



**GALAXY**  
DIGITAL

**Galaxy Digital Holdings Ltd.**

**Condensed Consolidated Interim Financial Statements**

For the Three and Nine Months ended September 30, 2021 and 2020

(Expressed in US Dollars)

(Unaudited)

# Galaxy Digital Holdings Ltd.

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

	September 30, 2021	December 31, 2020
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 14,048	\$ —
Accounts receivable	1,547	—
Investment receivable from warrant exercise (Note 8)	40,693	20,781
	<b>56,288</b>	<b>20,781</b>
Investment in associate (Note 6)	623,622	246,993
Deferred tax asset	1,753	—
<b>Total assets</b>	<b>\$ 681,663</b>	<b>\$ 267,774</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Payable to associate	\$ 14,089	\$ —
Warrant liability (Notes 8,12)	40,693	20,781
Tax payable	52,881	—
	<b>107,663</b>	<b>20,781</b>
Tax receivable agreement - payable	6,071	—
<b>Total liabilities</b>	<b>113,734</b>	<b>20,781</b>
<b>Shareholders' equity</b>		
Share capital (Note 8)	346,647	301,306
Reserves (Note 8)	28,164	14,999
Accumulated other comprehensive income	791	791
Surplus (Deficit)	192,327	(70,103)
<b>Total shareholders' equity</b>	<b>567,929</b>	<b>246,993</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 681,663</b>	<b>\$ 267,774</b>
Nature and continuance of operations (Note 1)		
Commitments and contingencies (Note 10)		

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

# Galaxy Digital Holdings Ltd.

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

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
<b>Operating expenses</b>				
Directors fees (Note 7)	\$ 43	\$ 120	\$ 287	\$ 385
Professional fees	239	119	2,108	270
General and administrative	344	217	1,013	333
Recoveries from associate - reimbursable expenses (Note 7)	(585)	(456)	(3,367)	(988)
	<b>(41)</b>	<b>—</b>	<b>(41)</b>	<b>—</b>
Equity income (loss) from associate (Note 6)	155,030	9,467	353,808	11,309
Revaluation of warrant liability (Note 6)	9,352	—	(24,802)	—
Recoveries from associate - warrant liability (Note 6)	(9,352)	—	24,802	—
Tax receivable agreement expense	(2,886)	—	(2,886)	—
<b>Income (loss) before income taxes</b>	<b>152,103</b>	<b>9,467</b>	<b>350,881</b>	<b>11,309</b>
Income taxes expense – current (Note 13)	(37,230)	—	(61,874)	—
Income taxes recovery (expense) – deferred (Note 13)	(5,299)	—	(26,577)	—
	<b>(42,529)</b>	<b>—</b>	<b>(88,451)</b>	<b>—</b>
<b>Income (loss) and comprehensive income (loss) for the period</b>	<b>\$ 109,574</b>	<b>\$ 9,467</b>	<b>\$ 262,430</b>	<b>\$ 11,309</b>
Basic income (loss) per share (Note 9)	\$ 1.15	\$ 0.15	\$ 2.82	\$ 0.17
Diluted income (loss) per share (Note 9)	\$ 1.07	\$ 0.14	\$ 2.47	\$ 0.17
Weighted average number of common shares outstanding - basic (Note 9)	95,447,743	64,764,778	93,075,067	65,112,569
Weighted average number of common shares outstanding - diluted (Note 9)	349,210,552	298,054,925	348,041,169	293,427,088

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

# Galaxy Digital Holdings Ltd.

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

	Share Capital		Reserves	Accumulated Other Comprehensive Income	Surplus / (Deficit)	Total
	Number	Amount				
<b>Balance at December 31, 2019</b>	<b>66,636,540</b>	<b>\$ 240,638</b>	<b>\$ 13,102</b>	<b>\$ 791</b>	<b>\$ (173,490)</b>	<b>\$ 81,041</b>
Issuance of common stock	2,089,721	2,661	—	—	—	2,661
Repurchase of common stock	(3,600,997)	(2,875)	—	—	—	(2,875)
Equity based compensation from investment in associate (Note 6, 8)	—	877	1,013	—	—	1,890
Income (loss) for the period	—	—	—	—	11,309	11,309
<b>Balance at September 30, 2020</b>	<b>65,125,264</b>	<b>\$ 241,301</b>	<b>\$ 14,115</b>	<b>\$ 791</b>	<b>\$ (162,181)</b>	<b>\$ 94,026</b>
<b>Balance at December 31, 2020</b>	<b>91,248,507</b>	<b>\$ 301,306</b>	<b>\$ 14,999</b>	<b>\$ 791</b>	<b>\$ (70,103)</b>	<b>\$ 246,993</b>
Issuance of common stock (Note 6, 8)	4,578,389	2,782	—	—	—	2,782
Shares issued on exercise of PIPE warrants (Note 6, 8)	1,128,554	12,200	—	—	—	12,200
Equity based compensation from investment in associate (Note 6, 8)	—	260	13,165	—	—	13,425
Shares issued for acquisition (Note 6)	1,220,185	4,955	—	—	—	4,955
Income tax benefit recognized on share based payments	—	25,144	—	—	—	25,144
Income (loss) for the period	—	—	—	—	262,430	262,430
<b>Balance at September 30, 2021</b>	<b>98,175,635</b>	<b>\$ 346,647</b>	<b>\$ 28,164</b>	<b>\$ 791</b>	<b>\$ 192,327</b>	<b>\$ 567,929</b>

