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Galaxy Digital Holdings LP

Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended June 30, 2022 and 2021

(Expressed in US Dollars)

(Unaudited)

Galaxy Digital Holdings LP

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

	Notes	June 30, 2022	December 31, 2021
Assets			
Current assets			
Cash		\$ 1,013,895	\$ 811,129
Digital assets	6	875,068	2,420,777
Receivable for digital asset trades	6	25,964	8,332
Digital asset loans receivable, net	7	69,881	192,684
Digital assets receivables	6	17,287	52,998
Assets posted as collateral	7,8,9	88,566	71,400
Receivables	11	42,678	26,665
Due from broker		59,959	29,647
Derivative assets	9	29,710	45,669
Prepaid expenses and other assets	12	64,802	25,768
Loans receivable	8	131,045	190,087
Due from related party	20	—	25,023
Total current assets		2,418,855	3,900,179
Digital assets receivables	6	6,072	18,659
Investments	10	753,947	1,069,776
Right of use assets	13	10,854	11,746
Property and equipment	13	154,218	58,187
Deferred tax asset	25	24,811	10,259
Intangible assets	13	2,460	3,087
Goodwill	13	24,645	24,645
Total non-current assets		977,007	1,196,359
Total assets		\$ 3,395,862	\$ 5,096,538
Liabilities and Equity			
Current liabilities			
Investments sold short	10	8,923	11,630
Derivative liabilities	9	41,854	25,567
Warrant liability	15	625	20,488
Accounts payable and accrued liabilities	14	78,828	146,243
Payables to customers	14	142,936	142,441
Taxes payable		34,328	42,341
Payable for digital asset trades	6	17,494	13,216
Digital asset loans payable	7	425,108	905,013
Loans payable	8	105,783	33,289
Collateral payable	7,8,9	189,615	480,088
Due to related party	8	19,826	—
Lease liability		3,479	2,164
Non-controlling interests liability		50,070	161,536
Total current liabilities		1,118,869	1,984,016
Notes payable		424,842	475,330

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

Galaxy Digital Holdings LP

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

Deferred tax liability	25	7,801	25,608
Lease liability		10,949	13,233
Total non-current liabilities		443,592	514,171
Total liabilities		1,562,461	2,498,187
Equity			
Partners' capital	15	1,833,401	2,598,351
Total equity		1,833,401	2,598,351
Total liabilities and equity		\$ 3,395,862	\$ 5,096,538
Commitments and contingencies	24		

The condensed consolidated interim financial statements were authorized by the Board of Managers of Galaxy Digital Holdings GP LLC to be issued on August 8, 2022 and were signed on its behalf by:

"Alex Ioffe" Chief Financial Officer

"Michael Novogratz" Chief Executive Officer

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

Galaxy Digital Holdings LP

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
(Expressed in thousands of US Dollars - unaudited)

	Notes	Three Months Ended		Six Months Ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Income					
Advisory and management fees		\$ 6,228	\$ 2,444	\$ 18,101	\$ 4,357
Net realized gain (loss) on digital assets		(231,137)	(162,533)	123,844	568,179
Net realized gain on investments	10	3,491	41,363	72,929	192,501
Income from lending		10,055	16,835	24,690	25,368
Net derivative gain	9	80,019	118,461	161,996	73,276
Income from mining	19	10,947	2,161	20,756	3,902
Other income		1,154	3,357	2,001	4,544
		(119,243)	22,088	424,317	872,127
Operating expenses					
Compensation and compensation related	20	34,652	(11,319)	75,200	83,633
Equity based compensation	15, 20	31,134	13,548	53,896	20,647
General and administrative	18	34,160	9,514	52,108	15,524
Professional fees	17	9,940	11,527	19,531	16,093
Profit share arrangement expense	20	—	8,033	—	12,165
Interest		12,067	18,467	24,874	32,260
Notes interest expense	15	7,336	—	14,610	—
		(129,289)	(49,770)	(240,219)	(180,322)
Net unrealized loss on digital assets		(233,372)	(495,614)	(733,643)	(132,705)
Net unrealized gain (loss) on investments	10	(258,891)	165,052	(333,019)	223,334
Net gain on notes payable - derivative	15	51,104	—	57,597	—
Net gain (loss) on warrant liability	15	17,177	2,663	19,698	(34,154)
Foreign currency gain (loss)		(1,302)	(922)	715	1,795
(Gain) loss attributable to non-controlling interests liability		100,606	173,612	114,017	(75,007)
		(324,678)	(155,209)	(874,635)	(16,737)
Income (loss) before income taxes		\$ (573,210)	\$ (182,891)	(690,537)	675,068
Income taxes benefit	25	(18,509)	—	(24,628)	—
Net income (loss) for the period		\$ (554,701)	\$ (182,891)	\$ (665,909)	\$ 675,068
Other comprehensive income (loss)					
Foreign currency translation adjustment		\$ (19)	\$ 14	\$ (487)	\$ 298
Net comprehensive income (loss) for the period		\$ (554,720)	\$ (182,877)	\$ (666,396)	\$ 675,366

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

Galaxy Digital Holdings LP

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

	Notes	Class A Unit Capital		Class B Unit Capital		Total
		Number	Amount	Number	Amount	
Balance at December 31, 2020		91,248,507	\$ 385,357	222,905,934	\$ 412,854	\$ 798,211
Equity based compensation	15	—	6,123	—	14,910	21,033
Distributions	15,16	—	—	—	(23,425)	(23,425)
Exchange of Class B Units		341,805	1,213	(341,805)	(1,213)	—
Issuance of Class A Units on exercise of warrants, options, and restricted stock		3,898,645	12,200	—	—	12,200
Shares issued for acquisitions		1,220,185	4,955	—	—	—
Foreign currency translation adjustment		—	—	—	301	301
Income for the period		—	198,778	—	485,346	684,124
Balance at June 30, 2021		96,709,142	\$ 608,626	222,564,129	\$ 888,773	\$ 1,492,444
Balance at December 31, 2021		101,550,494	\$ 941,397	228,110,373	\$ 1,656,954	\$ 2,598,351
Equity based compensation	15	—	17,492	—	36,695	54,187
Distributions	15	—	(43,463)	—	(93,691)	(137,154)
Exchange of Class B Units		8,951,763	68,164	(8,951,763)	(68,164)	—
Cancellation of Class A Units	15	(3,542,717)	(19,560)	—	—	(19,560)
Issuance of Class A Units on exercise of warrants, options and restricted stock	15	2,531,592	4,259	—	—	4,259
Other		—	(151)	—	(622)	(773)
Loss for the period		—	(219,725)	—	(446,184)	(665,909)
Balance at June 30, 2022		109,491,132	\$ 748,413	219,158,610	\$ 1,084,988	\$ 1,833,401

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

Galaxy Digital Holdings LP

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

	Six months ended June 30, 2022	Six months ended June 30, 2021
Operating activities		
Net income (loss) for the period	\$ (665,909)	\$ 675,068
Adjustments for:		
Provision for credit losses	10,123	—
Depreciation	6,811	1,387
Amortization of intangible assets	33	6
Equity based compensation	53,896	20,647
Equity based compensation included in directors fees	291	386
Interest expense	24,874	32,260
Income from lending	(24,690)	(25,368)
Net realized gain on digital assets	(123,844)	(568,179)
Net realized gain on investments	(72,929)	(192,501)
Net derivative loss	(161,996)	(73,276)
Net unrealized loss on digital assets	733,643	132,705
Net unrealized (gain) loss on investments	333,019	(223,334)
Net gain on notes payable - derivative	(57,597)	—
Revaluation of warrant liability	(19,698)	34,154
Notes interest expense	14,610	—
(Gain) loss attributable to non-controlling interests liability	(114,017)	75,007
Net deferred tax expense	(32,642)	—
Unrealized foreign currency (gain) loss	1,856	(2,150)
Changes in operating assets and liabilities:		
Net digital asset activity	224,312	165,784
Investments sold short	19,601	1,518
Receivables	(204)	(6,672)
Digital Assets receivable - cash portion	(4,305)	—
Loans receivable, net of repayment	59,042	(101,964)
Due from related party	44,736	(1,579)
Derivative assets and liabilities	194,242	54,869
Prepaid expenses and other assets	(39,033)	(33,528)
Payable to customers	495	150,829
Payable for taxes	(8,013)	—
Due from broker	(30,312)	4,302
Collateral payable - cash portion	65,826	9,250
Accounts payable and accrued liabilities	(71,901)	104,317
Net cash provided by operating activities	360,320	233,938
Investing activities		
Purchase of property and equipment	(101,356)	(3,121)
Purchase of investments	(111,436)	(155,132)
Proceeds and distributions from investments	139,948	197,148
Cash paid on acquisitions	—	(3,863)
Cash assumed on acquisitions	—	289

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

Net cash provided by (used in) investing activities	(72,844)	35,321
Financing activities		
Cash paid for principal portion of lease liability	(1,623)	(484)
Proceeds from loans payable	180,354	17,000
Repayment of loans payable	(107,860)	—
Notes payable	(7,500)	—
Proceeds from stock option and warrant exercise	4,093	7,309
Receipts from non-controlling interests liability holders	15,790	244,188
Disbursements to non-controlling interests liability holders	(10,875)	(241,848)
Distributions	(137,154)	(23,425)
Cancellation of Class A Units	(19,447)	—
Net cash provided by (used in) financing activities	(84,222)	2,740
Impact of exchange rate change on cash and other	(488)	301
Net increase in cash	202,766	272,300
Cash, beginning of period	811,129	137,951
Cash, end of period	\$ 1,013,895	\$ 410,251
Supplemental disclosure of cash flow information and non-cash investing and financing activities:		
Cash paid during the period for:		
Interest	\$ 5,713	\$ 3,663
Taxes	\$ 15,839	\$ —
Non-cash activities:		
Receivable for digital asset trades	\$ 17,632	\$ 98
Digital asset receivable - transfers	\$ 10,262	\$ —
Purchases of digital assets receivable in digital assets	\$ 35,720	\$ —
Digital assets loans receivable	\$ 112,680	\$ 66,610
Assets posted as collateral	\$ 17,166	\$ 25,608
Payable for digital asset trades	\$ 4,278	\$ 20,895
Digital asset loans payable	\$ 479,905	\$ 365,224
Collateral payable	\$ 356,299	\$ 143,917
Interest paid in digital assets	\$ 19,732	\$ 25,174
Interest received in digital assets	\$ 7,080	\$ 14,221
Total value of exercised warrants	\$ 165	\$ 12,200
Reclassification between investments and digital assets	\$ 5,810	\$ 450
Purchase of investments paid in digital assets	\$ 950	\$ 10,401
Proceeds from investment received as digital assets	\$ —	\$ 45,700
In-kind receipts from non-controlling interests liability holders	\$ 2,954	\$ 1,781
In-kind disbursements from non-controlling interests liability holders	\$ 5,318	\$ 10,061
Shares issued for acquisitions	\$ —	\$ 4,955
Deferred cash payment for acquisition	\$ —	\$ 1,575
Net assets acquired for acquisition	\$ —	\$ 342

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

Galaxy Digital Holdings LP

Notes to the Condensed Consolidated Interim Financial Statements
For the Six months ended June 30, 2022 and 2021
(Expressed in US Dollars - unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

Galaxy Digital Holdings LP ("GDH LP" and together with its consolidated subsidiaries, the "Partnership") is a Cayman Islands exempted limited partnership formed on May 11, 2018. The Partnership's principal address is 300 Vesey Street, New York, New York, 10282.

