Galaxy Digital Holdings LP

Condensed Consolidated Interim Financial Statements

For the Three Months Ended March 31, 2021 and 2020

(Expressed in US Dollars)

(Unaudited)

Galaxy Digital Holdings LP

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

	March 31, 2021	December 31, 2020
Assets		
Current assets		
Cash	$ 93,163	$ 135,766
Digital assets (Note 7)	2,006,367	850,380
Investments (Note 8)	351,643	260,383
Receivable for digital asset trades (Note 7)	28,845	13,204
Digital asset loans receivable (Note 11)	293,274	96,724
Digital assets receivables (Note 7)	149,287	12,813
Assets posted as collateral (Note 11, 13)	36,840	15,768
Receivables (Note 10)	34,510	2,710
Due from broker	16,355	4,452
Derivatives (Note 9)	37,179	15,922
Prepaid expenses and other assets (Note 12)	15,317	6,494
Goodwill (Note 6)	15,515	15,515
Loans receivable (Note 13)	60,226	8,510
	3,138,521	1,438,641
Digital assets receivables (Note 7)	28,227	6,911
Right of use asset (Note 14)	4,421	4,573
Property and equipment (Note 14)	6,264	3,693
Intangible asset (Note 6)	1,945	2,406
	40,857	17,583
Total assets	**$ 3,179,378**	**$ 1,456,224**
Liabilities		
Current liabilities		
Digital assets sold short (Note 16)	$ 5,240	$ 5,278
Investments sold short (Note 8)	14,771	4,384
Warrant liability (Note 18)	52,708	20,781
Accounts payable and accrued liabilities (Note 15)	111,093	34,154
Payable for digital asset trades (Note 7)	18,684	31,144
Digital asset loans payable (Note 11)	572,936	226,399
Loans payable (Note 13)	42,400	—
Collateral payable (Note 9, 11, 13)	188,323	44,660
Lease liability (Note 17)	726	742
	1,006,881	367,542
Lease liability (Note 17)	4,447	4,515
Total liabilities	1,011,328	372,057
Equity		
Partners' capital (Note 18)	1,677,959	798,211
Non-controlling interests (Note 19)	490,091	285,956
Total equity	2,168,050	1,084,167
Total liabilities and equity	**$ 3,179,378**	**$ 1,456,224**

Nature and continuance of operations (Note 1)
Commitments and contingencies (Note 28)
Subsequent event (Note 29)

The condensed consolidated interim financial statements were authorized for issuance by the Board of Managers of Galaxy Digital Holdings GP LLC on May 14, 2021 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
(Expressed in thousands of US Dollars - unaudited)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Income		
Advisory and management fees	$ 1,913	$ 1,587
Net income from digital asset mining (Note 23)	923	—
Leasing income from mining equipment (Note 23)	506	—
Net realized gain (loss) on digital assets	666,668	(38,152)
Net realized gain on investments (Note 8)	151,138	163
Interest income	8,533	1,439
Net derivative gain (Note 9)	18,859	4,435
Other income	1,187	—
	849,727	**(30,528)**
Operating expenses		
Equity based compensation (Note 18)	7,099	1,621
Compensation and compensation related (Notes 20, 24)	94,952	7,184
General and administrative (Note 22)	5,341	3,196
Professional fees (Note 21)	4,566	1,638
Profit share arrangement expense (Note 24)	4,134	—
Interest	13,792	1,011
Insurance	150	282
Director fees	208	50
	(130,242)	**(14,982)**
Net unrealized gain on digital assets	362,909	12,924
Net unrealized gain on investments (Note 8)	60,282	4,674
Revaluation of warrant liability (Note 18)	(36,817)	—
Unrealized foreign currency gain (loss)	3,068	(174)
Realized foreign currency gain (loss)	(350)	332
	389,092	**17,756**
Income (loss) for the period	**$ 1,108,577**	**$ (27,754)**
Income (loss) attributed to:		
Unit holders of the Partnership	$ 859,958	$ (26,941)
Non-controlling interests (Note 19)	248,619	(813)
	$ 1,108,577	**$ (27,754)**
Other comprehensive income		
Foreign currency translation adjustment	$ 284	$ 17
Comprehensive income (loss) for the period	**$ 1,108,861**	**$ (27,737)**
Comprehensive income (loss) attributed to:		
Unit holders of the Partnership	$ 860,242	$ (26,924)
Non-controlling interests (Note 19)	248,619	(813)
	$ 1,108,861	**$ (27,737)**
Per unit disclosure (Note 18)		

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

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

	Class A Unit Capital		Class B Unit Capital		Non-controlling Interests in Consolidated Subsidiaries	Total
	Number	Amount	Number	Amount		
Balance at December 31, 2019	**66,636,540**	**$ 219,406**	**219,332,907**	**$ 128,379**	**$ 7,320**	**$ 355,106**
Equity based compensation (Note 18)	—	377	—	1,244	—	1,621
Contributions (Note 19)	—	—	—	—	2,125	2,125
Distributions (Note 18, 19)	—	—	—	—	(397)	(397)
Vesting of Class B Units	—	—	315,000	—	—	—
Exchange of Class B Units	722,995	879	(722,995)	(879)	—	—
Cancellation of Class A Units	(2,769,706)	(2,311)	—	—	—	(2,311)
Foreign currency translation adjustment	—	—	—	17	—	17
Loss for the period	—	(6,160)	—	(20,781)	(813)	(27,754)
Balance at March 31, 2020	**64,589,829**	**$ 212,191**	**218,924,912**	**$ 107,980**	**$ 8,235**	**$ 328,407**
Balance at December 31, 2020	**91,248,507**	**$ 385,357**	**222,905,934**	**$ 412,854**	**$ 285,956**	**$ 1,084,167**
Equity based compensation (Note 18)	—	2,119	—	5,188	—	7,307
Contributions (Note 19)	—	—	—	—	81,932	81,932
Distributions (Note 18, 19)	—	—	—	—	(126,416)	(126,416)
Exchange of Class B Units	328,116	1,134	(328,116)	(1,134)	—	—
Issuance of A Units on exercise of warrants	1,128,554	12,199	—	—	—	12,199
Foreign currency translation adjustment	—	—	—	284	—	284
Income for the period	—	249,915	—	610,043	248,619	1,108,577
Balance at March 31, 2021	**92,705,177**	**$ 650,724**	**222,577,818**	**$ 1,027,235**	**$ 490,091**	**$ 2,168,050**

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

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

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Operating activities		
Income (loss) for the period	$ 1,108,577	$ (27,753)
Adjustments for:		
Bad debt expense	—	240
Depreciation	455	287
Amortization of intangible asset	461	—
Equity based compensation	7,099	1,621
Equity based compensation included in directors fees	208	—
Interest expense	13,792	1,011
Interest income	(8,533)	(1,439)
Net realized (gain) loss on digital assets	(666,668)	38,152
Net realized gain on investments	(151,138)	(163)
Net derivative gain	(18,859)	—
Net unrealized gain on digital assets	(362,909)	(12,924)
Net unrealized gain on investments	(60,282)	(4,674)
Revaluation of warrant liability	36,817	—
Unrealized foreign currency (gain) loss	(3,068)	174
Changes in operating assets and liabilities:		
Net digital asset activity	(299,879)	(36,099)
Receivable for digital asset trades	(15,640)	(301)
Digital asset loans receivable	(196,550)	(5,695)
Assets posted as collateral	(21,071)	3,101
Receivables	(15,809)	709
Derivatives	(2,398)	(1,801)
Prepaid expenses and other assets	(8,823)	182
Payable for digital asset trades	(12,460)	416
Digital asset loans payable	346,537	3,907
Collateral payable	143,663	4,904
Due from broker	(11,902)	—
Accounts payable and accrued liabilities	79,851	(3,129)
Net cash used in operating activities	(118,529)	(39,274)
Investing activities		
Loans receivable, net of repayment	(51,717)	(5,177)
Receipt of interest on loans receivable	432	280
Loans payable net of repayment	42,400	—
Payment of interest on loans payable	(603)	—
Purchase of property and equipment	(2,873)	—
Purchase of investments	(38,686)	(14,240)
Proceeds and distributions from investments	168,168	7,717
Purchase of investments sold short	(20,219)	—
Proceeds from investments sold short	23,309	—
Net cash provided by (used in) investing activities	120,211	(11,420)

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

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

Financing activities				
Cash paid for principal portion of lease liability		(85)		(53)
Capital contributions from non-controlling interests		81,932		2,125
Distributions to non-controlling interests		(126,416)		(397)
Cancellation of Class A Units withheld		—		(2,311)
Net cash used in financing activities		(44,569)		(636)
Impact of exchange rate change on cash		284		17
Net increase in cash		(42,603)		(51,313)
Cash, beginning of period		135,766		106,263
Cash, end of period	$	93,163	$	54,950
Supplemental disclosure of cash flow information and non-cash investing and financing activities:				
Cash paid during the period for:				
Taxes	$	11	$	445
Non-cash activities:				
Interest paid in digital assets	$	13,635	$	847
Reclassification between investments and digital assets	$	200	$	—
Purchase of investments paid in digital assets	$	2,201	$	—
Total value of exercised warrants	$	4,890	$	—
Receivables for issuance of A units on exercise of warrants	$	7,309	$	—

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

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 107 Grand Street, 8th Floor, New York, New York, 10013.

GDH LP, an operating partnership, is managed by the board of managers and officers of the general partner, Galaxy Digital Holdings GP LLC ("GDH GP" or the "General Partner"). Galaxy Digital Holdings Ltd. ("GDH Ltd." or "Company") acquired a minority investment in the operating partnership and, effective July 6, 2020, has an active public listing on the Toronto Stock Exchange ("TSX") under the ticker "GLXY". The Company was previously listed on the TSX Venture Exchange ("TSX-V") under the same ticker.

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

The Partnership continues to build a diversified financial services and investment management business in the cryptocurrency and blockchain space. The intention is to capitalize on market opportunities made possible by the ongoing evolution of the digital assets space through five primary business lines: trading, principal investments, asset management, investment banking and mining.

The Partnership's digital assets may be subject to significant fluctuations in value and risks unique to the asset class and different from traditional financial assets. Additionally, certain assets are held on cryptocurrency exchanges that are limited in oversight by regulatory authorities (Note 26).

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 March 31, 2021, the Partnership had cash of $93.2 million (December 31, 2020 - $135.8 million) and partners' capital of $1.68 billion (December 31, 2020 - $798.2 million). Management estimates that the Partnership has sufficient financial resources to maintain its operations and activities for the upcoming year.

2. BASIS OF PRESENTATION

Statement of Compliance

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

Except for the new accounting policies disclosed in Note 4, the accounting policies applied in these unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in the Partnership's audited financial statements for the year ended December 31, 2020. The Partnership's interim results are not necessarily indicative of its results for a full year.

These unaudited condensed consolidated interim financial statements were approved by the the Board of Managers of GDH GP and authorized for issuance on May 14, 2021.

Comparative Figures

Certain comparative figures on the statement of financial position and statement of comprehensive income have been reclassified to conform to the current year's presentation. Specifically, on the statement of financial position, the segregation of prepaid expenses and other assets into due from broker. On the statement of comprehensive income, consulting fees has been reclassified from general and administrative to professional fees. Additionally, the comparative figures on the statement of cash flow have been updated to conform to this 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.