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

# Galaxy Digital Holdings Ltd.

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

	<b>Nine months ended September 30, 2021</b>	<b>Nine months ended September 30, 2020</b>
<b>Operating activities</b>		
Income for the period	\$ 262,430	\$ 11,309
Adjustments for:		
Equity income from associate	(353,808)	(11,309)
Deferred income tax expense	26,577	—
Revaluation of warrant liability	24,802	—
Recoveries from associate - warrant liability	(24,802)	—
Changes in operating assets and liabilities:		
Accounts receivable	(1,547)	—
Payable to associate	14,089	—
Tax payable	51,448	—
Tax receivable agreement - payable	6,071	—
Deferred tax asset	(1,753)	—
Net cash provided by (used in) operating activities	3,507	—
<b>Investing activities</b>		
Investment in associate	10,541	—
Net cash provided by (used in) investing activities	10,541	—
Net increase in cash	14,048	—
Cash, beginning of period	—	—
Cash, end of period	\$ 14,048	\$ —
<b>Supplemental disclosure of cash flow information and non-cash investing and financing activities:</b>		
Cash paid during the period for:		
Taxes	\$ 8,993	\$ —
Non-cash activities:		
Exchange of Class B units for Class A shares	\$ 3,042	\$ —
Shares issued for exercise of warrants	\$ 12,200	\$ —
Shares issued for acquisitions	\$ 4,955	\$ —
Stock based compensation	\$ 13,165	\$ —

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

# Galaxy Digital Holdings Ltd.

Notes to the Condensed Consolidated Interim Financial Statements  
For the Three and Six Months Ended June, 2021 and 2020  
(Expressed in US Dollars - unaudited)

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## 1. NATURE AND CONTINUANCE OF OPERATIONS

Galaxy Digital Holdings Ltd. ("GDH Ltd." or, together with its subsidiary, the "Company"), was originally formed and incorporated under the Business Corporations Act (Ontario) on February 10, 2006 and on July 31, 2018, continued out of the Province of Ontario to become a company existing under the laws of the Cayman Islands. The Company's principal address is 300 Vesey Street, New York, New York, 10282.

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

The Company is listed on the TSX 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.

The Company has a minority interest in Galaxy Digital Holdings LP (the "Partnership", "Galaxy" or "GDH LP"). 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 to institutionalize the cryptoeconomy and promote the growth and adoption of the technology and services that support the digital assets and cryptocurrency sector. The Partnership capitalizes on market opportunities made possible by the rapid evolution of the digital asset ecosystem. The Partnership operates in the following reportable segments: trading, asset management, investment banking, mining and principal investments. Refer to GDH LP's condensed consolidated interim financial statements for the three and nine months ended September 30, 2021 and 2020 for risks associated with these asset classes.

### *Corporate Transaction*

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

These condensed consolidated interim financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are to manage its minority interest in GDH LP and are dependent on financial support from GDH LP, who has the obligation to reimburse the Company for all reasonable operational expenses (Note 5). At September 30, 2021, the Company had total equity of \$567.9 million (December 31, 2020 - \$247.0 million). Management estimates that, based on the financial support from GDH LP, the Company has the ability to maintain its operations and activities for the upcoming year.

## 2. BASIS OF PRESENTATION

### **Statement of Compliance**

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the December 31, 2020 audited consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with GDH Ltd. audited consolidated financial statements for the year ended December 31, 2020.

# Galaxy Digital Holdings Ltd.

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The accounting policies applied in these unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in the Partnership's audited financial statements for the year ended December 31, 2020. The Partnership's interim results are not necessarily indicative of its results for a full year.

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

## **Basis of Measurement**

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

## **Functional and Presentation Currency**

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

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

## **Basis of Consolidation**

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

## **Use of estimates and judgments**

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

### Significant judgments in applying accounting policies

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

### ***Influence over Investment in associate***

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

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

### Significant estimates

# Galaxy Digital Holdings Ltd.

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## ***Deferred tax assets***

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

## ***Investment in associate***

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

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

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

The warrants issued in connection with the private investment in public equity (Note 8) are recorded as a derivative financial liability as these warrants are exercisable in Canadian dollars, differing from the Company's functional currency, which is US Dollars. The Company measures the initial warrant liability and subsequent revaluations of the warrant liability by reference to the fair value of the warrants at the date at which they were issued and subsequently revalues them at each reporting date. Estimating fair value for these warrants requires management to determine the most appropriate valuation model. The Company uses the Black-Scholes Option Pricing Model to determine the fair value of its warrant liability. This estimate also requires management to make significant judgments about the capacity in which warrant holders receive warrants, and to make assumptions about the most appropriate inputs to the valuation model including the expected life of the warrants, volatility and dividend yield. If different input assumptions are used, the changes can materially affect the fair value estimate.

## ***COVID-19***

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

## **3. SIGNIFICANT ACCOUNTING POLICIES**

### **Income taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in jointly controlled entities to the

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extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. 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.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

A deferred tax liability arises if an entity will pay tax on temporary differences due to the recovery of the carrying amount of another asset or liability.

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

#### 4. NEW ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

There are no new accounting policies or recent accounting pronouncements adopted in the period ended September 30, 2021.