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

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

General Partner

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

Financial Statements

These condensed consolidated interim financial statements are prepared on a going concern basis which assumes that the Partnership will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Partnership are dependent upon generating sufficient cash flow and/or obtaining necessary financing to meet its commitments as they come due and to continue building a diversified financial services and investment management business in the cryptocurrency and blockchain sectors. At June 30, 2022, the Partnership had cash of \$1.0 billion (December 31, 2021 - \$811.1 million) and partners' capital of \$1.8 billion (December 31, 2021 - \$2.6 billion). Management estimates that the Partnership has sufficient financial resources to maintain its operations and activities for the upcoming year.

2. BASIS OF PRESENTATION

Statement of Compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the December 31, 2021 audited consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with GDH LP's audited consolidated financial statements for the year ended December 31, 2021.

Comparative Figures

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

Basis of Measurement

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

Basis of Consolidation

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

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Allocation of income and/ or loss

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

Use of estimates and judgments

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

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

Significant judgments in applying accounting policies

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

Digital assets

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

Income from digital asset mining

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

Valuation techniques

The fair values of all investments are measured using the market or income approaches (Note 22). The determination of fair value requires significant judgment by the Partnership. The Partnership maintains a valuation policy which requires an appointed Valuation Committee (the "VC"), which is composed of employees of the Partnership, to act in good faith to fair value its investments on a quarterly basis, consistent with fair value accounting guidance in accordance with IFRS 13, *Fair Value Measurement*.

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

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 June 30, 2022 and December 31, 2021, the Partnership had greater than 20% ownership in certain of its underlying investments and board representation in other investments. The Partnership elected the Fair Value Through Profit and Loss option for investments for which it was concluded that it had

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significant influence under IAS 28, and records changes in fair value on its condensed consolidated interim statements of comprehensive income (loss).

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 June 30, 2022 and December 31, 2021, after completing an analysis under IFRS 10, the Partnership has determined it has control of Galaxy Crypto Index Fund, L.P., Galaxy Crypto Index Master Fund, L.P., Galaxy Ethereum Fund L.P., Galaxy Institutional Ethereum Master Fund, L.P., Galaxy Institutional Ethereum Fund, L.P., Galaxy Bitcoin Liquidity Fund, LP, Galaxy DeFi Index Fund, Galaxy Institutional Solana Fund, LP and Galaxy Institutional Solana Master Fund, LP (Note 16).

Deferred income taxes

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

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

Key sources of estimation uncertainty

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

Digital assets and investments - valuation

Although many of the Partnership’s digital assets are traded in active markets and are valued based upon quoted prices (less costs to sell), a portion of such digital assets, as well as the majority of the Partnership’s investments, are not actively traded and are valued based upon quoted prices for similar assets or based upon unobservable inputs (Note 22). These valuations require the Partnership to make significant estimates and assumptions.

Digital assets are generally considered to be commodities or similar to commodities and are treated as inventory for financial reporting purposes. 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;

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- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the combined contract is not held for trading or designated at fair value through profit or loss.

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

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

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

Estimated useful lives of property and equipment

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

Valuation of equity based compensation

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

Valuation of warrant liability

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

Valuation and economic recoverability of goodwill and intangible assets

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

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Income taxes

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

COVID-19

In March 2020, the World Health Organization declared COVID-19 (Coronavirus) a global pandemic. The Partnership has evaluated the potential impacts arising from COVID-19 on all aspects of its business and, to date, the Partnership has not been uniquely impacted by COVID-19. Given the pandemic's uncertainty, including the possibility of new and more virulent strains of the virus it is not possible to predict the duration or magnitude of the adverse results of the outbreak and its effect on the Partnership at this time.

3. SIGNIFICANT ACCOUNTING POLICIES

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

4. NEW ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

The Partnership did not adopt any new accounting standards during the quarter ended June 30, 2022. Refer to Note 3 for the Partnership's accounting policies.

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

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

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

5. KEY TERMS OF LIMITED PARTNERSHIP AGREEMENT

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

6. DIGITAL ASSETS

The Partnership's digital assets are primarily traded in active markets and are purchased with the intent to resell in the near future, generating a profit from the fluctuations in prices or margins. As a result, the Partnership has determined that its holdings of cryptocurrency, both restricted and unrestricted, are considered to be digital assets and, as a result, are accounted for 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 June 30, 2022 and December 31, 2021:

(in thousands)	June 30, 2022	December 31, 2021
Digital assets:		
Unrestricted ⁽¹⁾	\$ 854,972	\$ 2,416,633
Restricted	20,096	4,144
Total	\$ 875,068	\$ 2,420,777

⁽¹⁾ The digital asset balance as of June 30, 2022 and December 31, 2021 includes \$99.2 million and \$288.5 million, respectively, of digital assets held in consolidated funds managed by the Partnership.

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

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

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

During the periods ended June 30, 2022 and 2021, the Partnership engaged in several trading strategies with respect to its digital assets, including cross-exchange arbitrage as well as market neutral trading strategies across a variety of crypto assets and exchanges. Realized gains and losses associated with these strategies are recognized in profit or loss.

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

Receivable and payable for digital asset trades

As of June 30, 2022 and December 31, 2021, there were a number of unsettled trades. The amounts receivable and payable were \$26.0 million (December 31, 2021 - \$8.3 million) and \$17.5 million (December 31, 2021 - \$13.2 million), respectively. These trades settled shortly after period end.

Digital assets receivables

Digital assets receivables relate to certain digital assets that are yet to be distributed to the Partnership as of the end of the period and which are expected to be distributed over time according to a release schedule (generally via a token sale agreement). As the digital assets are received by the Partnership, they will be reclassified from digital assets receivable to digital assets. The unrealized gains or losses on the digital assets receivables are recognized in net unrealized gain (loss) on digital assets. As at June 30, 2022, the Partnership had \$17.3 million (December 31, 2021 - \$53.0 million) in short-term digital assets receivables and \$6.1 million (December 31, 2021 - \$18.7 million) in long-term digital assets receivables.

7. DIGITAL ASSET LOANS RECEIVABLE AND PAYABLE

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

Digital asset loans receivable

During the period ended June 30, 2022, the Partnership loaned select cryptocurrencies to borrowers at annual rates predominantly ranging from 3% to 16%. 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 majority of the loans are collateralized for over 100% of the loan value in either US dollars or select cryptocurrencies.

The Partnership performs regular analysis over the recoverability of its digital asset loans receivable and recognizes loss allowances for Expected Credit Loss ("ECL") on digital asset loans that meet the definition of financial assets. The allowance represents the expected credit losses over the life of digital asset loans and is presented net of Digital asset loans receivable in the condensed consolidated interim statements of financial position. The majority of the Partnership's digital asset loans receivable are open term and callable on demand. In determining the expected future cash flows, the Partnership considers the type, amount, and relative liquidity of the collaterals held. As of June 30, 2022, the Partnership had a digital asset loans receivable balance of \$69.9 million (December 31, 2021 - \$192.7 million), net of an allowance of \$10.1 million (December 31,

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2021 - \$0). The Partnership recorded an allowance against specific digital asset loans receivable where the borrower is in financial distress. The allowance is estimated based on the fair value of the collateral held.

Under the terms of the master loan agreements, the Partnership is entitled to use ("rehypothecate") designated cash and cryptocurrency collateral in its business. Collateral, where the Partnership has a right to rehypothecate the assets, is reflected in the Partnership's cash and digital asset balances with a corresponding entry to collateral payable on the statement of financial position. As of June 30, 2022, borrowers posted cash collateral of \$39.8 million (December 31, 2021 - \$9.8 million) and cryptocurrency collateral of \$25.7 million (December 31, 2021 - \$202.3 million), where the Partnership had a right to rehypothecate the assets. In contrast, collateral posted by borrowers, where the Partnership does not have a right to rehypothecate the assets, has no impact on the Partnership's statement of financial position as the Partnership is not entitled to utilize the posted amounts unless there is an event of default. There was no such digital asset collateral posted as of June 30, 2022 or December 31, 2021.

Digital asset loans payable

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

(in thousands)	June 30, 2022	December 31, 2021
Master loan agreements	\$ 268,224	\$ 843,872
Credit facility from exchange	156,884	61,141
Total	\$ 425,108	\$ 905,013

Master loan agreements

During the period ended June 30, 2022, the Partnership entered into master loan agreements with lenders and counterparties to borrow select cryptocurrencies at annual rates of interest predominantly ranging from 1% to 15%. For most of the loans, there is no set term of repayment and the Partnership can prepay the loans without penalty. In addition, the lenders can generally demand the repayment of the loans at any time by providing between five to twenty business days' notice.

As of June 30, 2022, the Partnership posted cash and cryptocurrency collateral of \$6.6 million (December 31, 2021 - \$45.0 million) for digital asset loans payable which is reflected as Assets posted as collateral on the statement of financial position.