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

Functional and Presentation Currency

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standard ("IAS") 21. The functional currency for First Coin Capital Corp. ("First Coin") is the Canadian dollar ("C$"), the functional currency for the Japan based entities is the Japanese Yen ("JPY"), the functional currency for the Ireland and United Kingdom based entities is the pound sterling ("GBP"), and the functional currency for the parent entity and all remaining subsidiaries is the United States dollar ("US dollar"). The presentation currency for the Partnership is the US dollar.

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

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

Basis of Consolidation

The 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.

(Expressed in US Dollars - unaudited)

As of March 31, 2021 and December 31, 2020, GDH LP's subsidiaries are as follows:

Subsidiary[1]	Place of Incorporation	March 31, 2021 Ownership %	December 31, 2020 Ownership %
Galaxy Digital LLC	Delaware	100%	100%
Galaxy Digital Trading LLC	Delaware	100%	100%
Galaxy Digital Trading Cayman LLC	Cayman	100%	100%
Galaxy Digital Labs LLC	Delaware	100%	100%
Galaxy Digital Labs Cayman LLC	Cayman	100%	100%
Galaxy Digital Capital Management GP LLC	Cayman	100%	100%
Galaxy Digital Capital Management LP	Cayman	100%	100%
Galaxy Digital Ventures LLC	Delaware	100%	100%
Galaxy Digital Ventures Cayman LLC	Cayman	100%	100%
Galaxy Digital Services LLC	Delaware	100%	100%
Galaxy Digital Services II LLC	Delaware	100%	100%
Galaxy Digital Lending LLC	Delaware	100%	100%
Galaxy Digital Partners LLC	New York	100%	100%
Galaxy EOS VC Fund GP LLC	Cayman	100%	100%
Galaxy Crypto Index Fund GP, LLC	Cayman	100%	100%
Galaxy Crypto Index Master Fund, L.P.	Cayman	47%	48%
Galaxy Crypto Index Fund, L.P.	Delaware	52%	53%
Galaxy Bitcoin Fund GP LLC	Delaware	100%	100%
Galaxy Bitcoin Fund LP	Delaware	56%	62%
Galaxy Institutional Bitcoin Fund GP LLC	Delaware	100%	100%
Galaxy Institutional Bitcoin Fund LP	Delaware	33%	35%
Galaxy Institutional Bitcoin Master Fund, LP	Cayman	25%	21%
Galaxy Digital Trading Japan Quant GK	Japan	100%	100%
Galaxy Digital Trading Japan KK	Japan	100%	100%
Galaxy Digital Trading Ireland Limited	Ireland	100%	100%
First Coin Capital Corp.	British Columbia, Canada	100%	100%
Galaxy Digital GP LLC	Cayman	100%	100%
Galaxy Digital Crypto Lending LLC	Delaware	100%	100%
Galaxy Digital Crypto GP LLC	Delaware	100%	100%
Galaxy Digital LP	Cayman	100%	100%
Galaxy Digital Services HK Limited	Hong Kong	100%	100%
Galaxy Digital Trading Cayman II LLC	Cayman	100%	100%
Galaxy Digital Trading HK Limited	Hong Kong	100%	100%
Galaxy Digital UK Limited	United Kingdom	100%	100%
Galaxy Lending SPV I LLC	Delaware	95%	95%
Galaxy Digital Prime Services LLC	Delaware	100%	100%

[1] Excludes subsidiaries that are dormant.

(Expressed in US Dollars - unaudited)

Subsidiary[1]	Place of Incorporation	March 31, 2021 Ownership %	December 31, 2020 Ownership %
Galaxy DBL, LLC	Delaware	100%	100%
Galaxy Blue Fire Holdings, LLC	Delaware	100%	100%
Blue Fire Capital, LLC	Illinois	100%	100%
Blue Fire Capital Europe Coöperatief U.A.	Netherlands	100%	100%
Galaxy Digital Sponsor LLC	Cayman	100%	NA
Galaxy Digital Capital Corp.	Cayman	100%	NA
Galaxy Digital Mining LLC	Delaware	100%	100%
Galaxy Interactive Fund I GP LLC	Delaware	100%	NA
Galaxy Interactive Fund I, LP	Delaware	100%	NA
Galaxy Digital Funds LLC	Delaware	100%	NA
Galaxy Ethereum Fund GP LLC	Delaware	100%	NA
Galaxy Ethereum Fund LP	Delaware	92%	NA
Galaxy Institutional Ethereum Fund GP LLC	Delaware	100%	NA
Galaxy Institutional Ethereum Fund LP	Delaware	91%	NA
Galaxy Institutional Ethereum Master Fund, LP	Cayman	60%	NA

[1] Excludes subsidiaries that are dormant.

Scope of financial statements

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. Income taxes are the responsibility of the partners through an allocation of GDH LP's taxable income (loss), and not that of GDH LP. Accordingly, no provision for income taxes has been recorded in these condensed consolidated interim financial statements other than for the entities in the consolidated GDH LP group subject to income taxes. The allocation of taxable income to members may vary substantially from net income reported in these condensed consolidated interim financial statements.

Current income tax assets and liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries, based on the tax rates and laws enacted or substantively enacted at the statement of financial position dates. Current income tax assets and liabilities are included in trade receivables and other current assets and accounts payable and accrued liabilities, respectively, if any.

Deferred tax is recognized on taxable temporary differences between the tax bases and the carrying amounts of assets and liabilities. Deferred tax is not recognized if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit. Deferred income tax assets are recognized for all deductible temporary differences, carry forwards of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent it is no longer probable that the income tax assets will be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets are realized or the liabilities settled, using the tax rates and laws enacted or substantively enacted at the statement of financial position dates.

Current and deferred income taxes relating to items recognized directly in other comprehensive income ("OCI") are also recognized directly in OCI.

Allocation of income and 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 - accounting

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

Income from digital asset mining

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

Determination of lease type

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

Valuation techniques

The fair values of all investments are measured using the cost, market or income approaches (Note 26). The determination of fair value requires significant judgment by the Partnership. The Partnership maintains a valuation policy which requires an appointed Valuation Committee (the "VC"), which is composed of employees of the Partnership, to act in good faith to fair value its investments on a quarterly basis, consistent with fair value accounting guidance in accordance with IFRS 13, *Fair Value Measurement*.

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

Functional currency

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

Business combination

The determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Partnership to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits. The acquisitions of Drawbridge Lending, LLC and BF Holdings I, LLC were determined to be acquisitions of businesses (Note 6).

Level of control and influence over investments and funds

Classification of investments requires judgment on whether the Partnership controls, has joint control or significant influence over the strategic financial and operating decisions relating to the activity of the investee. In assessing the level of control or influence that the Partnership has over an investment, management considers ownership percentages, board representation as well as other relevant provisions in shareholder agreements. As of March 31, 2021 and December 31, 2020, the Partnership had greater than 20% ownership in certain of its underlying investments and board representation in other investments; however, after completing an analysis under IAS 28, the Partnership has concluded that it does not have significant influence in any investments.

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 March 31, 2021 and December 31, 2020, after completing an analysis under IFRS 10, the Partnership has determined it has control of Galaxy Lending SPV I LLC, Galaxy Crypto Index Fund, L.P., Galaxy Institutional Bitcoin Master Fund, L.P., Galaxy Bitcoin Fund L.P., Galaxy Ethereum Fund L.P., and Galaxy Ethereum Master Fund, L.P. (Note 19).

Deferred income taxes

In applying the Partnership's policy, judgments are made in determining the probability of whether deductions, tax credits and tax losses can be utilized.

<u>Key sources of estimation uncertainty</u>

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

Digital assets and investments - valuation

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

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

Collectability of receivable for digital asset trades and digital asset loans receivable

The Partnership records an allowance for doubtful accounts related to receivable for digital asset trades and digital asset loans receivable that are considered to be uncollectible. The allowance is based on the Partnership's knowledge of the financial condition of its counterparties, if the loan has gone into default and historical experience. A change to these factors could impact the estimated allowance and the provision for bad debts. As at March 31, 2021 and December 31, 2020, the Partnership did not record any bad debt expense associated with its receivable for digital asset trades and digital asset loans receivable.

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, estimated weighted average 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 (Note 18) 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 about the capacity in which warrant holders receive warrants, and to make assumptions about the most appropriate inputs to the valuation model including the expected life of the warrants, volatility and dividend yield. If different input assumptions are used, the changes can materially affect the fair value estimate.

Valuation and economic recoverability of goodwill and intangible assets

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

Income taxes

The 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 consolidated statement of financial position dates. Operating plans and forecasts are used to estimate when the temporary difference will reverse.

COVID-19

In March 2020, the World Health Organization declared COVID-19 (Coronavirus) a global pandemic. For the safety and well-being of its employees, the Partnership has implemented its business continuity plans, including remote work arrangements. Nonetheless, the COVID-19 pandemic has caused global economic uncertainty and the current and expected impacts on global commerce has been and are anticipated to continue to be far-reaching. To date, globally, there has been significant volatility in markets and foreign exchange rates, restriction on conduct of business in many jurisdictions, including travel restrictions and supply chain disruptions. The 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 economic uncertainty, 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, 2020, except for the following:

Revenue recognition

The Partnership recognizes revenue from cryptocurrency mining. The Partnership receives bitcoins from the mining pool operator as consideration for its participation in the pool. Income earned from mining is measured based on the fair value of the bitcoin reward received net of costs directly related to earning the income. A coin is considered earned on the completion and addition of a block to the blockchain and receipt of the coin, at which time the economic benefit is received and can be reliably measured. The fair value is derived based on the end of day spot price of the coins, on the date of receipt.

The Partnership recognizes revenue on finance and operating leases of its mining equipment. Interest income on finance leases is included in the statement of comprehensive income for all financial assets measured at amortized cost using the effective interest method. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument back to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument including prepayment options, fee income charged to the customer on the origination of all financial assets, and all purchase premiums or discounts, net of any transaction costs that are directly attributable to the financial instrument, but not future credit losses. Rental income on operating leases is recognized on a straight-line basis over the lease term.

Leases - Lessor accounting

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

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

For a finance lease, the Partnership derecognizes the value of the underlying mining equipment and recognizes a receivable equivalent to the Partnership's net investment in the lease, which is the aggregate minimum payments plus guaranteed residual values less unearned finance income. Any difference between the value of the underlying mining equipment and the net investment in the lease is recognized in profit or loss. Finance leases are recognized as being impaired when the Company is no longer reasonably assured of the timely collection of the full amount of principal and interest. When amounts receivable are considered impaired, their book value is adjusted to their estimated realizable value based on the fair value of any collateral underlying the receivable net of any costs of realization.

4. NEW ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

The Partnership did not adopt any new accounting standards during the quarter ended March 31, 2021. Refer to Note 3 for new accounting policies adopted during the period.