#### 5. KEY TERMS OF LIMITED PARTNERSHIP AGREEMENT

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

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

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- *General Partner Board* - As long as GDH Ltd. owns more than 10% of the outstanding Units of GDH LP, GDH Ltd. will have the right to appoint one person to the board of the general partner. In addition, if GDH Ltd. owns more than 40%, but not more than 50%, of the outstanding Units, GDH Ltd. will have the right to appoint another person to the board of the general partner.

### 6. INVESTMENT IN ASSOCIATE

The Company holds a 29.9% interest in GDH LP as of September 30, 2021 (29.0% at December 31, 2020), which is subject to key terms of the LPA (Note 5).

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

As of September 30, 2021, the carrying value of the investment in GDH LP was \$623.6 million (December 31, 2020 - \$247.0 million).

#### Summarized financial information for GDH LP

(in thousands)	September 30, 2021	December 31, 2020
<b>Current assets</b>		
Cash	\$ 275,767	\$ 137,951
Other current assets	2,860,063	1,131,180
	3,135,830	1,269,131
Non-current assets	850,821	293,481
<b>Total assets</b>	<b>\$ 3,986,651</b>	<b>\$ 1,562,612</b>
<b>Liabilities</b>	<b>\$ 1,488,643</b>	<b>\$ 478,445</b>
<b>Non-controlling interests</b>	<b>470,750</b>	<b>285,956</b>
	<b>\$ 1,959,393</b>	<b>\$ 764,401</b>
<b>Net Assets</b>	<b>\$ 2,027,258</b>	<b>\$ 798,211</b>
The Company's share of net assets - 29.9% (December 31, 2020 - 29%)	\$ 623,622	\$ 246,993

## Galaxy Digital Holdings Ltd.

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(in thousands)	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
<b>Income/(Loss)</b>	<b>\$ 216,531</b>	<b>\$ 28,747</b>	<b>\$ 1,087,803</b>	<b>\$ 47,334</b>
<b>Operating expenses</b>	<b>(151,247)</b>	<b>(17,026)</b>	<b>(330,716)</b>	<b>(46,792)</b>
Net unrealized gain (loss) on digital assets	379,491	16,156	246,132	26,878
Net unrealized gain (loss) on investments (Note 8)	144,284	17,044	377,329	28,676
Revaluation of warrant liability	9,352	—	(24,802)	—
Unrealized foreign currency gain (loss)	(225)	(29)	1,925	(595)
Realized foreign currency gain (loss)	(4)	(335)	(359)	(193)
	<b>532,898</b>	<b>32,836</b>	<b>600,225</b>	<b>54,766</b>
<b>Income (loss) for the period</b>	<b>\$ 598,182</b>	<b>\$ 44,557</b>	<b>\$ 1,357,312</b>	<b>\$ 55,308</b>
<b>Income (loss) attributed to:</b>				
Unit holders of the Partnership	\$ 517,059	\$ 41,424	\$ 1,201,182	\$ 49,780
Non-controlling interests	81,123	3,133	156,130	5,528
	<b>\$ 598,182</b>	<b>\$ 44,557</b>	<b>\$ 1,357,312</b>	<b>\$ 55,308</b>
<b>Other comprehensive income</b>				
Foreign currency translation adjustment	40	78	338	95
<b>Comprehensive income (loss) for the period</b>	<b>\$ 598,222</b>	<b>\$ 44,635</b>	<b>\$ 1,357,650</b>	<b>\$ 55,403</b>
The Company's share of comprehensive income (loss)	\$ 155,030	\$ 9,467	\$ 353,808	\$ 11,309

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Notes to the Condensed Consolidated Interim Financial Statements  
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## Reconciliation to carrying amount of investment in GDH LP:

(in thousands)	Nine months ended September 30, 2021	Year ended December 31, 2020
Balance, beginning	\$ 246,993	\$ 81,041
Shares issued for PIPE transaction net of issuance costs <sup>1</sup> (Note 8)	—	42,815
Shares issued for acquisitions (Note 8)	4,955	14,938
Shares issued on exercise of PIPE warrants (Note 8)	12,200	—
Equity based compensation allocation	13,425	2,855
Increase in ownership interest as a result of GDH LP Class B unit exchanges (Note 8)	2,782	4,833
Cancellation of Class A common stock repurchased (Note 8)	—	(2,875)
Allocation of comprehensive income	353,808	103,386
Distributions	(10,541)	—
Balance, ending	<u>\$ 623,622</u>	<u>\$ 246,993</u>

<sup>1</sup> Net of \$0.7 million cash issuance costs and \$6.5 million warrant liability.

### Accounting for the investment by GDH Ltd.

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

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

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

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

### Business Combinations

#### ***Drawbridge Lending, LLC***

Drawbridge Lending, LLC (“Drawbridge”) is a Delaware limited liability company that was established in March 2018 and operates as a Chicago-based Commodity Futures Trading Commission (“CFTC”) regulated Commodity Trading Advisor and Commodity Pool Operator. Drawbridge provides hedged financial products to eligible contract participants through its platform. Its flagship product is a digital asset-backed fiat loan with no margin call and an option hedge overlay.