Credit facility from exchange

The Partnership has entered into credit facilities with certain exchanges and uses credit facilities provided within exchange accounts to conduct trading activity. In accordance with the policy of the exchange, 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 June 30, 2022 was \$0.9 million (December 31, 2021 - \$2.2 million) in cash and \$156.9 million (December 31, 2021 - \$61.1 million) in digital assets.

8. FIAT CURRENCY LOANS RECEIVABLE AND PAYABLE

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

Fiat currency loans receivable

During the period ended June 30, 2022, the Partnership loaned fiat currencies to borrowers at annual rates predominantly ranging from 5% to 15%. For most of the loans, there is no set term and the borrower can prepay without penalty. The borrower is generally required to post collateral over 100% of the loan value in select cryptocurrencies.

As of June 30, 2022, the Partnership had a Loans receivable balance of \$131.0 million (December 31, 2021 - \$190.1 million) for which respective borrowers had posted cryptocurrency collateral of \$61.9 million (December 31, 2021 - \$242.2 million) and cash collateral of \$35.4 million, where the Partnership had a right to rehypothecate the assets, and \$50.9 million of cryptocurrency collateral (December 31, 2021 - \$87.5 million), where the Partnership did not have a right to rehypothecate the assets.

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During 2021, the Partnership entered into revolving credit agreements with counterparties to extend fiat currency or digital asset loans. As of June 30, 2022, the maximum value of these revolving credit agreements was \$342.5 million (December 31, 2021 - \$157.5 million). These arrangements have a stated monthly interest rate regardless of credit extended. As of June 30, 2022, \$38.2 million (December 31, 2021 - \$60.0 million) in fiat currency had been borrowed by counterparties under these credit agreements.

Fiat currency loans payable

During the period ended June 30, 2022, the Partnership borrowed fiat currencies from lenders at annual rates predominantly ranging from 4% to 5%. For the majority of these loans, there is no set repayment term and the Partnership can prepay without penalty. As of June 30, 2022, the Partnership had loans payable of \$105.8 million (December 31, 2021 - \$33.3 million) for which the Partnership posted cryptocurrency collateral of \$81.9 million (December 31, 2021 - \$26.4 million).

9. DERIVATIVES ASSETS AND LIABILITIES

For the three and six months ended June 30, 2022, the Partnership recognized \$80.0 million (June 30, 2021 - \$118.5 million) and \$162.0 million (June 30, 2021 - \$73.3 million), respectively, of net derivative gain (loss). The net gains for the three and six months ended June 30, 2022 were due to positioning, economic hedging and as part of a trading strategy. The Company held \$24.3 million of collateral posted by counterparties at the period ended June 30, 2022 (December 31, 2021 - \$20.3 million), related to derivative activity, and the collateral was included in Collateral payable. The embedded derivative associated with the Exchangeable Notes are presented within Notes payable on the Partnership's condensed consolidated interim statements of financial position (Note 15).

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

June 30, 2022

(in thousands)	Notional	Gross Fair Value - Derivative Assets	Gross Fair Value - Derivative Liabilities
Digital Currency Futures	\$ 18,798	\$ 168	\$ (529)
Digital Currency Forwards	27,841	5,759	(2,692)
Digital Currency Options	884,307	15,021	(24,661)
Digital Currency Swaps	23,681	505	(2,336)
Foreign Currency Swaps	95,520	230	(3,114)
Foreign Currency Forwards	545,137	—	(1,008)
Exchanged Traded Treasury Futures ⁽¹⁾	162,983	1	(488)
Exchanged Traded Index Futures ⁽¹⁾	97,390	2,318	—
Exchange Traded Digital Currency Options ⁽¹⁾	2,283	1,458	(903)
Exchange Traded Digital Currency Futures ⁽¹⁾	190,216	—	(3,598)
Interest rate options	30,000	4,250	(2,525)
Total	\$ 2,078,156	\$ 29,710	\$ (41,854)

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

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December 31, 2021

(in thousands)	Notional	Gross Fair Value - Derivative Assets	Gross Fair Value - Derivative Liabilities
Digital Currency Futures	\$ 1,630	\$ —	\$ —
Digital Currency Forwards	4,637	—	(4,378)
Digital Currency Options	1,818,720	39,574	(9,166)
Digital Currency Swaps	44,876	1	—
Treasury Futures	1,682,238	—	(4,542)
Foreign Currency Swaps	13,206	59	(65)
Index Futures	94,965	—	(4,920)
Exchange Traded Digital Currency Options ⁽¹⁾	53,302	6,035	(194)
Exchange Traded Digital Currency Futures ⁽¹⁾	43,851	—	(2,302)
Total	\$ 3,757,425	\$ 45,669	\$ (25,567)

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

The Partnership's derivative portfolio disclosed above, collectively had a maturity date of less than a year as of June 30, 2022. As of June 30, 2022, in connection with the open digital currency options, counterparties had posted cash collateral of \$15.4 million (December 31, 2021 - \$6.2 million) and cryptocurrency collateral of \$8.9 million (December 31, 2021 - \$14.2 million), where the Partnership had a right to rehypothecate the assets.

10. INVESTMENTS

Investments

The Partnership's holdings of investments generally are not traded in active markets. Investments are accounted for as financial assets which are initially recognized at fair value and subsequently measured at fair value through unrealized profit or loss. Below are the Partnership's investments as of June 30, 2022 and December 31, 2021:

(in thousands)	June 30, 2022	December 31, 2021
Common stock	\$ 147,393	\$ 271,293
Convertible notes	9,773	9,768
LP/LLC interests	287,553	383,280
Pre-Launch network	5,009	6,393
Preferred stock	304,184	382,182
Warrants/Trust units/Trust shares	35	16,860
Total	\$ 753,947	\$ 1,069,776

Common Stock: Class of ownership in a corporation that entitles the holders to a claim on the assets and future earnings of the corporation, as well as certain voting and governance rights over the operations of the corporation.

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

Limited Partnership / Limited Liability Company Interests: Class of ownership in a limited partnership or limited liability company that entitles the holders to a claim on the assets and future earnings of the limited partnership or limited liability company, as well as certain voting or governance rights over the operations of the limited partnership or limited liability company.

Pre-Launch network: Contributions made to companies or start-up blockchain projects, typically documented via a SAFE-T, that entitles the holder to receive cryptocurrency at a future date once the related company or project has completed its token generated event or network launch.

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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.

Continuity schedule of investments

The below table shows components of the change in investments for the period ended June 30, 2022 and year ended December 31, 2021:

(in thousands)	Investments
Balance as at December 31, 2020	\$ 260,383
Purchases	340,472
Proceeds and distributions from investments ⁽¹⁾	(301,968)
Deconsolidation	(6,842)
Transfer to digital assets	(2,500)
Net realized gain on investments	235,622
Net unrealized gain on investments	540,516
Other ⁽²⁾	4,093
Balance as at December 31, 2021	1,069,776
Purchases	112,385
Proceeds and distributions from investments ⁽¹⁾	(139,948)
Transfer to digital assets	(5,810)
Net realized gain on investments	72,114
Net unrealized loss on investments	(354,578)
Other ⁽²⁾	8
Balance as at June 30, 2022	\$ 753,947

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

⁽²⁾ Other for the period ended June 30, 2022 includes capitalized interest on convertible notes. Other for the year ended December 31, 2021 includes capitalized interest on convertible notes and stock received upon acquisition of an investment.

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

Investments sold short

Investments sold short are accounted for as financial liabilities, which are both initially recognized and then subsequently measured at fair value through unrealized profit or loss. The fair value of the Partnership's investments sold short as of June 30, 2022 was \$8.9 million (December 31, 2021 - \$11.6 million). The unrealized gain on the Partnership's investments sold short for the three and six months ended June 30, 2022 was \$21.1 million and \$21.5 million, respectively (June 30, 2021 - unrealized gain of \$4.4 million and unrealized loss of \$1.3 million, respectively).

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

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recognized unrealized gain or loss on an investment sold short during the period. The realized gain of the Partnership's investments sold short for the three and six months ended June 30, 2022 was \$0.7 million and \$0.8 million, respectively (June 30, 2021 - realized loss of \$1.9 million and \$3.5 million, respectively).

11. RECEIVABLES

The following table represents the Partnership's receivables balance as of June 30, 2022 and December 31, 2021:

(in thousands)	June 30, 2022	December 31, 2021
Interest receivable	\$ 321	\$ 2,786
Receivables from investments sold	35,261	18,251
Other ⁽¹⁾	7,096	5,628
Total	\$ 42,678	\$ 26,665

⁽¹⁾ Includes receivables related to mining and advisory activities.

12. PREPAID EXPENSES AND OTHER ASSETS

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

(in thousands)	June 30, 2022	December 31, 2021
Prepaid rent and security deposits	\$ 1,312	\$ 845
Prepaid insurance	3,130	2,258
Prepaid mining expenses	51,428	16,616
Other ⁽¹⁾	8,932	6,049
Total	\$ 64,802	\$ 25,768

⁽¹⁾ Includes \$2.5 million (December 31, 2021 - \$1.4 million) in license and subscription fee prepayments and \$3.6 million (December 31, 2021 - \$3.6 million) of prepaid taxes.

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13. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

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

(in thousands)	Furniture, Fixtures & Office Equipment	Computer Equipment	Mining Equipment	Leaseholds Improvements	WIP / Construction in Progress ⁽²⁾	Total Property and Equipment
Balance as of December 31, 2020	\$ 473	\$ 505	\$ —	\$ 2,715	\$ —	\$ 3,693
Additions	—	797	—	—	59,092	59,889
Depreciation	(62)	(258)	(1,685)	(362)	—	(2,367)
Transfers			17,151		(17,151)	—
Impairment ⁽¹⁾	(411)	(264)	—	(2,353)	—	(3,028)
Balance as of December 31, 2021	\$ —	\$ 780	\$ 15,466	\$ —	\$ 41,941	\$ 58,187
Additions	726	648	—	—	99,982	101,356
Depreciation	(20)	(171)	(5,134)	—	—	(5,325)
Transfers	—		31,300		(31,300)	—
Balance as of June 30, 2022	\$ 706	\$ 1,257	\$ 41,632	\$ —	\$ 110,623	\$ 154,218

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

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

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

(in thousands)	June 30, 2022	December 31, 2021
Furniture, fixtures & office equipment	\$ 1,350	\$ 624
Computer equipment	2,232	1,584
Mining equipment	48,450	17,151
Leaseholds improvements	3,499	3,499
WIP / Construction in progress	110,623	41,941
Property and equipment, gross	\$ 166,154	\$ 64,799
Less: Accumulated depreciation	(8,908)	(3,584)
Less: Impairment	(3,028)	(3,028)
Property and equipment, net	\$ 154,218	\$ 58,187

Goodwill

As of June 30, 2022 and December 31, 2021, the Partnership's Goodwill balance was \$24.6 million. Goodwill of \$15.5 million and \$9.1 million was allocated to the Trading and Asset management segments, respectively, attributable to prior acquisitions. No impairment on goodwill was recorded for the period ended June 30, 2022 and 2021.