5. KEY TERMS OF LIMITED PARTNERSHIP AGREEMENT

On July 31, 2018, GDH LP, GDH GP, GDH Ltd., GDH Intermediate LLC (a wholly owned subsidiary of GDH Ltd. established as a tax efficient blocker corporation or similar entity for US tax purposes) entered into a second amended and restated limited partnership agreement (as amended from time to time, the "LPA"). Certain key terms of the LPA include the following:

- *Units* - there are two classes of partnership interests ("Units"): Class A Units, which are held by GDH Ltd., and Class B Units, which are held by GGI and other Class B limited partners.

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

Accounting for the investment by GDH Ltd.

GDH Ltd. is deemed to have significant influence over GDH LP as it owns more than 20% of GDH LP and it has representation on the board of the general partner of the Partnership. As a result, GDH Ltd. has accounted for its investment in the Partnership under the equity method. If and when Class B units of the Partnership are exchanged into ordinary shares of GDH Ltd., GDH Ltd. receives Class A Units of the Partnership. As GDH Ltd. 's interest in GDH LP increases through the ownership of the Class A Units, an ongoing assessment will be performed to determine when GDH Ltd. obtains control of GDH LP. Under IFRS accounting guidance,an investor controls an investee if and only if the investor has all of the following:

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

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

6. BUSINESS COMBINATIONS

Drawbridge Lending, LLC

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

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

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

As of November 12, 2020, Drawbridge met the definition of a business under IFRS 3, and was identified as the accounting acquiree, whereas GDH Ltd. was identified as the accounting acquirer. The acquisition of Drawbridge was accounted for using the acquisition method. The consideration transferred was measured at fair value, which was calculated as the fair value of cash and equity interests issued by GDH Ltd. in exchange for the net identifiable assets of Drawbridge on November 12, 2020.

		(in thousands)
Fair value of consideration transferred		
Common stock[1][2]	$	6,135
Cash		273
	$	**6,408**
Less: Identifiable net assets acquired, at fair value		
Assets:		
Cash	$	234
Receivables		141
Digital assets		28
Other current & long-term assets		101
Goodwill		8,392
		8,896
Liabilities:		
Accounts payable		347
Promissory note		2,000
Other liabilities		141
	$	**6,408**

(1) The fair value was based on the closing share price of GDH Ltd. of approximately $4.07 on November 12, 2020 (the date of the acquisition which represents the date the acquirer obtained control of the acquiree).

(2) Of the 1,507,473 ordinary shares, 1,352,583 were issued and the remainder was held back. The escrowed shares will be released 33% on each of the 6-month, 12-month and 18-month anniversaries for non-employees of DBL and 33% on each of the 12-month, 18-month and 24-month anniversaries for employees of DBL.The value attributed to the shares held back was $0.6 million and is included in accounts payable and accrued liabilities and will be reclassified to partners' capital on issuance.

Goodwill

At the date of acquisition, the Partnership recorded $8.4 million of goodwill and considered DBL as a separate cash-generating unit. Goodwill represented the future economic benefit arising from other assets acquired that could not be individually identified and separately recognized. Goodwill was attributed to the expected synergies from combining operations with GDH LP, including the ability to drive growth in the Partnership's lending business and the expected future cash flows of the business.

As of December 31, 2020, the Partnership performed an impairment test using a one-step approach and determined the goodwill was not impaired.

Note to Drawbridge

Prior to the acquisition, a Note Purchase Agreement was entered into on July 9, 2019 by and among Drawbridge and Galaxy Digital Ventures LLC (“GDV”), a Delaware limited liability company and wholly-owned subsidiary of Galaxy Digital LP. GDV agreed to lend to Drawbridge, and Drawbridge agreed to borrow up to an aggregate amount of $1.5 million (the “Loan”). The Loan was evidenced by one or more secured promissory notes and the notes were secured by all present and after-acquired assets of Drawbridge. The notes bore an interest rate of 8% per annum and interest automatically accrued on a monthly basis and was capitalized to the principal amount of each note and was thereafter deemed to be a part of the principal amount of each such note. The original maturity date of the notes was January 1, 2020 and the July 9, 2019 initial loan amount was $1.0 million. On December 23, 2019, the initial note was amended and a new senior secured note was issued in the amount of $2.0 million with a maturity of December 31, 2020. The new note was comprised of (1) $1.0 million July 2019 note, (2) $1.0 million December 2019 note, (3) $33.8 thousand of interest paid in kind since the July 2019 note, and (4) $3.3 thousand of accrued and unpaid interest since the most recent payment date of the July 2019 note.

Blue Fire Capital

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

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

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

As of November 12, 2020, Blue Fire Capital met the definition of a business under IFRS 3, and was identified as the accounting acquiree, whereas GDH Ltd. was identified as the accounting acquirer. The acquisition of Blue Fire Capital was accounted for using the acquisition method. The consideration transferred was measured at fair value, which was calculated as the fair value of cash and equity interests issued by GDH Ltd. in exchange for the net identifiable assets of BFC on November 12, 2020.

		(in thousands)
Fair value of consideration transferred		
Common stock[1]	$	9,433
Cash		7,489
	$	**16,922**
Less: Identifiable net assets acquired, at fair value		
Assets:		
Cash	$	4,222
Receivables		20
Digital assets[2]		59,770
Other current assets		131
Intangible asset - software technology		2,406
Goodwill		7,123
		73,672
Liabilities:		
Accounts payable		983
Digital asset loans payable		55,767
	$	**16,922**

[1] The fair value was based on the closing share price of GDH Ltd. of $4.07 on November 12, 2020 (the date of the acquisition which represents the date the acquirer obtained control of the acquiree).

[2] Includes digital asset derivative positions.

Goodwill and Intangible Asset

At the date of acquisition, the Partnership recorded $7.1 million of goodwill and considered BFC as a separate cash-generating unit. Goodwill represented the future economic benefit arising from other assets acquired that could not be individually identified and separately recognized. Goodwill was attributed to the expected synergies from combining operations with GDH LP and the expected future cash flows of the business.

As of December 31, 2020, the Partnership performed an impairment test using a one-step approach and determined the goodwill was not impaired.

Intangible asset of $2.4 million represents the proprietary software technology that BFC built. The valuation of the intangible asset was based on the estimated cost based on the effort required to replicate the software technology. The intangible asset is depreciated over its estimated useful life of 2 years. As at March 31, 2021, the intangible asset was $1.9 million (December 31, 2020 - $2.4 million). The change during the period ended March 31, 2021 relates to amortization of $0.5 million (2020 - $nil).

7. DIGITAL ASSETS

The Partnership's digital assets are primarily traded in active markets and are purchased with the intent to resell in the near future, generating a profit from the fluctuations in prices or margins. As a result, the Partnership has determined that its holdings of cryptocurrency, both restricted and unrestricted, are considered to be digital assets and, as a result, are accounted for as inventory with changes in fair value less cost to sell recognized in profit or loss. Below are the Partnership's digital asset holdings as of March 31, 2021 and December 31, 2020 (in thousands):

	March 31, 2021	December 31, 2020
Cryptocurrency:		
Unrestricted[(1)]	$ 1,905,434	$ 831,122
Restricted	100,933	19,258
	$ 2,006,367	$ 850,380

(1) The digital asset balance as of March 31, 2021 and December 31, 2020 includes $708.4 million and $386.6 million, respectively, of digital assets that are held in funds that are managed by the Partnership. The amount of the funds' digital assets held by the Partnership via its General Partner interest at March 31, 2021 and December 31, 2020 was $223.5 million and $98.9 million, respectively.

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

> Unrestricted – Digital assets held by the Partnership, typically acquired through direct purchase or via pre-launch network investment whereby the related company or project has completed its token generated event or network launch and distributes such digital assets to the holder.
>
> Restricted – Certain digital assets held by the Partnership can be restricted due to a lock-up schedule. In addition, the Partnership may participate in a proof of stake program where certain digital assets will be committed to the program and restricted for a certain period of time.

During the periods ended March 31, 2021 and 2020, the Partnership engaged in several trading strategies with respect to its digital assets, including cross-exchange arbitrage as well as market neutral trading strategies across a variety of crypto assets and exchanges. Realized gains and losses are recognized in profit or loss.

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

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 reclassed 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 March 31, 2021, the Partnership has $149.3 million (December 31, 2020 - $12.8 million) in short-term digital assets receivables and $28.2 million (December 31, 2020 - $6.9 million) in long-term digital assets receivables.

Digital asset trades

As of March 31, 2021 and December 31, 2020, there were a number of unsettled trades. The amounts receivable and payable were $28.8 million (December 31, 2020 - $13.2 million) and $18.7 million (December 31, 2020 - $31.1 million), respectively.

8. INVESTMENTS

Investments

The Partnership's holdings of investments generally are not traded in active markets. Investments are accounted for as financial assets which are initially recognized at fair value and subsequently measured at fair value through profit or loss. Below are the Partnership's investments as of March 31, 2021 and December 31, 2020 (in thousands):

	March 31, 2021	December 31, 2020
Common Stock	$ 56,112	$ 29,970
Convertible Notes	4,399	4,501
LP/LLC Interests	155,021	84,311
Pre-Launch Network	950	500
Preferred Stock	109,671	86,258
Warrants/Trust Units/Trust Shares	25,490	54,843
	$ 351,643	**$ 260,383**

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

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

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

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

Preferred Stock: Class of ownership in a corporation that typically entitles the holder to a priority claim on the assets and future earnings of the corporation above that of common stock holders, as well as certain voting and governance rights over the operations of the corporation.

Warrants/ Trust Units/ Trust Shares: Warrants represent a security that entitles the holders to purchase the underlying stock of the issuing company at a pre-determined price until the stated expiry date. Trust units are a class of ownership in a unit trust (typically an unincorporated mutual fund) that entitles the holders to a claim on the assets and future earnings of the trust as well as certain voting and governance rights over the operations of the trust. Trust shares represent investments in traditional investment vehicles that enable investors to gain exposure to price movements of underlying assets.

Continuity schedule of investments

The below table shows components of the change in investments for the period ended March 31, 2021 and year ended December 31, 2020 (in thousands):

	Investments
Balance as at December 31, 2019	**$ 158,163**
Purchases	39,295
Proceeds from investments(i)	(34,768)
Distribution	(591)
Transfer to digital assets	(1,699)
Net realized gain on investments	10,796
Net unrealized gain on investments	91,161
Other(ii)	(1,974)
Balance as at December 31, 2020	**260,383**
Purchases	40,887
Proceeds from investments(i)	(167,875)
Distribution	(293)
Transfer to digital assets	(200)
Net realized gain on investments	152,746
Net unrealized gain on investments	65,971
Other(ii)	24
Balance as at March 31, 2021	**$ 351,643**

(i) Proceeds from investments for the period ended March 31, 2021, reflect the proceeds from the sale of trust shares, preferred stock and common stock, and the cash and stock consideration received in relation to an investment being acquired. Proceeds from investments for the year ended December 31, 2020 reflect the proceeds from the sale of preferred stock and common stock of companies.

(ii) Other for the period ended March 31, 2021 includes capitalized interest from the issuance of convertible notes. Other for the year ended December 31, 2020 includes capitalized interest from the issuance of convertible notes and accretion of a discount from the issuance of convertible notes offset by the dissolution of a promissory note upon the Partnership's acquisition of Drawbridge (Note 6).