On November 12, 2020, GDH Ltd legally acquired 100% ownership in Drawbridge by contributing 1,507,473 GDH Ltd. shares and cash of approximately \$0.3 million. Contemplated within the Drawbridge merger agreement and in reliance on the above merger step, immediately after acquiring its ownership interest in Drawbridge, GDH Ltd was obligated, pursuant to the merger agreement, to contribute its ownership interest to GDH LP in exchange for equity of GDH LP in the same amount of consideration that GDH Ltd transferred to Drawbridge. Consequently, the effective result of the merger agreement was GDH LP contributing equity in exchange for 100% of the ownership interest in Drawbridge in order to expand its trading business.

- All of the issued and outstanding Drawbridge membership interests and all other rights to receive Drawbridge membership interests were cancelled and converted into the right to receive the consideration, or \$4.9 million, calculated as \$5.0 million net of company transaction expenses of \$0.1 million. The consideration consisted of 1,507,473 shares and a cash payment of \$0.3 million. As part of the consideration, the Company issued 1,352,583

## Galaxy Digital Holdings Ltd.

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shares and held back 154,890 shares to satisfy customary representations and warranties. The hold back shares were issued in May 2021.

- Immediately following the execution of the acquisition, GDH Ltd. contributed its membership interests in Drawbridge to GDH LP which, immediately thereafter, contributed them to Galaxy Digital LP. DBL changed its name to Galaxy DBL, LLC.
- Galaxy Digital LP became the sole member of Galaxy DBL, LLC, and the officers of Drawbridge became the officers of Galaxy DBL, LLC.

### ***Blue Fire Capital***

BF Holdings I, LLC ("Blue Fire") is a Delaware limited liability company that was established in 2007 and operates as a Chicago-based proprietary trading firm specializing in providing two-sided liquidity for futures markets and digital assets.

On November 12, 2020, GDH Ltd. legally acquired 100% ownership in Blue Fire by contributing 2,317,888 GDH Ltd. shares and cash of approximately \$7.5 million. Contemplated within the Blue Fire merger agreement and in reliance on the above merger step, immediately after acquiring its ownership interest in Blue Fire, GDH Ltd was obligated, pursuant to the merger agreement, to contribute its ownership interest to GDH LP in exchange for equity of GDH LP in the same amount of consideration that GDH Ltd transferred to Blue Fire. Consequently, the effective result of the merger agreement was GDH LP contributing equity in exchange for 100% of the ownership interest in Blue Fire in order to expand its trading business.

As of November 12, 2020, Blue Fire was identified as the accounting acquiree under IFRS 3, whereas GDH LP was identified as the accounting acquirer as the transaction was contemplated and initiated by GDH LP for the benefit of the Partnership. The acquisition of Blue Fire was accounted for using the acquisition method. The consideration transferred was measured at fair value, which was calculated as the fair value of cash and equity interests issued by GDH Ltd. in exchange for the net identifiable assets of Blue Fire on November 12, 2020. This included \$7.5 million of cash net of company transaction expenses and other adjustments.

- Immediately following the execution of the acquisition, GDH Ltd. contributed its membership interests in BFC to GDH LP which, immediately thereafter, contributed them to Galaxy Digital LP. BFC changed its name to Galaxy Blue Fire Holdings, LLC.
- Galaxy Digital LP became the sole member of Galaxy Blue Fire Holdings, LLC, and the officers of Blue Fire Capital became the officers of Galaxy Blue Fire Holdings, LLC.

### ***Vision Hill Group Inc.***

On May 19, 2021, GDH Ltd. legally acquired 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 Vision Hill acquisition on May 19, 2021:

- All of the issued and outstanding VHG membership interests and all other rights to receive membership interests were cancelled and converted into the right to receive the consideration, calculated as an initial issuance of 1,065,295 shares plus \$5.5 million of net cash and net of company transaction expenses. Up to an additional 134,705 shares may be issued depending on the post-closing adjustments for the transaction.
- 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.

As of May 19, 2021, 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.

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## 7. RELATED PARTY TRANSACTIONS

### Compensation to key management personnel

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

Compensation provided to key management personnel for the three months ended September 30, 2021 and 2020 is as follows:

(in thousands)	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Directors fees	\$ 43	\$ 120	\$ 287	\$ 385

### Other

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

In addition, the CEO of GDH Ltd. was a member of the advisory board for two companies, resulting in GDH Ltd. and that company being related parties. As of September 30, 2021, GDH LP had an investment in the companies with a combined value of \$127.1 million (December 31, 2020 - \$19.6 million).

In accordance with the LPA (Note 5), GDH LP will reimburse or pay for all reimbursable expenses of the Company. For the three and nine months ended September 30, 2021, GDH LP paid or accrued \$0.6 million and \$3.4 million (2020 - \$0.5 million and \$1.0 million) respectively for the reimbursable expenses.

## 8. SHARE CAPITAL AND RESERVES

### Authorized

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

### Issued

During the nine months ended September 30, 2021, the Company issued 4,578,389 (December 31, 2020 - 5,472,493) ordinary shares valued at \$2.8 million (December 31, 2020 - \$4.8 million) on exchange of Class B Units of GDH LP and exercise of options, 1,128,554 (December 31, 2020 - nil) ordinary shares valued at \$12.2 million (December 31, 2020 - \$nil) on exercise of warrants and 1,220,185 (December 31, 2020 - 3,670,471) ordinary shares valued at \$5.0 million (December 31, 2020 - \$14.9 million) for acquisitions.

