\$61,621	Marketability discount	15.7% - 61.2%
Convertible notes	\$9,768	Recovery rate	0.0% - 100.0%
		Scenario probability ⁽¹⁾ :	
		No deal closure and dissolution	90.0%
		Deal closure and partial default	5.0%
		Deal closure and full recovery	5.0%
LP/LLC interests ⁽²⁾	\$383,279	Lack of control discount	10.0%
		Marketability discount	10.0%
		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	90%
		Risk free rate	0.17% - 1.26%
		Expected dividend payout ratio	—
		Enterprise value to revenue multiple	6.25x - 7.0x
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	—
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%

⁽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 investments which utilizes a pre-money valuation of the Company.

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Financial Instrument	Fair Value at December 31, 2020 (in thousands)	Significant Unobservable Inputs	Range
Digital assets	\$6,314	Marketability discount	25% - 54.8%
Digital assets receivables	\$19,724	Marketability discount	20.1% - 73.4%
Convertible Notes	\$1,851	Recovery rate	65% - 100%
		Scenario probability ⁽¹⁾ :	
		No deal closure and dissolution	25%
		Deal closure and partial default	67.5%
		Deal closure and full recovery	7.5%
LP/LLC interests ⁽³⁾	\$73,861	Risk-free rate	0.13%
		Marketability discount	25%
		Time to assumed payoff (years)	2
		Scenario probability ⁽²⁾ :	
		Downside	25%
		Upside	25%
		Best	50%
Preferred stock ⁽⁴⁾	\$33,385	Control discount	5%
		Marketability discount	15%
		Time to liquidity event (years)	3.25 - 5
		Annualized equity volatility	90%
		Risk free rate	0.19% - 2.06%
		Expected dividend payout ratio	—
		Enterprise value to revenue multiple	8x
Warrants/Trust units	\$54,773	Volatility	110% - 150%
		Exercise price	C\$4.50 - C\$24.68
		Underlying share price	C\$3.49 - C\$24.68
		Time to liquidity event (years)	0.01 - 0.58
		Risk free rate	0.08% - 0.09%
		Expected dividend payout ratio	—
		Marketability discount	5.7% - 43.2%
Warrant liability	\$20,781	Volatility	85%
		Time to expiration (years)	1.87 - 2.0
		Risk free rate	0.17% - 0.25%
		Expected dividend payout ratio	—
		Dilution factor	1.5%

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

⁽²⁾ Relates to the probability of the outcomes relating to an investment.

⁽³⁾ The remaining fair value relates to additional investment which utilize net asset values provided by funds.

⁽⁴⁾ The remaining fair value relates to an investment which utilizes a pre-money valuation of the Company.

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For the year ended December 31, 2021 and 2020, 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.

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 December 31, 2021 and 2020.

Category	Valuation Methods & Techniques	Key Inputs
Cryptocurrency	<ul style="list-style-type: none"> Black-Scholes option pricing discount for lack of liquidity model 	<ul style="list-style-type: none"> Volume-weighted average of trading prices Selected volatilities of subject cryptocurrencies Vesting period
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 stock	<ul style="list-style-type: none"> Prior transactions method Comparable transactions method Backsolve method in an option pricing model framework Equity allocation using option pricing model framework Guideline public company method Adjusted book value Discounted cash flows 	<ul style="list-style-type: none"> Prior prices of subject preferred stock Expected time to exit Current trading prices of certain cryptocurrencies Selected discounts for lack of control Selected discounts for lack of marketability Enterprise value-to-revenue multiple Net assets of subject company Discount rate Terminal value
Common stock	<ul style="list-style-type: none"> Prior transactions method Public closing price 	<ul style="list-style-type: none"> Prior prices of subject common stock 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 Trading prices of certain cryptocurrencies Scenario probabilities 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

Industry

As of December 31, 2021 and 2020, details of the industry composition of the Partnership's digital assets and investments are as follows:

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Industry	December 31, 2021		December 31, 2020	
	Percentage	# of Investments	Percentage	# of Investments
Other (Digital assets and Pre-Launch network investments) ¹	69 %	124	76 %	115
Finance	17	33	17	19
High tech industries	9	29	3	10
Services: Business	5	11	3	11
Finance technology	<1	2	<1	4
Media: Diversified and production	<1	1	<1	1
Software	<1	4	—	—
Utilities: Electric	0	0	<1	1
Total	100 %	204	100 %	161

¹ Other includes 118 cryptocurrencies as of December 30, 2021 (December 31, 2020 - 110)

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

Safeguarding of Digital Assets

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

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

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

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

Bakkt, an Atlanta headquartered entity, is a New York State Department of Financial Services (NYDFS) regulated qualified custodian and has business continuity operations at ICE locations in Chicago, New York, and London. Terms and conditions for account services and offerings are predefined and agreed upon by both the Partnership and the custodian per the Bakkt Trust Warehouse Agreement. All Bakkt wallets require multi-signature authorization by 2 of 3 keys to approve each withdrawal transaction. The Warehouse provides both online ("Warm Wallets") and offline ("Cold Wallets") custody solutions, and its systems algorithmically balance between both mechanisms to minimize the inherent risks of online custody. Private keys are stored on hardened systems in cold storage as well as on FIPS 140-2 level 3 HSMs. Additionally, private keys are never transferred across any open or unencrypted communication channels. Bakkt's warm and cold wallets are covered by a \$125 million insurance policy from a leading global syndicate. The Partnership currently has an investment interest in Bakkt Holdings, LLC in the form of Class B Voting Units. Bakkt is SOC 1 Type I compliant as of April 22, 2021, and SOC 1 Type II compliant as of the period October 15, 2020 to April 22, 2021.