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 initially recognized at fair value and subsequently measured at fair value through profit or loss. The fair value and unrealized loss of the Partnership's investments sold short as of March 31, 2021 was $14.8 million (December 31, 2020 - $4.4 million) and $5.689 million (March 31, 2020 - $nil), respectively.

The Partnership's realized gain or loss on an investment sold short is calculated as the proceeds from the sale of the investment sold short less the cost of the repurchase. The Partnership's unrealized gain or loss on an investment sold short consists of both the change in fair value on an investment sold short from the beginning of the period and the reversal of any previously recognized unrealized gain or loss on an investment sold short during the period. The realized loss of the Partnership's investments sold short as of March 31, 2021 was $1.608 million (March 31, 2020 - $nil).

9. DERIVATIVES

For the three months ended March 31, 2021 and 2020, the Partnership recognized a net derivative gain of $18.9 million and $4.4 million, respectively. The net gains for the three months ending March 31, 2021 were due to positioning, economic hedging and as part of a trading strategy.

The breakdown of the Partnership's derivatives portfolio, including their respective maturity, as of March 31, 2021 and December 31, 2020 are as follows (in thousands):

	March 31, 2021		December 31, 2020	
Type of Derivative	**Notional Amount**	**Fair Value**	**Notional Amount**	**Fair Value**
BTC futures	$ 209,300	$ (5,349)	$ 92,986	$ (2,635)
BTC swaps	15,557	16	12,439	(24)
Digital currency forwards	—	—	850	87
Digital currency options	296,013	45,347	163,023	18,640
Digital currency futures	105,620	(5,634)	28,171	90
Digital currency swaps	52,471	(5,252)	10,288	(86)
Foreign currency swaps	13,525	126	4,538	(17)
Exchange traded futures[1]	24,928	7,925	10,824	(264)
Exchange traded digital currency options[1]	—	—	470	131
	$ 717,414	**$ 37,179**	**$ 323,589**	**$ 15,922**

[1] Exchange traded digital currency options and exchange traded futures are traded on a traditional financial exchange.

	March 31, 2021		
	Term to Maturity		
Type of Derivative at Fair Value	**Within 1 year**	**1 through 5 years**	**Over 5 years**
BTC futures	$ (5,349)	$ —	$ —
BTC swaps	16	—	—
Digital currency forwards	—	—	—
Digital currency options	45,347	—	—
Digital currency futures	(5,634)	—	—
Digital currency swaps	(5,252)	—	—
Foreign currency swaps	126	—	—
Exchange traded futures	7,925	—	—
Exchange traded digital currency options	—	—	—
	$ 37,179	**$ —**	**$ —**

As of March 31, 2021, in connection with the open digital currency options, counterparties had posted cash collateral of $2.9 million (December 31, 2020 - $0.3 million) and cryptocurrency collateral of 42.2 million (December 31, 2020 - $22.3 million). The cash collateral has been reflected in the Partnership’s cash balance with a corresponding entry to collateral payable on the statement of financial position. Cryptocurrency posted as collateral of $0.3 million (December 31, 2020 - $11.5 million) is reflected in the digital assets balance (Note 7) with a corresponding entry to collateral payable on the statement of financial position as the Partnership is entitled to utilize the collateral. The remaining $41.9 million (December 31, 2020 - $10.8 million) cryptocurrency collateral is not reflected on the Partnership's statement of financial position as the Partnership is not entitled to utilize the collateral posted and is held in escrow.

The digital currency options are deemed to be Level 3 assets as one or more of the inputs are unobservable and significant to their fair value measurement. The fair value of the digital currency options is generally primarily driven by the volatility of the underlying digital currency. An increase in volatility generally increases the value of the option, while a decrease will generally decrease its value. The volatility of the underlying digital currency options held at March 31, 2021 ranged from 72% to 145%.

10. RECEIVABLES

(in thousands)	March 31, 2021	December 31, 2020
Interest receivable	3,290	1,050
Other [(1)]	31,220	1,660
	$ 34,510	**$ 2,710**

[(1)] Includes $7.3 million (December 31, 2020 - $nil) in receivables from GDH Ltd. due to the warrant exercises relating to the PIPE financing (Note 18) and includes $21.1 million (December 31, 2020 - $0.3 million) due to the Partnership from managed funds. The amounts due to the Partnership from managed funds during the period ending March 31, 2021 primarily include an investment made by the Partnership on behalf of a recently launched managed fund.

11. DIGITAL ASSET LOANS RECEIVABLE AND PAYABLE

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

Digital asset loans receivable

During the period ended March 31, 2021, the Partnership loaned select cryptocurrencies to borrowers at annual rates ranging from 5% to 18%. There is no set term for the loans and the borrower can prepay without penalty. In addition, the Partnership can generally demand the repayment of the loans at any time by providing between three to twenty business days notice. The borrower is generally required to post collateral between 0% to 150% of the loan value in either US dollars or select cryptocurrencies.

As of March 31, 2021, the Partnership had a digital asset loans receivable balance of $293.3 million (December 31, 2020 - $96.7 million).

As of March 31, 2021, borrowers had posted cash collateral of $6.9 million (December 31, 2020 - $0.3 million), cryptocurrency collateral of $161.9 million (December 31, 2020 - $25.3 million), pledged cryptocurrency collateral of $nil (December 31, 2020 - $1.5 million) and trust share collateral of $261.6 million (December 31, 2020 - $70.8 million). Under the terms of the master loan agreements, the Partnership is entitled to use the cash collateral to conduct its digital currency lending and borrowing business and therefore has reflected the amount in the Partnership's cash balance with a corresponding entry to collateral payable on the statement of financial position. In addition, the Partnership is entitled to utilize the cryptocurrency posted as collateral by borrowers and therefore, has reflected this amount within its digital assets with a corresponding entry to collateral payable on the statement of financial position. In contrast, the cryptocurrency and trust share collateral pledged as collateral by the borrowers has no impact on the Partnership's statement of financial position as the Partnership is not entitled to utilize the pledged amounts unless there is an event of default. The value of the cryptocurrency received as collateral has been netted with the obligation to return the cryptocurrency.

Digital asset loans payable

As of March 31, 2021 and December 31, 2020 digital asset loans payable consisted of the following (in thousands):

	March 31, 2021	December 31, 2020
Master loan agreements	$ 554,436	$ 207,899
Credit facility from exchange	18,500	18,500
	$ 572,936	**$ 226,399**

Master Loan Agreements

During the period ended March 31, 2021, the Partnership entered into master loan agreements with lenders and counterparties to borrow select cryptocurrencies at annual rates of interest ranging from 4% to 22%. For most of the loans, there is no set term of repayment and the Partnership can prepay the loans without penalty. In addition, the lenders can generally demand the repayment of the loans at any time by providing between five to twenty business days notice. The Partnership is generally required to post collateral between 0% to 100% of the loan value in either US dollars or in select cryptocurrencies.

(in thousands)	March 31, 2021	December 31, 2020
Digital assets borrowed	$ 559,676	$ 213,177
Digital assets sold short [(i)]	(5,240)	(5,278)
Master Loan Agreements	$ 554,436	$ 207,899

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

As of March 31, 2021, the Partnership posted cash and cryptocurrency collateral of $nil (December 31, 2020 - $nil) and $30.9 million (December 31, 2020 - $15.6 million), respectively, for digital asset loans payable. The total collateral posted by the Partnership of $36.8 million (December 31, 2020 - $15.8 million) includes $5.7 million (December 31, 2020 - $nil) cryptocurrency collateral posted for fiat currency loans and $0.2 million (December 31, 2020 - $0.1 million) cash collateral posted for digital currency options and is reflected as assets posted as collateral on the statement of financial position.

During the period ended March 31, 2021, the Partnership paid interest expense of $11.8 million (2020 - $7.8 million) and received interest income of $7.0 million (2020 - $5.5 million) in connection with the aforementioned lending and borrowing activity.

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 policy of the exchange, four of these arrangements were not pursuant to a formal credit facility agreement and are managed automatically on the trading platform. Two arrangements were pursuant to a formal agreement requiring the Partnership to post collateral of 10-25% in conjunction with the amounts drawn. These credit facilities are restricted from withdrawals from exchange accounts and bear interest rates ranging from 0% to 3.65% annually. The total amount extended under these credit facilities at March 31, 2021 is $2.2 million (December 31, 2020 - $2.2 million) in cash and $185.0 million (December 31, 2020 - $99.6 million) in digital assets. As at March 31, 2021 $18.5 million has been included in digital asset loans payable as the balance must be repaid in a specific currency that the Partnership does not have on hand. The remaining cash and digital asset credit facility balances of $2.2 million (December 31, 2020 - $2.2 million) and $166.5 million (December 31, 2020 - $81.1 million), respectively, have no impact on the Partnership's statement of financial position as the value of the cash and cryptocurrency extended has been netted with the obligation to return.

12. PREPAID EXPENSES AND OTHER ASSETS

(in thousands)	March 31, 2021	December 31, 2020
Prepaid mining equipment	$ 11,708	$ —
Prepaid payroll funding and deposit	900	900
Prepaid rent and security deposits	487	484
Prepaid insurance	237	312
Other[1]	1,985	4,798
	$ 15,317	**$ 6,494**

[1] Includes $0.6 million (December 31, 2020 - $1.0 million) in deposits as of March 31, 2021.

13. LOANS RECEIVABLE AND PAYABLE

Fiat currency loans

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

During the period ended March 31, 2021, the Partnership loaned fiat currencies to borrowers at annual rates ranging from 8% to 21%. There is no set term for the loans and the borrower can prepay without penalty. The borrower is generally required to post collateral in escrow between 0% to 150% of the loan value in select cryptocurrencies.

As of March 31, 2021, the Partnership had loans receivable balance of $60.2 million (December 31, 2020 - $8.5 million) of which the respective borrowers had posted cryptocurrency collateral of $16.3 million (December 31, 2020 - $7.3 million) and pledged $35.1 million (December 31, 2020 - $11.7 million) of cryptocurrency collateral. The Partnership is entitled to utilize the cryptocurrency posted as collateral by borrowers and therefore, has reflected this amount within its digital assets with corresponding entry to collateral payable on the statement of financial position. In contrast, the cryptocurrency pledged as collateral by the borrowers has no impact on the Partnership's statement of financial position as the Partnership is not entitled to utilize the pledged cryptocurrency unless there is an event of default. The value of the cryptocurrency received as collateral has been netted with the obligation to return the cryptocurrency.

During the period ended March 31, 2021, the Partnership borrowed fiat currencies from lenders at annual rates ranging from 5% to 13%. For most of the loans, there is no set term of repayment and the Partnership can prepay without penalty. As of March 31, 2021, the Partnership had loans payable of $42.4 million (December 31, 2020 - $nil) of which the Partnership posted cryptocurrency collateral of $5.7 million (December 31, 2020 - $nil). During the period ended March 31, 2021, the Partnership paid interest expense of $0.6 million (March 31, 2020 - $nil) in connection with the aforementioned borrowing activity.