At September 30, 2021 4,415,294 shares were held in escrow relating to acquisitions. The escrowed shares will be released 33% on each of the 6-month, 12-month and 18-month anniversaries for non-employees of DBL, Blue Fire and Vision Hill and 33% on each of the 12-month, 18-month and 24- month anniversaries for employees of DBL, Blue Fire and Vision Hill.

### Restricted Stock

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.

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

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On November 12, 2020 (the "Closing"), GDH Ltd. closed a PIPE of \$50 million of aggregate gross proceeds (\$49.3 million net of cash share issuance costs of \$0.7 million). As part of the PIPE, GDH Ltd. issued 19,070,000 shares and 4,767,500 warrants. Each share was accompanied by a warrant to purchase 0.25 of an ordinary share ("security") and each security was issued at a price of C\$3.50. Each warrant is exercisable into an ordinary share of the Company for a term of two years from the date of issuance at an exercise price of C\$8.25. All securities issued pursuant to the PIPE will be subject to certain selling restrictions set forth in the investment agreements. The investment agreements provide that: (i) no sales are permitted during the first six months from the Closing; (ii) sales of up to 33.3% of total shares issued are permitted seven to nine months after the Closing, subject to a maximum daily sale participation of no more than 10% of daily traded volume; (iii) sales of up to 66.6% of the total shares issued are permitted ten to twelve months after the Closing, subject to a maximum daily sale participation of no more than 10% of daily traded volume; and (iv) until eighteen months after the Closing, all shares remain subject to a daily selling restriction of no more than 10% of daily traded volume. The selling restrictions terminate upon certain corporate actions by GDH Ltd.

Under the terms of the LPA the Partnership will issue a Class A Unit for each GDH Ltd. common share issued and any liability associated with the warrant will be pushed down to the Partnership. Therefore, the Company has recognized a corresponding asset, investment receivable from warrant exercise, which represents the Class A units that the Partnership will issue to GDH Ltd. on exercise of the warrants. On initial recognition, the warrants were valued at \$6.5 million and are recorded as a derivative financial liability as these warrants are exercisable in Canadian dollars, differing from the Partnership's functional currency. At September 30, 2021 the value of the warrant liability is \$40.7 million (December 31, 2020 - \$20.8 million) and the loss and corresponding recovery recognized in the statement of income (loss) and comprehensive income (loss) for the period ended September 30, 2021 is \$24.8 million (2020 - \$nil).

The fair value of the warrant liability is calculated using the Black-Scholes Option Pricing Model. A continuity table for the change in the liability-classified warrant and the inputs used to value the warrant liability at issuance date and September 30, 2021 are included in Note 12. These are the only warrants outstanding in GDH Ltd. During the period ended September 30, 2021, 1,128,554 of the warrants were exercised at an exercise price of C\$8.25. At September 30, 2021, there are 3,638,946 warrants outstanding and exercisable (December 31, 2020 - 4,767,500).

## **Shares issued for acquisitions**

On November 12, 2020, GDH Ltd. acquired Drawbridge and Blue Fire Capital (Note 6). As part of the Drawbridge acquisition, the consideration consisted of 1,507,473 shares of which the Company issued 1,352,583 shares valued at \$5.5 million and held back 154,890 shares to satisfy customary representations and warranties. The held back shares were issued during the period ended September 30, 2021 at a value of \$0.6 million. As part of the Blue Fire Capital acquisition, the Company issued 2,317,888 shares valued at \$9.4 million as part of the consideration.

On May 19, 2021, GDH Ltd. acquired Vision Hill (Note 6). As part of the acquisition, the Company issued 1,065,295 ordinary shares in Galaxy Digital Holdings Ltd. to VHG employee and non-employee sellers valued at \$4.3 million.

## **Ordinary Share Repurchase**

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

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

## **Reserves**

Up to the date of the closing of the Arrangement, the Company had its own stock option plan, which provided employees, directors, officers and consultants of the Company with the opportunity to acquire common shares of the Company through the exercise of stock options. Stock options granted under the plan were limited to a maximum term of ten years and limited to 10% of the Company's outstanding common shares. As of September 30, 2021, the following options were outstanding:

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

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No options were granted, exercised or forfeited under the above plan during the three and nine months ended September 30, 2021 or 2020.

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

### Equity based compensation

During the nine months ended September 30, 2021, the Company recognized equity based compensation of \$13.4 million (2020 - \$1.9 million) from its investment in associate (Note 6).

### 9. INCOME (LOSS) PER SHARE

The table below presents basic and diluted net income (loss) per share of common stock for the three and nine months ended September 30, 2021 and 2020, respectively:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Basic income (loss) per share	\$ 1.15	\$ 0.15	\$ 2.82	\$ 0.17
Diluted income (loss) per share	\$ 1.07	\$ 0.14	\$ 2.47	\$ 0.17

### Basic income (loss) per share

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

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Net income (loss) used in the calculation of basic income (loss) per share (in thousands)	\$ 109,574	\$ 9,467	\$ 262,430	\$ 11,309
Weighted average number of ordinary shares for the purposes of basic income (loss) per share	95,447,743	64,764,778	93,075,067	65,112,569

### Diluted income (loss) per share

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

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Net income (loss) used in the calculation of diluted income (loss) per share (in thousands)	\$ 372,388	\$ 41,424	\$ 859,693	\$ 49,780
Weighted average number of ordinary shares for the purposes of diluted income (loss) per share	349,210,552	298,054,925	348,041,169	293,427,088

For the nine months ended September 30, 2021, the weighted average number of ordinary shares for the purposes of diluted income (loss) per share assumes the potential conversion of the outstanding GDH LP Class B Units, the conversion of the Class B Units under the GDH LP equity compensation plan (Note 10), the potential exercise of in-the-money stock options and other stock grants.