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Intangible and Right of use assets

The following table represents activity within the Partnership's intangible and right of use assets for the periods ended June 30, 2022 and December 31, 2021:

(in thousands)	Software Technology ⁽¹⁾	Indefinite-lived Intangible Asset ⁽³⁾	Total Intangible assets	Right of Use Assets
Balance as of December 31, 2020	\$ 2,406	\$ —	\$ 2,406	\$ 4,573
Additions	332	1,761	2,093	12,489
Amortization	(1,412)	—	(1,412)	(1,353)
Impairment ⁽²⁾	—	—	—	(1,565)
Lease liability reduction	—	—	—	(2,398)
Balance as of December 31, 2021	\$ 1,326	\$ 1,761	\$ 3,087	\$ 11,746
Amortization	(627)	—	(627)	(892)
Balance as of June 30, 2022	\$ 699	\$ 1,761	\$ 2,460	\$ 10,854

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

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

⁽³⁾ Represents website domain name purchased in 2021.

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

(in thousands)	June 30, 2022	December 31, 2021
Software technology	\$ 2,738	\$ 2,738
Indefinite-lived intangible asset	1,761	1,761
Intangible assets, gross	\$ 4,499	\$ 4,499
Less: Accumulated amortization	(2,039)	(1,412)
Intangible assets, net	\$ 2,460	\$ 3,087

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

(in thousands)	June 30, 2022	December 31, 2021
Right of use assets, gross	\$ 18,221	\$ 18,221
Less: Accumulated amortization	(3,404)	(2,512)
Less: Impairment	(1,565)	(1,565)
Less: Lease liability reduction	(2,398)	(2,398)
Right of use assets, net	\$ 10,854	\$ 11,746

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14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

(in thousands)	June 30, 2022	December 31, 2021
Compensation and compensation related	\$ 29,360	\$ 62,143
Interest	608	8,055
Professional fees	19,136	17,925
Profit share arrangement	—	16,568
Payable for investment purchased	1,000	1,500
Accrued transaction fees	12,000	21,775
Accounts payable	4,922	4,509
Deferred revenue	2,394	25
Other	9,408	13,743
	<u>\$ 78,828</u>	<u>\$ 146,243</u>

Payables to Customers

During the year ended December 31, 2021, the Partnership commenced its prime brokerage business. As of June 30, 2022, there was \$142.9 million, including accrued interest, due to customers for prime brokerage (December 31, 2021 - \$142.4 million). The corresponding fiat currency and loan agreements are not restricted on the statements of financial position as the Partnership has the full right to rehypothecate the funds at any time.

15. EQUITY

Issued Partnership Capital

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

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

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

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

Private Investment in Public Equity ("PIPE")

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

Under the terms of the LPA, the Partnership will issue a Class A Unit for each GDH Ltd. common share issued and any liability associated with the warrant will be pushed down to the Partnership. On initial recognition, the warrants were valued at \$6.5 million and were recorded as a derivative financial liability as these warrants are exercisable in Canadian dollars, differing from the Partnership's functional currency. As at June 30, 2022 the value of the warrant liability was \$0.6 million (December 31, 2021 - \$20.5 million) and the gain recognized in the statement of comprehensive income for the three and six months ended

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June 30, 2022 was \$17.2 million and \$19.7 million, respectively (June 30, 2021 - \$2.7 million gain and \$34.2 million loss, respectively).

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 June 30, 2022 and December 31, 2021 are included in Note 22. These are the only warrants outstanding in GDH Ltd. During the period ended June 30, 2022, 23,838 of the warrants were exercised at an exercise price of C\$8.25. At June 30, 2022, there were 1,623,718 warrants outstanding and exercisable (December 31, 2021 - 1,647,556).

Exchangeable Notes

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

The Partnership determined that the conversion feature represented a derivative financial instrument embedded in the "Debenture". The accounting treatment of derivative financial instruments requires that the Partnership record the fair value of that derivative financial instrument as a discount to the value of the Debentures as of the inception date. Accordingly, the Partnership recorded an aggregate initial discount of \$71.0 million for the fair value of the derivative liability at inception of the convertible debentures. The Exchangeable Notes and the associated derivative liability are shown as Notes payable in the Partnership's condensed consolidated interim statements of financial position. As of June 30, 2022 the total amount for Notes payable was \$424.8 million (December 31, 2021 - \$475.3 million) and the gain/loss recognized in the Company's condensed consolidated interim statements of comprehensive income (loss) for the three and six months ended June 30, 2022 was \$51.1 million and \$57.6 million, respectively

On initial recognition, debt issuance costs of \$13.4 million were recognized as a deferred asset and are being amortized over the term of the debt. The interest expense from the Exchangeable Notes for the three and six months ended June 30, 2022 was \$7.3 million and \$14.6 million, respectively.

Issued Capital

Class A Units

During the period ended June 30, 2022, the Partnership issued 11,483,355 (June 30, 2021 - 5,460,635) Class A Units to GDH Ltd. on exchange of Class B Units, on exercise of stock options and restricted stock unit vesting. The partnership withheld 130,915 ordinary shares for withholding obligation, which were subsequently cancelled.

Ordinary share repurchase

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

GDH Ltd. began repurchasing shares on May 18, 2022. As of June 30, 2022, GDH Ltd. repurchased a total of 3,393,052 shares for a total cost of \$19.4 million. All repurchased shares of GDH Ltd. and the equivalent number of Class A Units in the Partnership were cancelled.

As of August 5th, 2022, GDH Ltd repurchased a total of 4,092,952 shares for a total cost of \$21.6 million.

Class B Units

During the period ended June 30, 2022, 8,951,763 Class B Units (June 30, 2021 - 341,805) were exchanged for ordinary shares of GDH Ltd.

As of June 30, 2022, there were 109,491,132 (December 31, 2021 - 101,550,494) Class A Units and 219,158,610 (December 31, 2021 - 228,110,373) Class B Units outstanding. The change during the quarter and six months ended June 30, 2022 was due to exchanges of Class B Units for common shares of GDH Ltd. (and into Class A Units of GDH LP), issuance of Class A Units as a result of the exercise of some of the PIPE warrants, stock options and restricted stock units vesting, and repurchase of ordinary shares.

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Distributions

During the period ended June 30, 2022, the General Partner made pro-rata tax distributions of \$137.2 million (June 2021: \$23.4 million). Certain of the recipients of the distributions are related parties (Note 20).

Equity Based Compensation

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

(in thousands)	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Stock options	\$ 9,187	\$ 6,913	\$ 15,777	\$ 12,647
Restricted Units ⁽¹⁾	21,713	5,767	37,655	6,134
Compensatory Class B Unit awards:				
Standard Units	—	—	—	—
Profit Interest Units	234	868	464	1,755
Stock options awarded to directors:				
Included in equity based compensation	—	—	—	111
	31,134	13,548	53,896	20,647
Stock options awarded to directors included in director fees	133	178	291	386
Total ⁽²⁾	\$ 31,267	\$ 13,726	\$ 54,187	\$ 21,033

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

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

Compensatory Class B Unit Awards and Stock Option Plan

The Partnership has awarded Class B Unit awards and stock options (equity instruments) to eligible officers and employees.

Compensatory Class B Unit Awards

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

- Standard Units - 19,068 of the Standard Units vested 100% on December 15, 2020. The fair value was recognized in 2020.
- Profit Interest Units - 355,932 of the Profit Interest Units vested on December 15, 2020, 15,226 vested on December 1, 2021, 390,226 vest on December 1, 2022, 185,255 vest on December 1, 2023 and 15,226 vest on December 1, 2024. Once a Profit Interest Unit has vested and has been fully "caught up", such Profit Interest Unit may be exchanged for one share of GDH Ltd. for no additional consideration. The fair value of the Profit Interest Units granted was \$3.5 million (or approximately \$3.8325 per Profit Interest Unit). The fair value of the Profit Interest Units was estimated using the probability-weighted expected return method. In applying this method, a payoff was determined for a Profit Interest Unit under three potential scenarios, each payoff was weighted by an estimated probability of the corresponding scenario, and then the probability-weighted payoffs were discounted to the date of grant and summed. The scenarios, probabilities, and other inputs into the model consider, among other things, the results of a one-period trinomial model, the results of a standard Black-Scholes option pricing model under different assumptions, and the estimated fair value of a common share of GDH Ltd. The scenarios probability ranged from 5% to 65%, the annual discount rate used was 0.50%, the term used was 5.04 years, and the share price used ranged from C\$0 to C\$100. The number of Profit Interest Units expected to vest ranged from 90% to 100%.

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

Description	Class B Units
Balance, December 31, 2020	15,251,886
Exchanged	(326,090)
Forfeited	(35,593)
Balance, December 31, 2021	14,890,203
Exchanged	(321,763)
Forfeited	—
Balance, June 30, 2022	14,568,440
Class B Units exercisable, June 30, 2022	13,977,733
Class B Units exercisable, December 31, 2021	14,299,496

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

Equity Plan

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

Long Term Incentive Plan

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

Non-Treasury Plan

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

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

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

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

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

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

The following table summarizes the activity related to the stock options during the three months ended June 30, 2022 and for the year ended December 31, 2021:

Description	Number of Options	Weighted Average Exercise Price (C\$)
Balance, December 31, 2020	31,565,634	4.03
Granted	5,025,000	24.25
Exercised	(5,293,963)	2.86
Forfeited	(883,326)	1.77
Balance, December 31, 2021	<u>30,413,345</u>	7.64
Granted	1,565,000	19.63
Exercised	(1,596,808)	2.91
Forfeited	(458,333)	13.05
Balance, June 30, 2022	<u>29,923,204</u>	8.44
Options exercisable as of June 30, 2022	10,753,629	
Options exercisable as of December 31, 2021	8,702,604	

The weighted average fair value for stock options granted during the six months ended June 30, 2022 was \$10.80 per option (December 31, 2021 - \$13.59 per option). There were 1,596,808 options exercised during the six months ended June 30, 2022. There were 5,293,963 options exercised for the year ended December 31, 2021. For stock options outstanding as of June 30, 2022, the weighted average remaining contractual life is 3.08 years (December 31, 2021 - 3.43 years).