14. PROPERTY AND EQUIPMENT AND RIGHT OF USE ASSET

(in thousands)	Furniture & Fixtures	Office Equipment	Computer Equipment	Mining Equipment (iii)	Leaseholds Improvements (i)	Total Property and Equipment	Right of Use Asset
Balance as of December 31, 2019	$ 525	$ 11	$ 445	$ —	$ 3,077	$ 4,058	$ 5,183
Additions	—	—	109	—	—	109	—
Depreciation	(60)	(3)	(127)	—	(362)	(552)	(610)
Other(ii)	—	—	78	—	—	78	—
Balance as of December 31, 2020	**$ 465**	**$ 8**	**$ 505**	**$ —**	**$ 2,715**	**$ 3,693**	**$ 4,573**
Additions	—	—	121	2,766	—	2,887	—
Depreciation	(15)	(1)	(52)	(158)	(90)	(316)	(152)
Balance as of March 31, 2021	**$ 450**	**$ 7**	**$ 574**	**$ 2,608**	**$ 2,625**	**$ 6,264**	**$ 4,421**

(i) Leasehold improvements primarily relate to expenditures for renovation and build out of office space, architect and design costs.

(ii) Fixed assets acquired through acquisition.

(iii) Depreciation of the Partnership's mining equipment is netted against income from digital asset mining (Note 23).

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands)	March 31, 2021	December 31, 2020
Compensation and compensation related	$ 86,767	$ 12,720
Interest	7,173	1,723
Professional fees	4,731	2,236
Other(i)	12,422	17,475
	$ 111,093	**$ 34,154**

(i) Includes redemptions payable to non-controlling interests of Partnership managed funds of $0.6 million (December 31, 2020 - $13.4 million) as of March 31, 2021.

16. DIGITAL ASSETS SOLD SHORT

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

Realized gains and losses are recognized only on a purchase of the identical asset made in order to close out the future position at the settlement date. All other trading activity is recognized in unrealized gains and losses.

Master Loan Agreements

During the three months ended March 31, 2021 and 2020, the Partnership entered into master loan agreements with lenders to borrow select cryptocurrencies.

As of March 31, 2021, the digital assets sold short balance under the master loan agreements (Note 11) was $5.2 million (December 31, 2020 - $5.3 million).

17. LEASE LIABILITY

Lease liability (in thousands)	March 31, 2021	December 31, 2020
Lease liability	$ 5,173	$ 5,257
Less: current portion	(726)	(742)
Classified as a long-term liability	**$ 4,447**	**$ 4,515**

Undiscounted lease payments (in thousands)	March 31, 2021	December 31, 2020
Later than a year	$ 6,897	$ 7,147
Not later than a year	991	983
	$ 7,888	**$ 8,130**

The Partnership recognized $4.8 million of lease liability on January 1, 2019. The lease liability was measured at the present value of the remaining lease payments of $8.3 million as of January 1, 2019, discounted using an incremental borrowing rate at that date of 12%. The Company recorded a right of use asset of the same amount (Note 14) which relates to its long-term office lease. Depreciation of the right of use asset is calculated using the straight line method over the remaining lease term.

In addition, effective August 1, 2019, the Partnership recognized $0.9 million of lease liability related to another lease agreement of the same amount. The lease liability was measured at the present value of the lease payments of $1.6 million as of August 1, 2019, discounted using an incremental borrowing rate at that date of 12%. The Company recorded a right of use asset of the same amount (Note 14) for this lease. Depreciation of the right of use asset is calculated using the straight line method over the remaining lease term.

Details of the above leases are disclosed in Note 28.

For the period ended March 31, 2021, the Partnership recognized interest expense on the lease liability of $0.2 million (2020 - $0.2 million), which was recorded within interest expense.

The Partnership elected not to apply the lease standard to short term leases with an initial term of 12 months or less but rather recognize the lease expense on a straight line basis. The Partnership leases office space in London, Hong Kong and Tokyo on short term leases with initial terms of 12 months or less.

18. EQUITY

Issued Partnership Capital

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

(i) GDH LP Class A Units, which were subdivided into GDH LP A-1 Units, all of which are held by GDH Ltd., and GDH LP A-2 Units, all of which are held indirectly by GDH Ltd., through GDH Ltd.'s wholly owned U.S. blocker subsidiary, GDH Intermediate LLC, which was established as a tax-efficient blocker corporation or similar entity for U.S. tax purposes; and

(ii) GDH LP Class B Units, all of which are held by GGI, employees of GDH LP as part of the GDH LP employee compensation plan and certain former First Coin shareholders.

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

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

Private Investment in Public Equity ("PIPE")

On November 12, 2020 (the "Closing"), GDH Ltd. closed a PIPE of $50.0 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 share was accompanied by a warrant to purchase 0.25 of an ordinary share ("security") and each security was issued at a price of C$3.50. Each warrant is exercisable into an ordinary share of the Company for a term of two years from the date of issuance at an exercise price of C$8.25. All securities issued pursuant to the PIPE will be subject to certain selling restrictions set forth in the investment agreements. The investment agreements provide that: (i) no sales are permitted during the first six months from the Closing; (ii) sales of up to 33.3% of total shares issued are permitted seven to nine months after the Closing, subject to a maximum daily sale participation of no more than 10% of daily traded volume; (iii) sales of up to 66.6% of the total shares issued are permitted ten to twelve months after the Closing, subject to a maximum daily sale participation of no more than 10% of daily traded volume; and (iv) until eighteen months after the Closing, all shares remain subject to a daily selling restriction of no more than 10% of daily traded volume. The selling restrictions terminate upon certain corporate actions by GDH Ltd.

Under the terms of the LPA, the Partnership will issue a Class A Unit for each GDH Ltd. common share issued and any liability associated with the warrant will be pushed down to the Partnership. On initial recognition, the warrants were valued at $6.5 million and are recorded as a derivative financial liability as these warrants are exercisable in Canadian dollars, differing from the Partnership's functional currency. As at March 31, 2021 the value of the warrant liability is $52.7 million (December 31, 2020 - $20.8 million) and the loss recognized in the statement of comprehensive income for the period ended March 31, 2021 is $36.8 million (2020 - $nil).

The fair value of the warrant liability is calculated using the Black-Scholes Option Pricing Model. A continuity table for the change in the liability-classified warrant and the inputs used to value the warrant liability as at March 31, 2021 and December 31, 2020 are included in Note 26. These are the only warrants outstanding in GDH Ltd. During the period ended March 31, 2021, 1,128,554 of the warrants were exercised at an exercise price of C$8.25. At March 31, 2021, there are 3,638,946 warrants outstanding and exercisable (December 31, 2020 - 4,767,500).

Issued Capital

Class A Units

During the period ended March 31, 2021, the Partnership issued 1,456,670 (2020 - 722,995) Class A Units, post withholding taxes, to GDH Ltd. on exchange of Class B Units, and issuance of Class A Units to GDH Ltd. on exercise of the PIPE warrants.

In fiscal 2019, GDH Ltd. received approval from its Board of Directors and TSX-V to purchase up to approximately 7.3% of its issued and outstanding ordinary shares and 10% of its public float (the "Share Repurchase Program"). All shares were purchased for cancellation. On the repurchase of the shares of GDH Ltd., an equivalent number of Class A Units in GDH LP was cancelled.

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

Class B Units

During the period ended March 31, 2021, 328,116 (2020 - 722,995) Class B Units were exchanged for common shares of GDH Ltd. The number of Units exchanged for 2020 is after the withholding and cancellation of 20,951 Class B Units, associated with the withholding obligation on the vested compensatory Class B Units.

As of March 31, 2021, there were 92,705,177 (December 31, 2020 - 91,248,507) Class A Units and 222,577,818 (December 31, 2020 - 222,905,934) Class B Units outstanding. The change during the quarter ended March 31, 2021 was due to exchanges of Class B Units for common shares of GDH Ltd. (and into Class A Units of GDH LP), and issuance of Class A Units as a result of the exercise of some of the PIPE warrants.

Distributions

In June 2020, the board of the General Partner approved a tax distribution of up to $2.5 million in respect of taxable income related to tax year 2019 and estimated taxable income related to tax year 2020. During the year ended December 31, 2020, the Partnership distributed $1.9 million of the approved amount, of which $nil (December 31, 2020 - $0.2 million) is included in other accrued liabilities at period end. Certain of the recipients of the tax distributions are related parties (Note 24).

Equity Based Compensation

The Partnership has awarded compensatory Class B Units and stock options (equity instruments) to eligible officers and employees. For the three months ended March 31, 2021 and 2020, equity based compensation expense was recognized as follows (in thousands):

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Stock options	$ 5,735	$ (334)
Restricted Units	367	—
Compensatory Class B Unit awards:		
Standard Units	—	6
Profit Interest Units	886	1,949
Stock options awarded to directors:		
Included in equity based compensation	111	—
	7,099	1,621
Stock options awarded to directors included in director fees	208	—
	$ 7,307	**$ 1,621**

Compensatory Class B Unit Awards and Stock Option Plan

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

Compensatory Class B Unit Awards

2020

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

- Standard Units - 19,068 of the Standard Units vested 100% on December 15, 2020. Once vested, each Standard Unit can be exchanged for one share of GDH Ltd. for no additional consideration. The fair value of the Standard Units transferred, measured as of the grant date, was $91,078 (or approximately $4.7765 per Standard Unit) based on the 10-day volume weighted average share price of GDH Ltd. from December 2, 2020 through December 15, 2020 ("10-day WA") and on the number of Standard Units expected to vest (100%). The fair value was recognized in 2020.
- Profit Interest Units - 355,932 of the Profit Interest Units vest on December 15, 2020, 15,226 vest on December 1, 2021, 390,226 vest on December 1, 2022, 185,255 vest on December 1, 2023 and 15,226 vest on December 1, 2024. Once a Profit Interest Unit has vested and has been fully "caught up", such Profit Interest Unit may be exchanged for one share of GDH Ltd. for no additional consideration. The fair value of the Profit Interest Units granted was $3,501,531 (or approximately $3.8325 per Profit Interest Unit). The fair value of the Profit Interest Units was estimated using the probability-weighted expected return method. In applying this method, a payoff was determined for a Profit Interest Unit under three potential scenarios, each payoff was weighted by an estimated probability of the corresponding scenario, and then the probability-weighted payoffs were discounted to the date of grant and summed. The scenarios, probabilities, and other inputs into the model consider, among other things, the results of a one-period trinomial model, the results of a standard Black-Scholes option pricing model under different assumptions, and the estimated fair value of a common share of GDH Ltd. The scenarios probability ranged from 5% to 65%, the annual discount rate used was 0.50%, the term used was 5.04 years, and the share price used ranged from C$0 to C$100. The number of Profit Interest Units expected to vest ranged from 90% to 100%.

(Expressed in US Dollars - unaudited)

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

Description	Class B Units
Balance, December 31, 2019	18,604,790
Transferred	980,932
Exchanged	(3,129,727)
Forfeited	(20,951)
Forfeited/ Transferred	(980,932)
Balance, December 31, 2020	15,454,112
Exchanged	(142,105)
Balance, March 31, 2021	15,312,007
Class B Units exercisable, March 31, 2021	8,813,373
Class B Units exercisable, December 31, 2020	8,966,429

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

Equity Plan

The Partnership has granted stock options to employees, officers, directors and consultants of the Partnership under the GDH Ltd. stock option plan (the “Plan”), subject to the approval of the board of directors of GDH Ltd. Under the Plan, the number of stock options granted to any person within a one-year period will not exceed 5% and the number granted to those individuals considered consultants or providing investor relations services may not exceed 2% in a one-year period, in each case on a fully exchanged basis. In addition, the exercise price of each option may not be less than the market price of GDH Ltd.’s shares at the date of grant. Options granted under the Plan will have a term not to exceed 5 years and will be subject to vesting provisions as determined by the board of directors of GDH Ltd., who administer the Plan. On exercise of an option, the holder will receive one 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.