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

(in thousands)	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Net income (loss) used in the calculation of basic income (loss) per share	\$ 109,574	\$ 9,467	\$ 262,430	\$ 11,309
Net income currently allocated to outstanding GDH LP Class B Units <sup>1</sup>	262,814	31,957	597,263	38,471
<b>Net income (loss) used in the calculation of diluted income (loss) per share</b>	<b>372,388</b>	<b>41,424</b>	<b>859,693</b>	<b>49,780</b>

<sup>1</sup> Net income allocated to GDH LP Class B Units for the nine months ended September 30, 2021 is net of an estimated tax adjustment.

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

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Weighted average number of ordinary shares for the purposes of basic income (loss) per share	95,447,743	64,764,778	93,075,067	65,112,569
Diluted shares:				
Weighted average of outstanding Class B Units for the period	224,367,722	220,021,124	223,239,794	219,235,395
Compensatory Class B Unit awards	4,408,895	6,862,682	5,680,798	6,862,682
Stock Options	22,261,350	6,406,341	24,253,565	2,216,442
Restricted Stock	938,808	—	934,688	—
Restricted Stock Units	1,651,329	—	712,459	—
Held Back Shares	134,705	—	144,798	—
<b>Weighted average number of ordinary shares for the purposes of diluted income (loss) per share</b>	<b>349,210,552</b>	<b>298,054,925</b>	<b>348,041,169</b>	<b>293,427,088</b>

## 10. COMMITMENTS AND CONTINGENCIES

### GDH LP Class B Units

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

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

- Standard Units - 19,068 of the Standard Units vested 100% on December 15, 2020. Once vested, each Standard Unit can be exchanged for one share of GDH Ltd. for no additional consideration. The fair value of the Standard Units transferred, measured as of the grant date, was \$91,078 (or approximately \$4.7765 per Standard Unit) based on the 10-day volume weighted average share price of GDH Ltd. from December 2, 2020 through December 15, 2020 ("10-day WA") and on the number of Standard Units expected to vest (100%). The fair value was recognized in 2020.

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- Profit Interest Units - 355,932 of the Profit Interest Units vest on December 15, 2020, 15,226 vest on December 1, 2021, 390,226 vest on December 1, 2022, 185,255 vest on December 1, 2023 and 15,226 vest on December 1, 2024. Once a Profit Interest Unit has vested and has been fully "caught up", such Profit Interest Unit may be exchanged for one share of GDH Ltd. for no additional consideration. The fair value of the Profit Interest Units granted was \$3,501,531 (or approximately \$3.8325 per Profit Interest Unit). The fair value of the Profit Interest Units was estimated using the probability-weighted expected return method. In applying this method, a payoff was determined for a Profit Interest Unit under three potential scenarios, each payoff was weighted by an estimated probability of the corresponding scenario, and then the probability-weighted payoffs were discounted to the date of grant and summed. The scenarios, probabilities, and other inputs into the model consider, among other things, the results of a one-period trinomial model, the results of a standard Black-Scholes option pricing model under different assumptions, and the estimated fair value of a common share of GDH Ltd. The scenarios probability ranged from 5% to 65%, the annual discount rate used was 0.50%, the term used was 5.04 years, and the share price used ranged from C\$0 to C\$100. The number of Profit Interest Units expected to vest ranged from 90% to 100%.

As of September 30, 2021, after accounting for exchanges (Note 8) and forfeitures, there were 228,095,148 (December 31, 2020 - 229,404,568) Class B Units issued, of which 228,095,148 (December 31, 2020 - 222,905,934) were outstanding and exercisable into ordinary shares of GDH Ltd.

## Equity Plan

The Company has a stock option plan (the "Plan") to grant options, which are exercisable into an equivalent amount of the Company's common shares, to employees, officers, directors and consultants of the Company and its affiliates (inclusive of GDH LP). The number of stock options granted to any person within a one-year period will not exceed 5% and the number granted to those individuals considered consultants or providing investor relations services may not exceed 2% in a one-year period, in each case on a fully diluted basis. Under the Plan, the exercise price of each option may not be less than the market price of the Company's shares at the date of grant. Options granted under the Plan will have a term not to exceed 5 years and be subject to vesting provisions as determined by the Board of Directors of the Company who administer the Plan. On exercise of an option, the holder will receive one common share in the Company and GDH LP will issue one Class A Unit to the Company. The maximum number of shares reserved for issuance under the Plan is fixed at 45,565,739 shares of the Company. 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 the Company approved a Long Term Incentive Plan ("LTIP") to grant stock options, stock appreciation rights, restricted stock, and share units (in the form of restricted share units and/or performance share units) to employees, officers, and consultants of the Company and its affiliates (inclusive of GDH LP) and deferred share units to non-employee directors of the Corporation and non-employee managers of the board of managers of the General Partner, subject to shareholder approval, which was received on June 29, 2021. 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 Plan 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 Plan. On exercise of an option, the holder will receive one common share in GDH Ltd. and GDH LP will issue one Class A Unit to GDH Ltd. The maximum number of shares reserved for issuance under the Plan is fixed at 48,290,478 shares of GDH Ltd. Following the approval of the LTIP, the Company will no longer make grants under the Plan and future grants will be made from the LTIP Plan. The Plan reserve has been rolled over into the LTIP.