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

Grant Date	Number Outstanding	Number Exercisable	Exercise Price (C\$)	Expiry Date
Employees and Officers:				
July 31, 2018	4,508,452	4,508,452	3.00	July 23, 2023
June 25, 2019	1,694,700	1,192,200	2.15	June 25, 2024
April 9, 2020	3,004,852	1,826,527	1.35 - 1.85	April 9, 2025
June 25, 2020	750,000	750,000	1.39	June 25, 2025
November 16, 2020	5,638,400	415,900	5.65	November 16, 2025
December 3, 2020	7,384,300	1,759,300	6.21	December 3, 2025
December 8, 2020	452,500	111,250	6.00	December 8, 2025
December 21, 2020	100,000	25,000	8.02	December 21, 2025
May 27, 2021	3,525,000	165,000	23.12 - 25	May 27, 2026
August 17, 2021	300,000	—	22.27 - 35	August 17, 2026
September 29, 2021	400,000	—	20.00	September 29, 2026
December 1, 2021	550,000	—	30.76	December 1, 2026
December 8, 2021	50,000	—	25.69	December 8, 2026
April 1, 2022	1,315,000	—	21.3 - 23.00	April 1, 2027
May 11, 2022	200,000	—	10.52	May 11, 2027
June 30, 2022	50,000	—	5.39	June 30, 2027
Total	29,923,204	10,753,629		

Under certain circumstances, the options may be settled by cash payments at the election of the Partnership. However, as the Partnership does not have a present obligation to settle in cash, the stock options are accounted for as equity settled awards.

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

Description	Number of Units ⁽¹⁾	Fair value per unit (C\$)
Balance, December 31, 2020	—	—
Granted	8,038,345	23.31
Vested	—	—
Forfeited	(204,686)	23.04
Balance, December 31, 2021	7,833,659	23.32
Granted	6,304,790	18.87
Vested	(910,402)	22.4
Forfeited / Cancelled	(219,168)	21.12
Balance, June 30, 2022	13,008,879	21.26
Units vested as of June 30, 2022		
Units vested as of December 31, 2021	—	

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

During the six months ended June 30, 2022, the Partnership granted 753,805 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 \$9.7 million at grant date. The outstanding liability related to cash settled units as of June 30, 2022 was \$1.3 million.

Net Income (Loss) per Unit

June 30, 2022

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

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

	Total Class A and Class B Unitholders
Basic loss per unit	\$ (1.69)
Diluted loss per unit	(1.74)
Net loss used in the calculation of basic loss per unit	(554,701)
Net loss used in the calculation of diluted loss per unit	(571,378)
Weighted average number of units for the purposes of basic loss per unit	328,899,160
Weighted average number of units for the purposes of diluted loss per unit	329,139,528

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

	Total Class A and Class B Unitholders
Basic loss per unit	\$ (2.03)
Diluted loss per unit	(2.08)
Net loss used in the calculation of basic loss per unit	(665,909)
Net loss used in the calculation of diluted loss per unit	(685,195)
Weighted average number of units for the purposes of basic loss per unit	328,316,833
Weighted average number of units for the purposes of diluted loss per unit	328,947,139

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

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

	Three months ended June 30, 2022	Six months ended June 30, 2022
Weighted average number of units for the purposes of basic loss per unit	328,899,160	328,316,833
Diluted units:		
Compensatory Class B Unit awards	—	—
Stock options	—	—
Restricted stock	—	—
Held back shares	—	—
Warrants	240,368	630,306
Weighted average number of units for the purposes of diluted loss per unit	329,139,528	328,947,139

June 30, 2021

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

	Total Class A and Class B Unitholders
Basic loss per unit	\$ (0.56)
Diluted loss per unit	(0.56)
Net loss used in the calculation of basic and diluted loss per unit	(175,834)
Weighted average number of units for the purposes of basic loss per unit ⁽¹⁾	315,298,478
Weighted average number of units for the purposes of diluted loss per unit ⁽²⁾	315,298,478

⁽¹⁾ Exclude outstanding stock that are potentially subject to recall

⁽²⁾ Potentially dilutive Compensatory B Units awards, stock options, restricted stock, restricted stock units, and warrants were excluded from the computation of diluted loss per unit for the three months ended June 30, 2021 because their effect would have been antidilutive.

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

	Total Class A and Class B Unitholders
Basic income per unit	\$ 2.18
Diluted income per unit	1.97
Net income used in the calculation of basic and diluted income per unit	684,124
Weighted average number of units for the purposes of basic income per unit	314,535,548
Weighted average number of units for the purposes of diluted income per unit	346,562,472

For the period ended June 30, 2021, the weighted average number of total Units (Class A and Class B Units) for the purposes of diluted income per unit assumes the potential vesting of the Class B Units dilutive stock options, warrants, restricted stock and hold back shares under the GDH LP equity compensation plan.

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

	Three months ended June 30, 2021	Six months ended June 30, 2021
Weighted average number of units for the purposes of basic income per unit	315,298,478	314,535,548
Diluted units:		
Compensatory Class B Unit awards	—	6,311,120
Stock options	—	23,767,480
Restricted stock	—	952,046
Held back shares	—	144,798
Restricted stock units	—	851,480
Weighted average number of units for the purposes of diluted income per unit	315,298,478	346,562,472

16. STRUCTURED ENTITIES

Consolidated Structured entities

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

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

The Partnership had \$0 in unfunded commitments to consolidated funds as of June 30, 2022 and December 31, 2021.

Non-controlling interests liability

As of June 30, 2022, the Partnership consolidated the following funds: Galaxy Crypto Index Fund, L.P., Galaxy Crypto Index Master Fund, L.P., Galaxy Ethereum Fund L.P., Galaxy Institutional Ethereum Master Fund, L.P., Galaxy Institutional Ethereum Fund, L.P., Galaxy Bitcoin Liquidity Fund, LP, Galaxy DeFi Index Fund, Galaxy Institutional Solana Fund, LP and Galaxy Institutional Solana Master Fund, LP .

Limited partners of the consolidated investment funds may withdraw all or part of their interests in the funds on a daily, monthly or quarterly basis. In accordance with the fund limited partner agreements (the "Agreements"), the Partnership in its capacity as the General Partner may at its discretion, at any time prior to the payment of a withdrawal, suspend distributions if a

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suspension event, as defined in the Agreements, has occurred. Limited partner capital is reflected as a liability on the Statements of financial position and changes in the fair value of the limited partner interests are included with non-operating expenses on the Statements of comprehensive income (Loss).

Non-consolidated structured entities

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

Similar to the consolidated funds, the Partnership's involvement in financing operations of the funds is limited to its investment in the 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)	June 30, 2022			December 31, 2021		
	Fair Value of Investment	Unfunded Commitments	Maximum Exposure	Fair Value of Investment	Unfunded Commitments	Maximum Exposure
Non-Consolidated Sponsored Investment Funds	\$ 147,005	\$ 71,511	\$ 218,516	\$ 151,370	\$ 21,511	\$ 172,881
Other Non-Consolidated Structured Entities	89,707	12,398	102,105	206,891	12,114	219,005
Total	\$ 236,712	\$ 83,909	\$ 320,621	\$ 358,261	\$ 33,625	\$ 391,886

17. PROFESSIONAL FEES

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

(in thousands)	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Legal	\$ 3,310	\$ 5,391	\$ 8,375	\$ 8,244
Audit and related	3,379	4,177	6,377	5,064
Tax	934	885	1,154	1,225
Consulting	2,172	939	3,298	1,273
Valuations	145	135	327	287
Total	\$ 9,940	\$ 11,527	\$ 19,531	\$ 16,093

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18. GENERAL AND ADMINISTRATIVE

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

(in thousands)	Notes	Three months ended		Six months ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Technology		\$ 4,043	\$ 1,772	\$ 7,313	\$ 2,955
Depreciation and amortization	13	4,389	852	6,843	1,780
Marketing		3,377	1,053	7,517	1,616
Mining hosting fees	19	3,945	311	5,083	465
Fund administration		548	429	1,011	733
Provision for credit losses	7	10,123	—	10,123	—
Insurance		675	504	1,173	654
Directors fees	15, 20	171	178	366	386
Other		6,889	4,415	12,679	6,935
Total		\$ 34,160	\$ 9,514	\$ 52,108	\$ 15,524

For the three and six months ended June 30, 2022, the Partnership recognized GDH Ltd. reimbursable expenses of \$0.9 million and \$1.6 million (June 30, 2021 - \$1.4 million and \$2.8 million).

19. DIGITAL ASSET MINING AND MINING FINANCE

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

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

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

(in thousands)	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Income from digital asset mining	\$ 10,369	\$ 1,529	\$ 17,107	\$ 2,764
Hosting fees ⁽¹⁾	(3,945)	(311)	(5,083)	(465)
Depreciation expense ⁽¹⁾	(3,519)	(231)	(5,134)	(388)

⁽¹⁾ Included within General and administrative on the condensed consolidated interim 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. The Partnership only utilizes mining equipment to mine for Bitcoin, however, the miners are capable of mining alternate cryptocurrencies whose blockchains utilize the 256-bit secure hashing algorithm.