Stock Option Grants

On April 9, 2020, the Partnership granted 6,810,000 stock options ("April 2020 Grant") with a fair value of $1.8 million (or a weighted average fair value of approximately of $0.4232 per option). The stock options granted vest by a third annually commencing on March 1, 2021. The exercise price is C$1.35 per option for the options vesting on March 1, 2021; C$1.60 for the options vesting on March 1, 2022; and C$1.85 for the options vesting on March 1, 2023. The awards will expire on April 9, 2025 if not exercised.

On November 16, 2020, the Partnership granted 6,030,000 stock options ("November 2020 Grant") with a fair value of $13.3 million (or a weighted average fair value of approximately $2.8625 per option). 1,400,000 options granted vest by a third annually commencing on December 1, 2022. 2,630,000 options granted vest by a quarter annually commencing on December 1, 2021. 2,000,000 options granted vest equally on November 16, 2022 and November 16, 2024. The exercise price is C$5.65 per option. The awards will expire on November 16, 2025 if not exercised.

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

On December 8, 2020, the Partnership granted 555,000 stock options ("December 8 2020 Grant") with a fair value of $1.2 million (or a weighted average fair value of approximately $3.1055 per option). The options granted vest by a quarter annually commencing on December 1, 2021. The exercise price is C$6.00 per option. The awards will expire on December 8, 2025 if not exercised.

(Expressed in US Dollars - unaudited)

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

Grants to Directors

On June 25, 2020, the Partnership granted 750,000 stock options ("June 2020 Grant") with a fair value of $0.5 million (or a weighted average fair value of approximately of $0.7011 per option) to the external directors of GDH Ltd. and external managers of the Partnership. The stock options granted are exercisable into one common share of GDH Ltd. at an exercise price of C$1.39 per option for a period of five years and vest fully on June 1, 2021.

On November 16, 2020, the Partnership granted 150,000 stock options with a fair value of $0.4 million (or a weighted average fair value of approximately $2.8625 per option) to an external manager of the Partnership. The stock options granted are exercisable into one common share of GDH Ltd. at an exercise price of C$5.65 per option for a period of five years and vest fully on June 1, 2021.

The fair value of the options granted was measured using the Black-Scholes option pricing model with the following weighted average inputs. There were no options granted during the period ending March 31, 2021.

Inputs to the Black-Scholes Model	December 31, 2020
Share price (i)	C$0.97 - C$8.02
Exercise price	C$1.35 - C$8.02
Expected annual volatility (ii)	85% - 90%
Expected term (years)	5.00
Dividend yield	0%
Risk-free interest rate (iii)	0.35% - 0.60%
Forfeiture rate	0% - 48%

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

(ii) 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.

(iii) 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 March 31, 2021 and for the year ended December 31, 2020:

Description	Number of Options	Weighted Average Exercise Price (C$)
Balance, December 31, 2019	17,684,300	2.74
Granted[1]	21,895,000	4.45
Exercised	(1,809,800)	2.52
Forfeited	(6,203,866)	2.32
Balance, December 31, 2020 and March 31, 2021	31,565,634	4.03
Options exercisable as of March 31, 2021	9,685,317	
Options exercisable as of December 31, 2020	5,207,000	

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

(Expressed in US Dollars - unaudited)

There were no options exercised during the three months ended March 31, 2021. There were 1,809,800 options exercised for the year ended December 31, 2020. For stock options outstanding as of March 31, 2021, the weighted average remaining contractual life is 3.77 years (December 31, 2020 - 3.91 years).

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

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

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

Restricted Units

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

(Expressed in US Dollars - unaudited)

Net Income per Unit

The below table presents the basic and diluted net income per unit for the three months ended March 31, 2021.

	Class A Unitholders	Class B Unitholders	Total Class A and Class B Unitholders
Basic income per unit	$ 2.74	$ 2.74	$ 2.74
Diluted income per unit	N/A	N/A	2.51
Net income used in the calculation of basic and diluted income per unit	249,915	610,043	859,958
Weighted average number of units for the purposes of basic income per unit[1]	91,001,470	222,762,672	313,764,142
Weighted average number of units for the purposes of diluted income per unit	N/A	N/A	342,182,536

[1] Exclude outstanding stock that are potentially subject to recall

For the period ended March 31, 2021, the weighted average number of total Units (Class A and Class B Units) for the purposes of diluted income per unit assumes the potential vesting of the Class B Units 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 March 31, 2021
Weighted average number of units for the purposes of basic income per unit	313,764,142
Diluted units:	
Compensatory Class B Unit awards	6,235,349
Stock options	21,313,719
Restricted stock	714,436
Held back shares	154,890
Weighted average number of units for the purposes of diluted income per unit	**342,182,536**

The below table presents the basic and diluted net loss per unit for the period ended March 31, 2020.

	Class A Unitholders	Class B Unitholders	Total Class A and Class B Unitholders
Basic and diluted loss per unit	$ (0.09)	$ (0.09)	$ (0.09)
Net loss used in the calculation of basic loss per unit	(6,159,348)	(20,781,381)	$ (26,940,729)
Weighted average number of units for the purposes of basic loss per unit[1]	66,412,564	218,983,812	285,396,376

[1] Potentially dilutive compensatory B units awards and stock options were excluded from the computation of diluted loss per unit for the period because their effect would have been antidilutive.

19. NON-CONTROLLING INTERESTS

During the period ended March 31, 2021, the Partnership formed Galaxy Ethereum Fund L.P. ("GEF") and Galaxy Institutional Ethereum Master Fund, L.P. ("GIEF").

Set out below is a summary (in thousands) of the financial information for Galaxy Digital Lending LLC ("GDL"), Galaxy Crypto Index Fund, L.P. ("Galaxy Index Fund"), Galaxy Bitcoin Fund LP ("GBF"), Galaxy Institutional Bitcoin Fund LP ("GIBF"), GEF, and GIEF, the subsidiaries for which the Partnership is subject to a non-controlling interest.

	GDL	Galaxy Index Fund	GBF	GIBF	GEF	GIEF	Total
Non-controlling interests, December 31, 2019	**$ 583**	**$ 5,030**	**$ 383**	**$ 1,324**	**$ —**	**$ —**	**$ 7,320**
Contributions[1]	—	1,650	4,637	135,285	—	—	141,572
Distributions	(597)	(8,661)	(312)	(6,752)	—	—	(16,322)
Share of income	15	14,339	5,816	133,216	—	—	153,386
Non-controlling interests, December 31, 2020	**$ 1**	**$ 12,358**	**$ 10,524**	**$ 263,073**	**$ —**	**$ —**	**$ 285,956**
Contributions[1]	—	975	7,942	59,479	405	13,131	81,932
Distributions	—	—	(3,106)	(123,310)	—	—	(126,416)
Share of income (loss)	—	14,676	12,715	221,391	(3)	(160)	248,619
Non-controlling interests, March 31, 2021	**$ 1**	**$ 28,009**	**$ 28,075**	**$ 420,633**	**$ 402**	**$12,971**	**$ 490,091**

(1) Contributions include contributions from third party investors in the Galaxy Index Fund, GIBF, GBF, GEF and GIEF.

The following tables present the non-controlling interests at March 31, 2021 and December 31, 2020. The information below is before inter-company eliminations (in thousands):

	GDL	Galaxy Index Fund	GBF	GIBF	GEF	GIEF	Total
Non-controlling %	5%	53%	44%	75%	8%	40%	
Assets							
Current	$ 31	$ 55,440	$ 63,437	$ 564,721	$ 5,592	$ 32,689	$ 721,910
	31	55,440	63,437	564,721	5,592	32,689	721,910
Liabilities							
Current	—	2,349	253	1,316	298	172	4,388
	—	2,349	253	1,316	298	172	4,388
Net Assets	31	53,091	63,184	563,405	5,294	32,517	717,522
Non-controlling interests, March 31, 2021	**$ 1**	**$ 28,009**	**$ 28,075**	**$ 420,633**	**$ 402**	**$ 12,971**	**$ 490,091**

	GDL	Galaxy Index Fund	GBF	GIBF	Total
Non-controlling %	5%	52%	38%	79%	
Assets					
Current	$ 31	$ 36,272	$ 28,034	$ 339,540	$ 403,877
	31	36,272	28,034	339,540	403,877
Liabilities					
Current	—	12,373	89	5,397	17,859
	—	12,373	89	5,397	17,859
Net Assets	31	23,899	27,945	334,143	386,018
Non-controlling interests, December 31, 2020	**$ 1**	**$ 12,358**	**$ 10,524**	**$ 263,073**	**$ 285,956**

The following table reflects the net income and net comprehensive income (loss) attributable to non-controlling interests for the three months ended March 31, 2021 and 2020 (in thousands):

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Net income	**$ 1,108,577**	**$ (27,754)**
Net comprehensive income (loss) attributable to non-controlling interests:		
GDL	—	14
Galaxy Index Fund	14,676	(161)
GBF	12,715	(66)
GIBF	221,391	(600)
GEF	(3)	—
GIEF	(160)	—
	$ 248,619	**$ (813)**

20. COMPENSATION AND COMPENSATION RELATED

(in thousands)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Base compensation and accrued bonuses[1]	$ 91,636	$ 5,694
Payroll taxes	387	318
Benefits	1,446	901
Placement Fees	1,098	—
Consulting	345	253
Temporary staff	40	18
	$ 94,952	**$ 7,184**

(1) Three months ended March 31, 2020 includes $0.4 million of severance expense payments.

21. PROFESSIONAL FEES

(in thousands)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Legal	$ 2,853	$ 260
Audit and related	887	617
Tax	339	279
Consulting	334	403
Valuations	153	79
	$ 4,566	**$ 1,638**

22. GENERAL AND ADMINISTRATIVE

(in thousands)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Technology	$ 1,182	$ 746
Depreciation (Note 6, 14)	771	287
Trading fees	274	53
Marketing	564	546
Fund administration	305	151
Occupancy	144	135
Travel and entertainment	56	198
Bad debt expense (Note 13)	—	240
Other (i)	2,045	840
	$ 5,341	**$ 3,196**

(i) Includes GDH Ltd. Reimbursable Expenses of $1.4 million and business tax expense of $0.4 million for the period ended March 31, 2021 (March 31, 2020 - $0.2 million for reimbursable expenses and $0.4 million for business tax expense).

23. DIGITAL ASSET MINING AND MINING FINANCE

Digital asset mining

Digital asset mining involves solving complex mathematical puzzles to collect transactions into a group (referred to as "blocks") to be verified to on the blockchain. Miners compete to successfully solve these mathematical problems to receive a block reward. To date, the Partnership solely engages in Bitcoin mining.