## Non-Treasury Plan

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

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A summary of stock options outstanding as at September 30, 2021 is as follows:

Grant Date	Number Outstanding	Number Exercisable	Exercise Price (C\$)	Expiry Date
<b>Employees and Officers:</b>				
July 31, 2018	5,854,257	3,640,507	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	1,980,000	975,000	2.15	June 25, 2024
September 4, 2019	100,000	—	1.95	September 4, 2024
April 9, 2020	3,756,289	1,199,616	1.35 - 1.85	April 9, 2025
June 25, 2020	750,000	750,000	1.39	June 1, 2025
November 16, 2020	150,000	150,000	5.65	June 1, 2025
November 16, 2020	6,030,000	—	5.65	November 16, 2025
December 3, 2020	7,500,000	—	6.21	December 3, 2025
December 8, 2020	555,000	—	6.00	December 8, 2025
December 21, 2020	100,000	—	8.02	December 21, 2025
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
<b>Total</b>	<b>31,430,146</b>	<b>6,887,323</b>		

### Restricted Share Units

On May 27, 2021, the Partnership granted 6,191,482 shares of restricted share units with a fair value of \$87.4 million (or a weighted average fair value of \$19.0665). 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 \$7.9 million at grant date. The outstanding liability related to cash settled units as of September 30, 2021 was \$0.7 million.

On August 17, 2021, the Partnership granted 487,493 shares of restricted share units with a fair value of \$5.3 million (or a weighted average fair of \$15.61). 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 \$3.5 million at grant date. The outstanding liability related to cash settled units as of September 30, 2021 was \$0.1 million.

On September 29, 2021, the Partnership granted 389,369 shares of restricted share units with a fair value of \$4.6 million (or a weighted average fair of \$15.07). 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 \$1.7 million at grant date. The outstanding liability related to cash settled units as of September 30, 2021 was \$0 million.

### 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.

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The Company has provided standard representations for agreements and customary indemnification for claims and legal proceedings. Insurance has been purchased to mitigate certain of these risks. Generally, there are no stated or notional amounts included in these indemnifications and the contingencies triggering the obligation for indemnification are not expected to occur. Furthermore, often counterparties to these transactions provide comparable indemnifications. The Company is unable to develop an estimate of the maximum payout under these indemnifications for several reasons. In addition to the lack of a stated or notional amount in a majority of such indemnifications, it is not possible to predict the nature of events that would trigger indemnification or the level of indemnification for a certain event. The Company believes, however, that the possibility of making any significant payments for these indemnifications is remote. As of September 30, 2021 and December 31, 2020, there was no liability accrued under these arrangements.

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

## 11. CAPITAL MANAGEMENT

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

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## 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Financial Instruments

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

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

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

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

### Quantitative Information for Warrant Liability:

Financial Instrument	Fair Value at September 30, 2021 (in thousands)	Significant Unobservable Inputs	Range
Investment receivable from warrant exercise	\$40,693	Volatility	116%
		Time to liquidity event (years)	1.12
		Risk free rate	0.30%
		Expected dividend payout ratio	—
Warrant liability	\$40,693	Volatility	116%
		Time to liquidity event (years)	1.12
		Risk free rate	0.32%
		Expected dividend payout ratio	—
		Dilution factor	1.1%

### Level 3 Continuity

The following is a reconciliation of the Level 3 liability for the period ended September 30, 2021:

Assets (in thousands)	Fair value at December 31, 2020	Receipt from warrant exercise	Revaluation of Investment Receivable	Fair Value at September 30, 2021
Investment receivable from warrant exercise	\$ 20,781	\$ (4,890)	\$ 24,802	\$ 40,693

  

Liabilities (in thousands)	Fair value at December 31, 2020	Conversions	Revaluation of Warrant Liability	Fair Value at September 30, 2021
Warrant liability	\$ 20,781	\$ (4,890)	\$ 24,802	\$ 40,693

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## Risk Management

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

### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts, if applicable. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. As at September 30, 2021, the Company is not exposed to significant credit risk.

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and financial support from GDH LP. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. Furthermore, under the LPA, GDH LP is responsible for reimbursing the Company for all reasonable operating expenses. Therefore, the Company is not currently exposed to significant liquidity risk.

### Interest rate risk

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

### Foreign exchange risk

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

### Digital assets and market risks

The Company's investment in associate is impacted by the associate's investments in digital assets as well as private companies, both of which may be subject to significant changes in value. The Company seeks to minimize potential adverse effects of these risks on performance by ensuring that the risk management at GDH LP appropriately addresses these risks by, for example, employing experienced personnel, daily monitoring of the Partnership's investments and digital assets and review of the Partnership's investment objectives. Refer to GDH LP's condensed consolidated interim financial statements for the three and nine months ended September 30, 2021 and 2020 for risks associated with these asset classes.