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

Fidelity Digital Assets, a wholly owned subsidiary of FMR LLC and New York State-chartered, limited liability trust company, provides an enterprise grade platform for securing and servicing digital assets on behalf of their customers. Private keys are stored using HSMs and are not visible to any human at any stage of the keys' lifecycle. Fidelity is SOC 1 Type II compliant.

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

Crypto Asset Trading Platforms

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

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

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

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

Risk

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

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into, causing the other party to incur a financial loss. The Partnership's cash, receivables, receivable for digital asset trades, and loans (including digital asset loans) receivable are exposed to credit risk. The Partnership limits its credit risk by placing its cash with high credit quality financial institutions and with cryptocurrency exchanges on which the Partnership has performed internal due diligence procedures. The Partnership deems these procedures necessary as some exchanges are unregulated and not subject to regulatory oversight. Furthermore, crypto-exchanges engage in the practice of commingling their clients' assets in exchange wallets. When crypto-assets are commingled, transactions are not recorded on the applicable blockchain ledger but are only recorded by the exchange. Therefore, there is risk around the occurrence of transactions or the existence of period end balances represented by exchanges. As at December 31, 2021, the Partnership held approximately \$13.4 million (December 31, 2020 - \$12.4 million) in cash and \$1.3 billion (December 31, 2020 - \$265.7 million) in digital assets at exchanges or custodians that do not have system or organization control reporting available. The Partnership's due diligence procedures around exchanges include, but are not limited to, internal control procedures around on-boarding new exchanges which includes review of the exchanges anti-money laundering ("AML") and know-your-client ("KYC") policies by the Partnership's chief compliance officer, obtaining a security ratings report by an independent third-party on certain exchanges, constant review of market information specifically regarding the exchanges security and solvency risk, setting balance limits for each exchange account based on risk exposure thresholds and preparing daily asset management reports to ensure limits are being followed and having a fail-over plan to move cash and digital assets held on an exchange in instances where risk exposure significantly changes. The Partnership limits its credit risk with respect to its receivables, receivables for digital asset trades, digital assets loans receivable and digital assets receivables by transacting with credit worthy counterparties that are believed to have sufficient capital to meet their obligations as they come due and, with regards to OTC and Master Loan Agreement (MLA) counterparties for the trading business, on which the Partnership has satisfactorily performed the relevant AML and KYC procedures and required the posting of collateral if deemed necessary. As of December 31, 2021 and subsequently, the Partnership does not expect a material loss on any of its loans. As of each reporting period, the Partnership assesses if there may be expected credit losses requiring recognition of a loss allowance. 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.

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Derivative-related credit risk

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

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

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. General interest rate fluctuations may have an impact on the Partnership's investment opportunities, primarily within its principal investments segment. An increase in interest rates may make it more expensive to utilize a leverage facility in the future to make investments. To the extent the Partnership invests in debt instruments, interest rate changes may affect the value of the instrument indirectly in the case of fixed rate obligations, or directly in the case of adjustable rate instruments. In general, rising rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Interest rate sensitivity generally is more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate changes would also affect its ability to earn interest income on cash balances at variable rates. The Partnership did not have a leverage facility in place, and its digital assets loans receivable and payable (Note 11) 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 December 31, 2021, the Partnership's exposure to interest rate risk is limited.

Liquidity Risk

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as they come due, as well as the risk of not being able to liquidate assets at reasonable prices. The Partnership manages liquidity risk by maintaining sufficient cash balances to enable settlement of its liabilities. Accounts payable and accrued liabilities, other than accrued compensation, and payables for digital asset trades generally have maturities of 30 days or less or are due on demand, or in the case of digital assets loan payable, on 5 to 20 business days' notice or at the end of the set term unless renewed. The Partnership intends to manage its short-term liquidity needs through its available cash balance and cash inflows from its ongoing business activities. In addition, as of December 31, 2021, 69.6% (December 31, 2020 - 74.3%) of the Partnership's net portfolio was in liquid, actively traded cryptocurrency which can be monetized at reasonable prices in short order.