Bitcoin has a fixed supply of 21 million coins and a difficulty adjustment that occurs every 2,016 blocks, which regulates the issuance of new Bitcoin. The continuous mining difficulty adjustment results in a new block being mined every 10 minutes on average, regardless of how much hash rate joins (or leaves) the network.

The first block mined on the Bitcoin blockchain occurred on January 3, 2009 and consisted of 50 Bitcoin per block. The Mining reward for each new block is subject to an incremental "halving" every 210,000 blocks which decreases the miner reward by 50%. To date, the Bitcoin protocol has undergone three separate halving cycles since its inception: (1) On November 28, 2012 at block 210,000, reducing the block reward from 50 to 25 Bitcoin. (2) on July 9, 2016 at block 420,000, reducing the reward to 12.5 Bitcoin. (3) on May 11, 2020 at block 630,000, reducing the current reward to 6.25 Bitcoin. The halving cycle will reoccur until the maximum supply of 21 million Bitcoin are mined.

Participation in Bitcoin mining pools

The Partnership participates in a Bitcoin mining pool with cooperating miners to solve cryptographic algorithms (via proof-of-work) and find new Bitcoin blocks. The partnership receives a Bitcoin reward in return for participation in the mining pool. The Pool Operator coordinates the hash power from all participants to increase the odds of solving a new block and receive a Bitcoin mining reward. The pool operator distributes the newly minted reward to the Partnership in proportion to the hashing capacity contributed to the pool.

During January 2021, the Partnership entered a two-year managed hosting arrangement with a service provider for its mining operations. Per the arrangement, the Partnership pays its operating charges based on a fixed per KwH hosting rate in accordance with a pre-determined methodology. 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 receive against the costs associated with the Partnership's operations which includes 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.

For the period ended March 31, 2021, net income from digital asset mining was composed of the following (in thousands):

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Income from digital asset mining	$ 1,235	$ —
Hosting fees	(154)	—
Depreciation expense	(158)	—
	$ 923	**$ —**

Mining equipment

The Partnership purchased mining equipment that has a 256-bit secure hashing algorithm (SHA-256) to verify transactions via 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 blockchain utilize the 256-bit secure hashing algorithm.

As part of its mining business, the Partnership enters into lease agreements with counterparties as a lessor. For the period ended March 31, 2021, net income from mining equipment leases was composed of the following (in thousands):

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Operating lease	$ 144	$ —
Finance lease interest income	185	
Realized gain/loss on finance leases	177	—
	$ 506	**$ —**

24. RELATED PARTY TRANSACTIONS

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

Compensation of Key Management Personnel

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

(in thousands)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Base compensation and accrued bonuses*	$ 27,669	$ 1,105
Benefits	186	63
Equity based compensation	5,373	2,916
Profit share arrangement expense	2,894	—
Total	**$ 36,122**	**$ 4,084**

*For the three months ended March 31, 2021, amounts include approximately $26.7 million (2020 - $0.3 million) of accrued bonuses within accounts payable and accrued liabilities.

For the period of one year starting on January 1, 2021 (the "earnout period"), related to the acquisition of BFC, certain management personnel is entitled to receive a percentage of net profit of BFC, payable sixty days after the earnout period, if certain financial metrics are achieved. As of March 31, 2021, accounts payable and accrued expenses include $2.9 million of such profit share compensation to the management personnel.

Distributions

During the year ended December 31, 2020, the Partnership made tax distributions of $1.9 million, of which $0.2 million is included in other accrued liabilities at year end, to individuals and a company considered to be related parties (Note 18).

Sublease

GIP, which has leased the office space located on the 7th and 8th floors of 107 Grand Street, New York, New York 10013, has subleased to GDS to occupy the 8th floor on the same terms as the master lease (Note 28). In addition, effective August 1, 2019, GIP also subleased a portion of the 7th floor to GDS, including use of common areas (Note 28).

Other

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

The Partnership's CEO is a member of the advisory board for another company, resulting in the Partnership and that company being related parties. As at March 31, 2021, the Partnership had an investment in the company valued at $40.4 million (December 31, 2020 - $19.6 million).

In accordance with the LPA (Note 5), the Partnership will reimburse or pay for all reimbursable expenses of GDH Ltd. For the periods ended March 31, 2021 and 2020, the Partnership paid or accrued $1.4 million and $0.2 million, respectively, on behalf of GDH Ltd., which has been included in general and administrative expenses (Note 22).

25. REPORTABLE SEGMENTS

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

Trading

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

Principal Investments

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

Asset Management

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

Investment Banking

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

Mining

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

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

Assets and liabilities by each of the reportable segments as of March 31, 2021 are as follows (in thousands):

	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Total assets	$ 1,800,692	$ 775,031	$ 504,388	$ 6,244	$ 57,608	$ 35,415	$ 3,179,378
Total liabilities	$ 867,495	$ 101	$ 6,276	$ 155	$ 40,504	$ 96,797	$ 1,011,328

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

	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Total assets	$ 751,138	$ 357,529	$ 307,720	$ 6,190	$ 3,633	$ 30,014	$ 1,456,224
Total liabilities	$ 333,321	$ 101	$ 18,170	$ 22	$ —	$ 20,443	$ 372,057

Income and expenses by each of the reportable segments for the three months ended March 31, 2021 is as follows (in thousands):

	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Income (loss)							
Advisory and management fees	$ 95	$ —	$ 1,818	$ —	$ —	$ —	$ 1,913
Net income from digital asset mining	—	—	—	—	923	—	923
Leasing income from mining equipment	—	—	—	—	506	—	506
Net realized gain on digital assets	480,356	45,515	140,797	—	—	—	666,668
Net realized gain on investments	—	151,138	—	—	—	—	151,138
Interest income	8,511	22	—	—	—	—	8,533
Net derivative gain	18,859	—	—	—	—	—	18,859
Other income	866	321	—	—	—	—	1,187
	508,687	**196,996**	**142,615**	**—**	**1,429**	**—**	**849,727**
Operating expenses	**73,811**	**10,349**	**4,236**	**864**	**715**	**40,267**	**130,242**
Net unrealized gain on digital assets	158,617	94,818	109,251	—	223	—	362,909
Net unrealized gain on investments	—	60,282	—	—	—	—	60,282
Revaluation of warrant liability	—	—	—	—	—	(36,817)	(36,817)
Unrealized foreign currency loss	3,068	—	—	—	—	—	3,068
Realized foreign currency loss	(2)	(348)	—	—	—	—	(350)
	161,683	**154,752**	**109,251**	**—**	**223**	**(36,817)**	**389,092**
Net income (loss) for the period, including non-controlling interests	**$ 596,559**	**$ 341,399**	**$ 247,630**	**$ (864)**	**$ 937**	**$ (77,084)**	**$ 1,108,577**

Income and expenses by each of the reportable segments for the three months ended March 31, 2020 is as follows (in thousands):

	Trading	Principal Investments	Asset Management	Investment Banking	Corporate and Other	Totals
Income (loss)						
Advisory and management fees	$ —	$ —	$ 1,237	$ 350	$ —	$ 1,587
Net realized loss on digital assets	(37,016)	(532)	(604)	—	—	(38,152)
Net realized gain on investments	—	163	—	—	—	163
Interest income	1,090	337	5	7	—	1,439
Net derivative gain	4,435	—	—	—	—	4,435
	(31,491)	**(32)**	**638**	**357**	**—**	**(30,528)**
Operating expenses	**3,974**	**1,047**	**3,318**	**1,242**	**5,401**	**14,982**
Net unrealized gain (loss) on digital assets	14,565	(1,469)	(172)	—	—	12,924
Net unrealized gain on investments	—	4,674	—	—	—	4,674
Unrealized foreign currency loss	(174)	—	—	—	—	(174)
Realized foreign currency gain	332	—	—	—	—	332
	14,723	**3,205**	**(172)**	**—**	**—**	**17,756**
Net income (loss) for the period, including non-controlling interests	**(20,742)**	**2,126**	**(2,852)**	**(885)**	**(5,401)**	**(27,754)**

Select statement of financial position information

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

	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Digital assets	$ 1,248,656	$ 271,299	$ 484,954	$ —	$ 1,458	$ —	$ 2,006,367
Digital assets receivables	—	177,514	—	—	—	—	177,514
Digital assets posted as collateral (Note 11)	36,622	—	—	—	—	—	36,622
Investments:							
Pre-Launch Network	—	950	—	—	—	—	950
Convertible Notes	—	4,399	—	—	—	—	4,399
Preferred Stock	—	109,671	—	—	—	—	109,671
Common Stock	—	56,112	—	—	—	—	56,112
LP/LLC Interests	—	155,021	—	—	—	—	155,021
Warrants/Trust Units/ Trust Shares	25,485	5	—	—	—	—	25,490
	$ 1,310,763	**$ 774,971**	**$ 484,954**	**$ —**	**$ 1,458**	**$ —**	**$ 2,572,146**

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

	Trading	Principal Investments	Asset Management	Investment Banking	Corporate and Other	Totals
Digital assets	$ 444,216	$ 118,555	$ 287,609	$ —	$ —	$ 850,380
Digital assets receivables	—	19,724	—	—	—	19,724
Digital assets posted as collateral	15,625	—	—	—	—	15,625
Investments:						
Pre-Launch Network	—	500	—	—	—	500
Convertible Notes	—	4,501	—	—	—	4,501
Preferred Stock	—	86,258	—	—	—	86,258
Common Stock	—	29,970	—	—	—	29,970
LP/LLC Interests	—	84,311	—	—	—	84,311
Warrants/Trust Units	51,182	3,661	—	—	—	54,843
	$ 511,023	**$ 347,480**	**$ 287,609**	**$ —**	**$ —**	**$ 1,146,112**

26. FINANCIAL INSTRUMENTS, DIGITAL ASSETS AND RISK

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

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

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

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

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

	As of March 31, 2021				As of December 31, 2020			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Digital Assets	$ —	$ 1,981,216	$ 25,151	$ 2,006,367	$ —	$ 844,066	$ 6,314	$ 850,380
Digital Assets Receivable	—	—	177,514	177,514	—	—	19,724	19,724
Digital Assets Posted as Collateral	—	36,622	—	36,622	—	15,625	—	15,625
Common Stock	40,376	15,736	—	56,112	19,572	10,398	—	29,970
Convertible Notes	—	2,548	1,851	4,399	—	2,650	1,851	4,501
LP/LLC Interests	—	10,650	144,371	155,021	—	10,450	73,861	84,311
Pre-Launch Network	—	950	—	950	—	500	—	500
Preferred Stock	—	57,751	51,920	109,671	—	52,873	33,385	86,258
Warrants/Trust Units/ Trust Shares	—	5	25,485	25,490	61	9	54,773	54,843
	$ 40,376	$ 2,105,478	$ 426,292	$ 2,572,146	$ 19,633	$ 936,571	$ 189,908	$ 1,146,112

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Digital Assets Sold Short	—	5,240	—	5,240	—	5,278	—	5,278
Investments Sold Short	14,771	—	—	14,771	4,384	—	—	4,384
	$ 14,771	$ 5,240	$ —	$ 20,011	$ 4,384	$ 5,278	$ —	$ 9,662

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 common stock, limited partnership/limited liability company interest investments, pre-launch network investments and warrants/trust units/trust shares and the majority of the Partnership's convertible notes, preferred stock and 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 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-launch network investments are generally carried at the total contributions made to date 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 other 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 certain of the Partnership's digital assets, preferred stock, convertible notes, and the majority of the Partnership's digital assets receivables, limited partnership/limited liability company interest investments and warrants/trust units/trust shares.