## 13. Income Taxes

GDH Ltd. is a Cayman company limited by shares which is treated as a corporation for U.S. Federal tax purposes. GDH Intermediate LLC, a wholly-owned subsidiary of GDH Ltd., is a Delaware limited liability company which is treated as a corporation for U.S. federal tax purposes and functions as a tax-efficient block corporation or similar entity for U.S. Federal tax purposes. Under the LPA, items of income, gain, loss, deduction and credit that are attributable to sources within the United States and are effectively connected with GDH LP's United States trade or business ("ECI") are allocated to GDH Intermediate LLC. GDH Ltd. is not subject to tax in any jurisdiction. GDH Intermediate LLC is not subject to tax in any jurisdiction outside the United States (where it is subject to federal, state, and local taxes).

### Components of Income Tax Expense Recorded in Net Income

The following table presents the components of the Company's provision for income taxes:

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(in thousands)	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Income taxes expense – current	\$ (37,230)	\$ —	\$ (61,874)	\$ —
Income taxes recovery (expense) – deferred	(5,299)	—	(26,577)	—
	<u>\$ (42,529)</u>	<u>\$ —</u>	<u>\$ (88,451)</u>	<u>\$ —</u>

### Effective Income Tax Rate

The following table presents the reconciliation of the effective income tax rate to the income tax expense calculated at statutory rates:

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Cayman Statutory Tax Rate	— %	— %	— %	— %
Foreign Tax Rate Differential	28.88 %	23.94 %	28.88 %	23.94 %
Change in Statutory, Foreign Exchange Rates and Other	(0.42)%	— %	(1.97)%	(0.74)%
Non-Deductible Expenses	(0.50)%	— %	0.58 %	— %
Adjustment to Prior Years Provision versus Statutory Tax Returns	— %	— %	1.30 %	0.47 %
Change in Unrecognized Deductible Temporary Differences	— %	(23.94)%	(3.58)%	(23.67)%
Effective Income Tax Rate	<u>27.96 %</u>	<u>— %</u>	<u>25.21 %</u>	<u>— %</u>

### Unrecognized Unused Tax losses and Deductible Temporary Differences

The following table presents unrecognized deferred tax assets as of September 30, 2021

As of September 30, 2021 (in thousands)	Gross Amount	Tax Effect
Investment in GDH LP	\$ 19,740	\$ 5,700

### Tax Receivable Agreement

On July 31, 2018, the Company entered into a Tax Receivables Agreement (“TRA”) with holders of Class B Units in GDH LP (each such person and any permitted transferee, a “TRA Holder” and together, the “TRA Holders”). The TRA generally provides for the payment by the Company of 85% of the net cash savings, if any, in U.S. federal, state, local, and non-US income tax that the Company actually realizes (or is deemed to realize in certain circumstances) in periods after the closing, as applicable to each TRA Holder, of (i) certain increases in tax basis that occur as a result of the Company’s acquisition (or deemed acquisition for U.S. federal income tax purposes) of all or a portion of such TRA Holder’s Class B Units in connection with the arrangement and (ii) imputed interest deemed to be paid by the Company as a result of, and additional basis arising from, any payments the Company makes under the TRA.

The term of the TRA commenced on July 31, 2018 and will continue until all such tax benefits that are subject to the TRA have been utilized or expired, unless the Company experiences a change of control or the TRA is terminated early, and the Company makes the termination payments specified in the TRA.

The amounts payable, as well as the timing of any payments, under the TRA are dependent upon significant future events and assumptions, including the timing of the redemptions of Class B Units, the price of the Company's ordinary stock at the time of each redemption, the extent to which such redemptions are taxable transactions, the amount of the redeeming unit holder’s tax basis in its Class B Units at the time of the relevant redemption, the depreciation and amortization periods that apply to the

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increase in tax basis and the portion of the Company's payments under the TRA that constitute imputed interest or give rise to depreciable or amortizable tax basis.

The Company has a liability associated with the TRA of \$6.1 million as of September 30, 2021. The Company did not have a liability associated with the TRA as of December 31, 2020.

## 14. SUBSEQUENT EVENTS

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

The transaction has been approved by the boards of directors of both GDH Ltd. and BitGo. The acquisition is expected to close in the first quarter of 2022, subject to approval by GDH Ltd.'s shareholders of the domestication of GDH Ltd. as a Delaware corporation and specified internal restructuring, as well as certain related matters and other acquisition-related closing conditions and regulatory approvals.

On November 4, 2021, Galaxy Digital LP ("Galaxy") announced that it has entered into a definitive share subscription agreement with Monex Group, Inc. ("Monex"), a leading Japanese financial services company, pursuant to which Galaxy agreed to invest \$50 million in Monex shares of common stock in a Private Investment in Public Equity (PIPE) transaction.

Additionally, on November 4, 2021, Galaxy also entered into a definitive share subscription agreement with Quantum FinTech Acquisition Corporation ("Quantum"), a publicly traded special purpose acquisition company, and TradeStation Group, Inc., the parent company of an online securities and futures brokerage firm, pursuant to which Galaxy will make an additional PIPE investment of \$50 million in connection with the business combination agreement between Quantum and TradeStation whereby Quantum will merge with and into TradeStation, with TradeStation remaining as a New York Stock Exchange publicly listed company.