Foreign Currency Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. To the extent these financial instruments are unhedged or not adequately hedged, the value of the Partnership's financial instruments may fluctuate with exchange rates as well as with price changes in various local markets and currencies. The value of the financial assets may therefore be unfavorably affected by fluctuations in currency rates and exchange control regulations. For the year ended December 31, 2021, the Partnership minimized exposure to digital assets transactions completed in foreign currencies by entering into foreign currency swaps, which are not significant.

Market Risk

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

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

As of December 31, 2021, management's estimate of the effect on equity investments due to a +/- 20% change in the market prices of the Partnership's investments and investments sold short, with all other variables held constant, is +/- \$214.0 million (December 31, 2020 - \$52.1 million).

Digital Asset Risk

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

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

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

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

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

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

As of December 31, 2021, management's estimate of the effect on equity to a +/- 20% change in the market prices of the Partnership's net digital assets, including digital assets posted as collateral and on exchange, with all other variables held constant, is +/- \$484.2 million (December 31, 2020 - \$186.3 million).

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Loss of access risk

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

Irrevocability of transactions

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

Hard fork and air drop risks

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

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

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

Regulatory oversight risk

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

27. 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 December 31, 2021 and 2020, the Partnership had \$2.6 billion and \$798.2 million 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 year ended December 31, 2021.

28. COMMITMENTS AND CONTINGENCIES

Subleases

As of December 31, 2021 and December 31, 2020, the Partnership had commitments primarily under four and two subleases, respectively (Note 17, 24). During the year ended December 31, 2021, the Partnership exited the premises of two subleases prior to the conclusion of the lease terms. The Partnership is required to make payments on the leases through June 2023.

As of December 31, 2021, the Partnership has lease commitments for the next five years as follows:

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	Rent Due
2022	3,463
2023	4,418
2024	2,545
2025	2,388
2026	2,557
Total	\$ 15,371

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

Investment and loan commitments

As of December 31, 2021, the Partnership was obligated to six investment funds to fund up to \$35.4 million, of which \$3.4 million was funded subsequent to year end. The Partnership has outstanding loan commitments of \$157.5 million under revolving credit agreements, out of which \$60.0 million was funded as of December 31, 2021 (Note 13).

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 December 31, 2021 are disclosed below:

(in thousands)	Commitment Amount	Amount Paid as of Year End	Net
Mining equipment	\$66,936	\$44,340	\$22,596

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 December 31, 2021 and 2020, 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).

29. 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 consolidated financial statements.

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The following table represents Income tax recognized on the Partnership's consolidated statements of comprehensive income / (loss) for the years ended December 31, 2021 and 2020:

(in thousands)	2021	2020
Current income tax expense	\$ 41,053	\$ —
Total current income tax expense	41,053	—
Deferred income tax expense		
Deferred tax related to the origination and reversal of temporary differences	15,091	—
Effect of changes in tax rates or imposition of new income taxes	2,173	—
Benefit arising from previously unrecognized deferred tax assets	(1,417)	—
Total deferred income tax expense	15,847	—
Total income tax expense	\$ 56,900	\$ —

The effective income tax rate reported in the consolidated statements of earnings varies from the Cayman income tax rate of 0.0% for the following items:

(in thousands)	2021	2020
Earnings before income taxes	\$ 1,771,177	\$ 538,887
Cayman statutory tax rate	— %	— %
Increase (decrease) in the income tax rate resulting from:		— %
Foreign rate differential on entity level partnership tax	52,351 2.96 %	— %
Foreign subsidiaries taxed at different rates	4,549 0.25 %	— %
Total income tax expense and effective income tax rate	\$ 56,900 3.21 %	\$ — — %

The following table represents the composition and changes in net deferred income tax assets (liabilities) for the years ended December 31, 2021 and 2020:

(in thousands)	2021				
	Basis Difference on Partnership Investments	Basis Difference on Digital Assets	Basis Difference on Investments	Other	Total
Balance, beginning of the year	\$ —	\$ —	\$ —	\$ —	\$ —
Recognized in Statements of Comprehensive Income	7,478	(20,821)	(3,226)	722	\$ (15,847)
Recognized in Statements of Changes in Equity	—	(106)	(131)	735	\$ 498
Balance, end of the year	\$ 7,478	\$ (20,927)	\$ (3,357)	\$ 1,457	\$ (15,349)

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The following table represents the deferred tax assets and liabilities recognized on the Partnership's consolidated statements of financial position:

(in thousands)	2021	2020
Deferred tax assets	\$ 10,259	\$ —
Deferred tax liabilities	(25,608)	—
Total	\$ (15,349)	\$ —

Deferred tax is recognized on taxable temporary differences between the tax bases and the carrying amounts of assets and liabilities. Deferred income tax assets are recognized for deductible temporary differences, carry forwards of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses can be utilized. Management assesses the carrying amount of deferred income tax assets at each statement of financial position date based on estimates of future taxable income and as of December 31, 2021 believes it is probable the carrying value of the deferred tax assets are recoverable.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets are realized or the liabilities settled, using the tax rates and laws enacted or substantively enacted at the statement of financial position dates.

30. SUBSEQUENT EVENTS

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