As part of its mining business, the Partnership enters into lease agreements with counterparties as a lessor. Income related to mining lease agreements is recognized within Income from mining on the Partnership's condensed consolidated interim

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statements of comprehensive income / (loss). For the three and six months ended June 30, 2022 and 2021, leasing income from mining equipment was composed of the following:

(in thousands)	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Operating lease	\$ 1,750	\$ 433	\$ 3,640	\$ 578
Finance lease interest income	3	13	9	19
Realized gain (loss) on finance leases	(1,175) ⁽¹⁾	186	—	541

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

20. RELATED PARTY TRANSACTIONS

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

Compensation of Key Management Personnel

Key management personnel include eleven individuals (June 30, 2021 - twelve individuals), consisting of officers and certain employees, who are considered to have decision making authority. The following table represents compensation provided to key management personnel for the three and six months ended June 30, 2022 and 2021:

(in thousands)	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Base compensation and accrued bonuses ⁽¹⁾	\$ (550)	\$ (4,792)	\$ 6,189	\$ 22,877
Benefits	111	66	234	252
Equity based compensation	9,037	6,328	16,291	11,701
Total	\$ 8,598	\$ 1,602	\$ 22,714	\$ 34,830

⁽¹⁾ As of June 30, 2022, the amount includes approximately \$4.2 million (2021 - \$20.6 million) of accrued bonuses within accounts payable and accrued liabilities.

Distributions

During the period ended June 30, 2022, the General Partner made pro-rata tax distributions of \$137.2 million (June 2021 - \$23.4 million). Certain of the recipients of the distributions are related parties.

Sublease

Galaxy Investment Partners LLC ("GIP"), which had 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, GIP also subleased a portion of the 7th floor to GDS (Note 24). During the year ended December 31, 2021, the Partnership exited the premises prior to the conclusion of the lease term. The Partnership will make payments on the lease through June 2023 (Note 24) and has an associated lease liability of \$2.0 million as of June 30, 2022 (December 31, 2021 - \$2.5 million).

Transactions with GDH Ltd

In accordance with the LPA (Note 5), the Partnership will reimburse or pay for all reimbursable expenses of GDH Ltd. For the three and six months ended June 30, 2022, the Partnership paid or accrued \$0.9 million and \$1.6 million, respectively (June 30, 2021 - \$1.4 million and \$2.8 million, respectively), on behalf of GDH Ltd., which has been included in general and administrative expenses (Note 18).

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On April 14, 2022 the Partnership entered into a Promissory Note (the "Promissory Note") with GDH Intermediate LLC ("GDHI LLC"), a subsidiary of GDH Ltd. Under the terms of the Promissory Note, the Partnership can request that GDHI LLC make advances to the Partnership from time to time, which decision is in GDHI LLC's sole and absolute discretion. As of June 30, 2022, GDHI LLC has advanced \$37.2 million to the Partnership.

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

As at June 30, 2022, the Partnership had \$23.8 million (December 31, 2021 - \$25.2 million receivable) in payables to GDH Ltd. primarily for the aforementioned Promissory note offset by receivables for warrant and stock option exercises.

Other

For a period of one year starting on January 1, 2021 (the "earnout period"), related to the acquisition of BFC, certain BFC management personnel, were entitled to receive a percentage of BFC's net profit, payable sixty days after the earnout period, if certain financial metrics were achieved. The arrangement ended on December 31, 2021. As of June 30, 2021, accounts payable and accrued expenses include \$12.2 million of such profit share compensation to the management personnel.

The Partnership's CEO serves as co-chairman of the board for another company, resulting in the Partnership and that company being related parties. As at June 30, 2022, the Partnership had an investment in the company valued at \$58.0 million (December 31, 2021 - \$121.3 million).

The Partnership has a sub-advisory arrangement with a beneficial owner of GDH Ltd. which invests in certain funds managed by the Partnership. Such sub-advisory arrangements have been entered into with, or advised by, Galaxy Digital Asset Management in its capacity as an investment advisor registered under the Advisers Act, and any fee arrangements, if applicable, have been on an arms-length basis. For the three and six months ended June 30, 2022, the total amount of advisory fees received from the sub-advisory arrangement was \$0.3 million and \$0.7 million, respectively (June 30, 2021 - \$0.1 million and \$0.3 million, respectively).

The Partnership's CEO, through an entity which he controls, owns a private aircraft that is used for business purposes in the ordinary course of the Partnership's operations. The Partnership paid \$0.5 million for usage of aircraft during the six months ended June 30, 2022. The amount paid for the three months ended June 30, 2022 was not significant.

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 \$18.5 million as of June 30, 2022 (December 31, 2021 - \$30.8 million).

21. REPORTABLE SEGMENTS

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

Trading

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

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Principal Investments

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

Asset Management

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

Investment Banking

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

Mining

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

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

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

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Total assets	\$ 1,873,813	\$ 931,910	\$ 78,595	\$ 22,715	\$ 386,214	\$ 102,615	\$ 3,395,862
Total liabilities	\$ 928,291	\$ 594	\$ 51,663	\$ 2,183	\$ 5,760	\$ 573,970	\$ 1,562,461

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

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

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

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Income (loss)							
Advisory and management fees	\$ 62	\$ —	\$ 3,907	\$ 2,259	\$ —	\$ —	6,228
Net realized gain (loss) on digital assets	(219,954)	(8,410)	(2,773)	—	—	—	(231,137)
Net realized gain (loss) on investments	(843)	4,334	—	—	—	—	3,491
Income from lending	10,032	23	—	—	—	—	10,055
Net derivative gain	80,019	—	—	—	—	—	80,019
Income from mining	—	—	—	—	10,947	—	10,947
Other income	308	780	66	—	—	—	1,154
	(130,376)	(3,273)	1,200	2,259	10,947	—	(119,243)
Operating expenses	47,289	2,250	14,890	2,744	9,405	52,711	129,289
Net unrealized gain (loss) on digital assets	7,337	(145,611)	(95,098)	—	—	—	(233,372)
Net unrealized gain (loss) on investments	(5,097)	(253,955)	161	—	—	—	(258,891)
Net gain on notes payable - derivative	—	—	—	—	—	51,104	51,104
Net gain on warrant liability	—	—	—	—	—	17,177	17,177
Foreign currency gain	(1,305)	—	—	—	—	3	(1,302)
Loss attributable to non-controlling interests liability	—	—	100,606	—	—	—	100,606
	935	(399,566)	5,669	—	—	68,284	(324,678)
Income tax benefit	—	—	—	—	—	18,509	18,509
Net income (loss) for the period	\$ (176,730)	\$ (405,089)	\$ (8,021)	\$ (485)	\$ 1,542	\$ 34,082	\$ (554,701)
Foreign currency translation adjustment	—	—	—	—	—	(19)	(19)
Comprehensive income (loss) for the period	\$ (176,730)	\$ (405,089)	\$ (8,021)	\$ (485)	\$ 1,542	\$ 34,063	\$ (554,720)

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

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Income (loss)							
Advisory and management fees	\$ 62	\$ —	\$ 7,769	\$ 10,270	\$ —	\$ —	\$ 18,101
Net realized gain (loss) on digital assets	136,735	(11,266)	(1,625)	—	—	—	123,844
Net realized gain (loss) on investments	(4,866)	77,795	—	—	—	—	72,929
Income from lending	24,647	43	—	—	—	—	24,690
Net derivative gain	161,996	—	—	—	—	—	161,996
Income from mining	—	—	—	—	20,756	—	20,756
Other income	430	1,505	66	—	—	—	2,001
	319,004	68,077	6,210	10,270	20,756	—	424,317
Operating expenses	89,362	4,981	28,240	4,923	14,683	98,030	240,219
Net unrealized gain (loss) on digital assets	(470,320)	(153,575)	(109,748)	—	—	—	(733,643)
Net unrealized gain (loss) on investments	(4,752)	(327,790)	(477)	—	—	—	(333,019)
Net gain on notes payable - derivative	—	—	—	—	—	57,597	57,597
Net gain on warrant liability	—	—	—	—	—	19,698	19,698
Foreign currency gain	712	—	—	—	—	3	715
Loss attributable to non-controlling interests liability	—	—	114,017	—	—	—	114,017
	(474,360)	(481,365)	3,792	—	—	77,298	(874,635)
Income tax benefit	—	—	—	—	—	24,628	24,628
Net income (loss) for the period	\$ (244,718)	\$ (418,269)	\$ (18,238)	\$ 5,347	\$ 6,073	\$ 3,896	\$ (665,909)
Foreign currency translation adjustment	—	—	—	—	—	(487)	(487)
Comprehensive income (loss) for the period	\$ (244,718)	\$ (418,269)	\$ (18,238)	\$ 5,347	\$ 6,073	\$ 3,409	\$ (666,396)

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

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Income (loss)							
Advisory and management fees	\$ 60	\$ —	\$ 2,384	\$ —	\$ —	\$ —	\$ 2,444
Net realized gain (loss) on digital assets	(237,991)	(2,525)	77,983	—	—	—	(162,533)
Net realized gain (loss) on investments	—	41,363	—	—	—	—	41,363
Income from lending	16,816	19	—	—	—	—	16,835
Net derivative gain (loss)	93,461	25,000	—	—	—	—	118,461
Income from mining	—	—	—	—	2,161	—	2,161
Other income	1,220	2,062	75	—	—	—	3,357
	(126,434)	65,919	80,442	—	2,161	—	22,088
Operating expenses	33,746	1,316	5,794	336	618	7,960	49,770
Net unrealized gain (loss) on digital assets	(177,220)	(67,502)	(249,856)	—	(1,036)	—	(495,614)
Net unrealized gain (loss) on investments	—	165,052	—	—	—	—	165,052
Net gain (loss) on warrant liability	—	—	—	—	—	2,663	2,663
Foreign currency gain	(922)	—	—	—	—	—	(922)
(Gain) loss attributable to non-controlling interests liability	—	—	173,612	—	—	—	173,612
	(178,142)	97,550	(76,244)	—	(1,036)	2,663	(155,209)
Income tax expense	—	—	—	—	—	—	—
Net income (loss) for the period	\$ (338,322)	\$ 162,153	\$ (1,596)	\$ (336)	\$ 507	\$ (5,297)	\$ (182,891)
Foreign currency translation adjustment	—	—	—	—	—	14	14
Comprehensive income (loss) for the period	\$ (338,322)	\$ 162,153	\$ (1,596)	\$ (336)	\$ 507	\$ (5,283)	\$ (182,877)

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

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Income (loss)							
Advisory and management fees	\$ 155	\$ —	\$ 4,202	\$ —	\$ —	\$ —	\$ 4,357
Net realized gain (loss) on digital assets	306,409	42,990	218,780	—	—	—	568,179
Net realized gain (loss) on investments	—	192,501	—	—	—	—	192,501
Income from lending	25,327	41	—	—	—	—	25,368
Net derivative gain (loss)	48,276	25,000	—	—	—	—	73,276
Income from mining	—	—	—	—	3,902	—	3,902
Other income	2,086	2,383	75	—	—	—	4,544
	382,253	262,915	223,057	—	3,902	—	872,127
Operating expenses	107,556	11,665	10,030	1,200	1,333	48,538	180,322
Net unrealized gain (loss) on digital assets	(18,603)	27,316	(140,605)	—	(813)	—	(132,705)
Net unrealized gain (loss) on investments	—	223,334	—	—	—	—	223,334
Net gain (loss) on warrant liability	—	—	—	—	—	(34,154)	(34,154)
Foreign currency gain	2,143	(348)	—	—	—	—	1,795
(Gain) loss attributable to non-controlling interests liability	—	—	(75,007)	—	—	—	(75,007)
	(16,460)	250,302	(215,612)	—	(813)	(34,154)	(16,737)
Income tax expense	—	—	—	—	—	—	—
Net income (loss) for the period	\$ 258,237	\$ 501,552	\$ (2,585)	\$ (1,200)	\$ 1,756	\$ (82,692)	\$ 675,068
Foreign currency translation adjustment	—	—	—	—	—	298	298
Comprehensive income (loss) for the period	\$ 258,237	\$ 501,552	\$ (2,585)	\$ (1,200)	\$ 1,756	\$ (82,394)	\$ 675,366

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Select statement of financial position information

The following table represents the fair value of select assets by reporting segment as of June 30, 2022:

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Digital assets	\$ 775,537	\$ 50,004	\$ 49,527	\$ —	\$ —	\$ —	\$ 875,068
Digital assets receivables	7,983	15,376	—	—	—	—	23,359
Digital assets posted as collateral (Note 7, 8, 9)	88,566	—	—	—	—	—	88,566
Investments:							
Pre-Launch Network	2,500	2,509	—	—	—	—	5,009
Convertible Notes	5,287	4,486	—	—	—	—	9,773
Preferred Stock	—	304,184	—	—	—	—	304,184
Common Stock	15,534	131,859	—	—	—	—	147,393
LP/LLC Interests	—	287,553	—	—	—	—	287,553
Warrants/Trust Units/ Trust Shares	—	35	—	—	—	—	35
Total	\$ 895,407	\$ 796,006	\$ 49,527	\$ —	\$ —	\$ —	\$ 1,740,940

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

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

22. FINANCIAL INSTRUMENTS, DIGITAL ASSETS AND RISK

The fair values of all financial instruments, 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.

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

The following table represents the fair value hierarchy for the Partnership's digital assets and investments measured at fair value as of June 30, 2022 and December 31, 2021:

(in thousands)	As of June 30, 2022				As of December 31, 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Digital assets	\$ —	\$ 875,068	\$ —	\$ 875,068	\$ —	\$ 2,416,633	\$ 4,144	\$ 2,420,777
Digital assets receivable	—	2,280	21,079	23,359	—	10,036	61,621	71,657
Digital assets posted as collateral	—	88,566	—	88,566	—	71,400	—	71,400
Derivative assets	—	29,710	—	29,710	—	45,669	—	45,669
Common stock	50,259	—	97,134	147,393	56,109	—	215,185	271,294
Convertible notes	—	—	9,773	9,773	—	—	9,768	9,768
LP/LLC interests	—	—	287,553	287,553	—	—	383,279	383,279
Pre-Launch network	—	—	5,009	5,009	—	—	6,393	6,393
Preferred stock	—	—	304,184	304,184	—	—	382,182	382,182
Warrants/Trust units/Trust shares	—	—	35	35	7,963	—	8,897	16,860
Total	\$ 50,259	\$ 995,624	\$ 724,767	\$ 1,770,650	\$ 64,072	\$ 2,543,738	\$ 1,071,469	\$ 3,679,279
Liabilities								
Investments sold short	8,923	—	—	8,923	11,630	—	—	11,630
Derivative liabilities	—	41,854	—	41,854	—	25,567	—	25,567
Warrant liability	—	—	625	625	—	—	20,488	20,488
Embedded derivative - Notes payable	—	—	1,269	1,269	—	—	58,866	58,866
Total	\$ 8,923	\$ 41,854	\$ 1,894	\$ 52,671	11,630	25,567	79,354	116,551

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

Valuation of Assets / Liabilities that use Level 2 Inputs (“Level 2 Assets / Liabilities”). Consists of the Partnership’s investments in derivatives, digital assets, including its digital assets posted as collateral and digital assets sold short, where quoted prices in active markets are available. For the digital assets, the fair value is determined by the volume-weighted average of prices across principal exchanges as of 12:00 AM UTC, per coinmarketcap.com*.

* Coinmarketcap.com is a pricing aggregator, as the principal market or most advantageous market is not always known. The Partnership believes any price difference amongst the principal market and an aggregated price to be immaterial.

The Partnership’s pre-network launch investments are generally carried at the total contributions made to date, unless impaired, as there are no conditions indicating a change in value and therefore cost approximates fair value. For the Partnership’s other investments classified as Level 2, the market approach is used. These investments are classified as Level 2 as they are based on observable inputs other than quoted prices, such as transactions in the equity of the investments.

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

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

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

The fair value of Level 3 assets and liabilities is inherently subjective. Specifically, because of the uncertainty of determining the fair value of investments that do not have readily ascertainable market values, the VC's conclusion of fair value for an investment on a date may differ significantly from (1) the fair value conclusions of other knowledgeable market participants and/or (2) prior or subsequently observed transaction prices, including the price paid to acquire, or received to sell, the investment itself.

Other

Adjustments to observable prices obtained for assets that are deemed to lack access to an active market are based on empirical and quantitative studies designed to estimate liquidity discounts. To estimate the appropriate discount to apply, the Partnership considered the relevant facts and circumstances, including features of the subject assets, expectations related to an active market existing in the future, costs associated with accessing (or trading outside of) existing exchanges as applicable, price volatility of comparable assets, and other identified risks associated with the subject assets.

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

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Level 3 Continuity

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

Assets (in thousands)	Fair value at December 31, 2021	Purchases	Sales/ Distributions	Net Realized Gain (Loss) on Digital Assets and Investments	Net Unrealized Gain/(Loss) on Digital Assets and Investments	Transfers in /(out) of Level 3	Fair Value at June 30, 2022
Digital assets	\$ 4,144	\$ —	\$ —	\$ —	\$ (577)	\$ (3,567)	\$ —
Digital assets receivables	61,621	40,025	—	—	(60,805)	(19,762)	21,079
Common stock	215,185	5,000	(4,625)	866	(85,441)	(33,851)	97,134
Convertible notes	9,768	2,008	—	—	(2,003)	—	9,773
LP/LLC interests	383,279	30,143	(81,520)	52,883	(103,331)	6,099	287,553
Pre-Launch Network	6,393	1,050	(1,505)	—	(929)	—	5,009
Preferred stock	382,182	29,560	(25,142)	24,789	(107,205)	—	304,184
Warrants/Trust units/ Trust shares	8,897	3	—	—	(8,865)	—	35
Total Digital Assets, Digital Assets Receivables and Investments	\$ 1,071,469	\$ 107,789	\$ (112,792)	\$ 78,538	\$ (369,156)	\$ (51,081)	\$ 724,767

Liabilities	Fair value at December 31, 2021	Conversions	Revaluation	Fair Value at June 30, 2022
Warrant liability	\$ 20,488	\$ (165)	\$ (19,698)	\$ 625
Embedded derivative - Notes payable	\$ 58,866	\$ —	\$ (57,597)	\$ 1,269

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 \$6.1 million and total transfers out of Level 3 were \$57.2 million. The transfers out of Level 3 for digital assets and digital assets receivable were due to vesting of digital assets as expected.

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

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

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

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

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

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Quantitative Information for certain Level 3 Assets and Liabilities

Financial Instrument	Fair Value at June 30, 2022 (in thousands)	Significant Unobservable Inputs	Range
Digital assets receivables	\$21,079	Marketability discount	7.72% - 86.04%
Common Stock	\$97,134	Marketability discount	16.1%
		Time to liquidity event (years)	5.0
		Annualized equity volatility	90%
		Risk free rate	3.01%
		Expected dividend payout ratio	-
		Enterprise value to revenue multiple	13.0x
Convertible notes	\$9,773	Recovery rate	0% - 100%
		Scenario probability ⁽¹⁾ :	
		No deal closure and dissolution	90%
		Deal closure and partial default	5%
LP/LLC interests ⁽²⁾	\$287,553	Deal closure and full recovery	5%
		Marketability discount	10%
		Lack of control discount	10%
Preferred stock ⁽³⁾	\$304,184	Control discount	10%
		Marketability discount	20% - 25%
		Time to liquidity event (years)	2.75 - 5.0
		Annualized equity volatility	90%
		Risk free rate	0.17% - 3.15%
		Expected dividend payout ratio	—
		Enterprise value to revenue multiple	1.5x - 5.25x
		EV/EBITDA multiple	6.0x
Warrants/Trust Units	\$35	Adjusted book value	
Warrant liability	\$625	Volatility	110%
		Time to liquidity event (years)	0.37
		Risk free rate	3.07%
		Expected dividend payout ratio	—
		Dilution factor	0.5%
Embedded derivative - notes payable	\$1,269	Volatility	52.0%
		Time-Step	0.004 years
		Risk free rate	3.0%

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

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

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

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

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

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

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

For the six months ended June 30, 2022 and the year ended December 31, 2021, the latest available reported net asset value of the underlying funds were used to fair value the Level 3 limited partnership/ limited liability company interests.

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As indicated above, certain of the Level 3 Assets had adjustments applied to the prices used to determine fair value. The Partnership does not believe a change in unobservable inputs will have a significant impact on partners' capital.

Valuation Techniques

The following tables summarize the valuation techniques and significant inputs used in the fair value measurement of the Partnership's digital assets and investments as of June 30, 2022 and December 31, 2021, respectively.

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

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Industry

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

Industry	June 30, 2022		December 31, 2021	
	Percentage	# of Investments	Percentage	# of Investments
Other (Digital assets and Pre-Launch network investments)	54 %	112	69 %	124
Finance	24	40	17	33
High tech industries	15	32	9	29
Services: Business	6	13	5	11
Software	<1	9	<1	4
Finance technology	<1	2	<1	2
Media: Diversified and production	<1	1	<1	1
Banking	<1	1	—	—
Total	100 %	210	100 %	204

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

Safeguarding of Digital Assets

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

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

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

Institutional grade custodians are used by the Partnership to secure digital assets for its fund products. A material percentage of which are custodied among Bakkt Trust Company, LLC ("Bakkt Warehouse"), Gemini Trust Company, LLC, and Coinbase Custody Trust Company, LLC. The Partnership maintains internal controls to ensure that accounts held with each custodian are appropriately authorized and access restricted. As a part of regular operations, designated individuals of the Partnership review

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and monitor custodied balances against internal fund records, verifying the accuracy of each holding. Additionally, the Partnership performs due-diligence procedures including regular reviews over each custodian issued SOC report(s) covering the applicable period.

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

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

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

Crypto Asset Trading Platforms

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

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

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

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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 June 30, 2022, the Partnership held approximately \$0 (December 31, 2021 - \$13.4 million) in cash and \$643.2 million (December 31, 2021 - \$1.3 billion) in digital assets at exchanges or custodians that do not have system or organization control reporting available. The Partnership's due diligence procedures around exchanges include, but are not limited to, internal control procedures around on-boarding new exchanges which includes review of the exchanges anti-money laundering ("AML") and know-your-client ("KYC") policies by the Partnership's chief compliance officer, obtaining a security ratings report by an independent third-party on certain exchanges, constant review of market information specifically regarding the exchanges security and solvency risk, setting balance limits for each exchange account based on risk exposure thresholds and preparing daily asset management reports to ensure limits are being followed and having a fail-over plan to move cash and digital assets held on an exchange in instances where risk exposure significantly changes. The Partnership limits its credit risk with respect to its 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 June 30, 2022 and subsequently, the Partnership does not expect a material loss on any of its loans except for those that it has recorded an allowance. As of each reporting period, the Partnership assesses if there may be expected credit losses requiring recognition of a loss allowance. As of June 30, 2022, the Partnership is exposed to credit risk. While the Partnership intends to only transact with counterparties or exchanges that it believes to be creditworthy, there can be no assurance that a counterparty will not default and that the Partnership will not sustain a material loss on a transaction as a result.

Derivative-related credit risk

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

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

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. General interest rate fluctuations may have an impact on the Partnership's investment opportunities, primarily within its principal investments segment. An increase in interest rates may make it more expensive to utilize a leverage facility in the future to make investments. To the extent the Partnership invests in debt instruments, interest rate changes may affect the value of the instrument indirectly in the case of fixed rate obligations, or directly in the case of adjustable rate instruments. In general, rising rates will negatively impact the price of a fixed rate debt instrument and falling

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interest rates will have a positive effect on price. Interest rate sensitivity generally is more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate changes would also affect its ability to earn interest income on cash balances at variable rates. The Partnership did not have a leverage facility in place, and its digital assets loans receivable and payable (Note 7) are at fixed rates of interest. The Partnership's remaining loans all have fixed rates however in some cases can also be settled in digital assets at the option of the borrower. As of June 30, 2022, the Partnership's exposure to interest rate risk is limited.

Liquidity Risk

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as they come due, as well as the risk of not being able to liquidate assets at reasonable prices. The Partnership manages liquidity risk by maintaining sufficient cash balances to enable settlement of its liabilities. Accounts payable and accrued liabilities, other than accrued compensation, and payables for digital asset trades generally have maturities of 30 days or less or are due on demand, or in the case of digital assets loan payable, on 5 to 20 business days' notice or at the end of 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 June 30, 2022, 97.9% (December 31, 2021 - 69.6%) of the Partnership's digital assets portfolio was in liquid, actively traded cryptocurrency market which can be monetized at reasonable prices in short order.

Foreign Currency Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. To the extent these financial instruments are unhedged or not adequately hedged, the value of the Partnership's financial instruments may fluctuate with exchange rates as well as with price changes in various local markets and currencies. The value of the financial assets may therefore be unfavorably affected by fluctuations in currency rates and exchange control regulations. For the period ended June 30, 2022, the Partnership minimized exposure to digital assets transactions completed in foreign currencies by entering into foreign currency swaps, which are not significant.

Market Risk

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

As of June 30, 2022, management's estimate of the effect on equity due to a +/- 20% change in the market prices of the Partnership's investments and investments sold short, with all other variables held constant, was +/- \$149.0 million (December 31, 2021 - \$211.6 million).

Digital Asset Risk

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

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

Many cryptocurrency networks are online end-user-to-end-user networks that host a public transaction ledger (blockchain) and the source code that comprises the basis for the cryptographic and algorithmic protocols governing such networks. In many cryptocurrency transactions, the recipient or the buyer must provide its public key, which serves as an address for a digital

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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 June 30, 2022, management's estimate of the effect on equity due to a +/- 20% change in the market prices of the Partnership's digital assets, with all other variables held constant, was +/- \$175.0 million (December 31, 2021 - \$484.2 million).

Loss of access risk

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

Irrevocability of transactions

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

Hard fork and air drop risks

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

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

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

Regulatory oversight risk

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

23. CAPITAL MANAGEMENT

The Partnership's objectives when managing capital are to safeguard its ability to continue as a going concern, to meet the capital needs of its ongoing operations and to maintain a flexible capital structure which optimizes the cost of capital. The

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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 June 30, 2022 and December 31, 2021, the Partnership had \$1.8 billion and \$2.6 billion in equity, respectively. The Partnership has the flexibility to acquire or dispose of assets and to issue debt or equity to adjust its capital structure in the future. The Partnership is not subject to externally imposed capital requirements other than the minimum net capital requirement for its broker dealer of \$0.1 million, nor were there any changes to the Partnership's approach to capital management during the period ended June 30, 2022.

24. COMMITMENTS AND CONTINGENCIES

Sublease

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

(in thousands)	Rent Due
2022	1,840
2023	4,418
2024	2,545
2025	2,388
2026	2,557
Total	\$ 13,748

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

For the three and six months ended June 30, 2022, the Partnership recognized interest expense on the lease liability of \$0.3 million and \$0.7 million, respectively (2021 - \$0.2 million and 0.3 million, respectively), which was recorded within interest expense.

Investment and loan commitments

As of June 30, 2022, the Partnership was obligated to 8 investment funds to fund up to \$85.1 million, of which \$0 million was funded subsequent to period end.

As of June 30, 2022, the Partnership had outstanding loan commitments of \$342.5 million (December 31, 2021 - \$157.5 million) under revolving credit agreements, out of which \$38.2 million (December 31, 2021 - \$60.0 million) was funded (Note 8).

Additionally, the Partnership committed up to \$85.0 million to participate as an investor in two SPAC merger financings. As of June 30, 2022, both transactions were dependent on SEC and shareholder approval of the respective executed merger agreements within the next twelve months. If the SPAC merger transactions close, the Partnership will be required to fund the relevant portion of its commitment in exchange for shares of the SPACs' common stock. As the SPAC mergers have not yet occurred, no investment from the Partnership has occurred as of June 30, 2022.

Agreement for mining equipment

The Partnership has entered into agreements for the supply of mining equipment. The commitment amount and the amount paid as of June 30, 2022 are disclosed below:

	Commitment Amount (\$ millions)	Amount Paid as of Period End (\$ millions)	Net (\$ millions)
Mining equipment	111.2	101.8	9.4

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BitGo

On March 30, 2022, GDH Ltd., GDH LP and GDH GP, along with various subsidiaries, amended and restated the merger agreement governing the previously announced acquisition of BitGo. BitGo is an independent digital assets infrastructure provider. Under the terms of the merger agreement, the consideration to BitGo shareholders will consist of 44.8 million newly issued shares of common stock of the successor to GDH Ltd. following its domestication as a Delaware corporation and \$265 million in cash, subject to certain adjustments and deferred purchase considerations. The acquisition is expected to close immediately following the domestication of GDH Ltd. as a Delaware corporation, subject to approval by the Company's shareholders as well as certain other acquisition-related closing conditions and regulatory approvals. A reverse termination fee of \$100 million will be payable by GDH LP to BitGo in certain circumstances, subject to certain conditions set forth in the merger agreement.

Indemnification

The Partnership has provided standard representations for agreements and customary indemnification for claims and legal proceedings. Insurance has been purchased to mitigate certain of these risks. Generally, there are no stated or notional amounts included in these indemnifications and the contingencies triggering the obligation for indemnification are not expected to occur. Furthermore, often counterparties to these transactions provide comparable indemnifications. The Partnership is unable to develop an estimate of the maximum payout under these indemnifications for several reasons. In addition to the lack of a stated or notional amount in a majority of such indemnifications, it is not possible to predict the nature of events that would trigger indemnification or the level of indemnification for a certain event. The Partnership believes, however, that the possibility of making any material payments for these indemnifications is remote. As of June 30, 2022 and December 31, 2021, there was no liability accrued under these arrangements.

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

Financial Support of GDH Ltd.

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

25. INCOME TAXES

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

Income taxes expense (recovery) for the six months ended June 30, 2022 and 2021 consists of the following:

(in thousands)	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Current income taxes	\$ (6,009)	\$ —	\$ 7,900	\$ —
Deferred income taxes	(12,500)	0	(32,528)	0
Total income taxes expense (benefit)	\$ (18,509)	\$ 0	\$ (24,628)	\$ —

The effective income tax rate of 3.2% and 3.6% for the three and six months ended June 30, 2022 was generally higher than the Cayman Island statutory rate of 0.0% due to the entity level UBT tax imposed by NYC and higher tax rates in certain jurisdictions where the Partnership's foreign corporate subsidiaries operate. The effective income tax rate for the three and six months ended June 30, 2022 was generally higher than the effective income tax rate for the three and six months ended June 30, 2021 primarily due to changes in the jurisdictional mix of earnings as compared to the prior period.