- 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 UTC, with an adjustment for time of receipt of tokens and/or potential volatility. If the digital asset was contractually or legally to be received over a specific vesting period of potentially multiple years, restricted for trading or lacked access to an active market, a discount was applied to the closing prices. The discount was calculated using the Black-Scholes model to determine the cost to insure the subject asset against the risk of encountering lower prices.
- For the Partnership's preferred stock investments:
    - The prior transaction approach was used with adjustments, as the transaction in the subject entity's equity may have different characteristics than the Partnership's preferred stock investment. The allocation of the subject entity's equity value (based on the market approach) to its various classes of shares was determined using the Black-Scholes model.
    - 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.
    - For some of the Partnership's preferred stock investments, the Partnership has taken further discounts for lack of marketability and control.
- For the Partnership's convertible notes, the market approach is used, with further fair value adjustments (e.g. the application of unobservable probabilities).
- 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. For one limited partnership interest investment in a fund, fair value was based on a probability weighted estimated future payout under the income approach.
- For the Partnership's investment in warrants/trust units/trust shares, the Black-Scholes model was used to determine the fair value.

The Partnership's warrant liability is also classified as a Level 3 financial liability. The Black-Scholes model was used to determine the fair value.

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

Other

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

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

Level 3 Continuity

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

Assets	Fair value at December 31, 2020	Contributions	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 March 31, 2021
Digital Assets	$ 6,314	$ —	$ 3,750	$ (2,901)	$ 2,850	$ 20,452	$ (5,314)	$ 25,151
Digital Assets Receivables	19,724	—	1,000	(27,899)	34,480	150,874	(665)	177,514
Convertible Notes	1,851	—	—	—	—	—	—	1,851
LP/LLC Interests	73,861	—	375	(293)	—	70,428	—	144,371
Preferred Stock	33,385	—	—	(790)	—	17,875	1,450	51,920
Warrants/Trust Units/ Trust Shares	54,773	—	—	(6,487)	—	(22,801)	—	25,485
Total Digital Assets, Digital Assets Receivables and Investments	**$ 189,908**	**$ —**	**$ 5,125**	**$ (38,370)**	**$ 37,330**	**$ 236,828**	**$ (4,529)**	**$ 426,292**

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

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 $1.7 million and total transfers out of Level 3 were $6.2 million. The transfers into Level 3 for preferred stock was due to fair value determined by a market approach that utilized an option pricing based methodology. The transfers out of Level 3 for digital assets and digital assets receivable were due to the return of tokens that were previously restricted as they were committed for a proof of stake program and due to the receipt of digital assets that are expected to be distributed over time according to a release schedule.

The following is a reconciliation of Level 3 Assets for the year ended December 31, 2020 (in thousands):

	Fair value at December 31, 2019	Contributions	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, 2020
Digital Assets	$ 189	$ —	$ 250	$ (618)	$ 537	$ 4,925	$ 1,031	$ 6,314
Digital Assets Receivables	—	—	4,700	(808)	468	14,864	500	19,724
Convertible Notes	4,552	—	733	—	—	(1,266)	(2,168)	1,851
LP/LLC Interests	16,772	—	18,528	(591)	—	24,703	14,449	73,861
Preferred Stock	17,416	—	—	—	—	(5,786)	21,755	33,385
Warrants/Trust Units/Trust Shares	534	—	8,981	—	—	45,302	(44)	54,773
Total Digital Assets, Digital Assets Receivables and Investments	**$ 39,463**	**$ —**	**$ 33,192**	**$ (2,017)**	**$ 1,005**	**$ 82,742**	**$ 35,523**	**$ 189,908**

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 $44.7 million and total transfers out of Level 3 were $8.2 million. The transfers into Level 3 for preferred stock was due to fair value determined by a market approach that utilized an option pricing based methodology. The transfers into Level 3 for LP/LLC interest was due to a fair value determined by an income approach that utilized discounted cash flows, fair value determined by a market approach that utilized an option pricing based methodology and an investment, which utilizes net asset values provided by funds. The transfers into Level 3 for digital assets and digital assets receivable were due to restrictions of digital assets committed for a proof of stake program and due to digital assets that are expected to be distributed over time according to a release schedule. The transfers out of Level 3 for preferred stock were due to the availability of an observable input (transaction in the investment entity), the transfer out of Level 3 for convertible note was due to the acquisition completed in the fourth quarter of 2020, the transfer out of Level 3 for warrants/trust units/trust shares was due to the expiry of warrants during the year and the transfers out of Level 3 for digital assets were due to the removal of restrictions.

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

Quantitative Information for certain Level 3 Assets and Liabilities

Financial Instrument	Fair Value at March 31, 2021 (in thousands)	Significant Unobservable Inputs	Range
Digital Assets	$25,151	Marketability discount	17.0% - 53.8%
Digital Assets Receivables	$177,514	Marketability discount	14.1% - 75.4%
Convertible Notes	$1,851	Recovery rate	0% - 100%
		Scenario probability [1]:	
		No deal closure and dissolution	50%
		Deal closure and partial default	45%
		Deal closure and full recovery	5%
LP/LLC Interests [3]	$34,890	Risk-free rate	0.16%
		Marketability discount	30%
		Lack of control discount	10%
		Time to assumed payoff (years)	1.75
		Scenario probability [2]:	
		Downside	25%
		Upside	25%
		Best	50%
Preferred Stock [4]	$42,910	Control discount	10%
		Marketability discount	25%
		Time to liquidity event (years)	3.0 - 5.0
		Annualized equity volatility	90%
		Risk free rate	0.30% - 2.06%
		Expected dividend payout ratio	—
		Enterprise value to revenue multiple	6
Warrants/Trust Units	$25,485	Volatility	170%
		Exercise price	$18.70
		Underlying share price	$18.70
		Time to liquidity event (years)	0.33
		Risk free rate	0.04%
		Expected dividend payout ratio	—
		Marketability discount	37.7%
Warrant Liability	$52,708	Volatility	85%
		Time to liquidity event (years)	1.62 - 2.0
		Risk free rate	0.17% - 0.20%
		Expected dividend payout ratio	—
		Dilution factor	1.1%

[1]Relates to the probability of a deal closure with a potential buyer of the underlying company, with either partial default or full recovery of the amount outstanding of the convertible notes, or no deal closure with a potential buyer and dissolution of the underlying company.

[2]Relates to the probability of the outcomes relating to an investment.

[3]The remaining fair value relates to additional investments which utilize net asset values provided by funds.

[4]The remaining fair value relates to an investments which utilizes a pre-money valuation of the Company.

Financial Instrument	Fair Value at December 31, 2020 (in thousands)	Significant Unobservable Inputs	Range
Digital Assets	$6,314	Marketability discount	17.0% - 53.8%
Digital Assets Receivables	$19,724	Marketability discount	20.1% - 73.4%
Convertible Notes	$1,851	Recovery rate	0% - 100%
		Scenario probability [1]:	
		No deal closure and dissolution	50%
		Deal closure and partial default	45%
		Deal closure and full recovery	5%
LP/LLC Interests [3]	$22,832	Risk-free rate	0.13%
		Marketability discount	25%
		Time to assumed payoff (years)	2
		Scenario probability [2]:	
		Downside	25%
		Upside	25%
		Best	50%
Preferred Stock [4]	$32,985	Control discount	5%
		Marketability discount	15%
		Time to liquidity event (years)	3.25 - 5
		Annualized equity volatility	90%
		Risk free rate	0.19% - 2.06%
		Expected dividend payout ratio	—
		Enterprise value to revenue multiple	8
Warrants/Trust Units	$54,773	Volatility	110% - 150%
		Exercise price	C$4.50 - C$24.68
		Underlying share price	C$3.49 - C$24.68
		Time to liquidity event (years)	0.01 - 0.58
		Risk free rate	0.08% - 0.09%
		Expected dividend payout ratio	—
		Marketability discount	5.7% - 43.2%
Warrant Liability	$20,781	Volatility	85%
		Time to liquidity event (years)	1.87 - 2.0
		Risk free rate	0.17% - 0.25%
		Expected dividend payout ratio	—
		Dilution factor	1.5%

[1] Relates to the probability of a deal closure with a potential buyer of the underlying company, with either partial default or full recovery of the amount outstanding of the convertible notes, or no deal closure with a potential buyer and dissolution of the underlying company.

[2] Relates to the probability of the outcomes relating to an investment.

[3] The remaining fair value relates to additional investments which utilize net asset values provided by funds.

[4] The remaining fair value relates to an investments which utilizes a pre-money valuation of the Company.

For the three months ended March 31, 2021 and the year ended December 31, 2020, the latest available reported net asset value of the underlying funds were used to fair value the Level 3 limited partnership/ limited liability company interests.

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

Valuation Techniques

The following tables summarize the valuation techniques and significant inputs used in the fair value measurement of the Partnership's digital assets and investments as of March 31, 2021 and December 31, 2020, respectively.

Category	Valuation Methods & Techniques	Key Inputs
Cryptocurrency	• Volume-weighted average of trading prices • Black-Scholes model • Marketability adjustments • Liquidity adjustments	• Current trading prices of subject cryptocurrencies • Selected volatilities of subject cryptocurrencies • Selected discounts for lack of marketability/ liquidity
Pre-Launch Network	• Prior transactions method	• Prior prices of subject pre-launch network cryptocurrencies
Convertible Notes	• Prior transactions method • Probability-weighted expected return model	• Prior prices of subject convertible note • Scenario probabilities • Recovery rates
Preferred Stock	• Prior transactions method • Comparable transactions method • Backsolve method in an option pricing model framework • Equity allocation using option pricing model framework • Volume-weighted average of trading prices • Control adjustments • Marketability adjustments • Guideline public company method • Adjusted book value	• Prior prices of subject preferred stock • Expected time to exit • Volatility of the company's total equity • Risk free rate • Expected dividend payout ratio • Current trading prices of certain cryptocurrencies • Selected discounts for lack of control • Selected discounts for lack of marketability • Enterprise value-to-revenue multiple • Net assets of subject company
Common Stock	• Prior transactions method • Public closing price	• Prior prices of subject common stock • Public closing prices of subject securities
LP/LLC Interests	• Prior transactions method • Comparable transactions method • Net asset value provided by fund • Discounted cash flow analysis	• 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
Warrants/Trust Units/ Trust Shares	• Public closing price • Black-Scholes model • Prior transactions method	• Public closing prices of subject securities • Selected volatility of underlying trust units • Prior prices of subject trust shares

(Expressed in US Dollars - unaudited)

Industry

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

Industry	March 31, 2021		December 31, 2020	
	Percentage	# of Investments	Percentage	# of Investments
Other (Digital Assets and Pre-Launch Network Investments)	85 %	121	76 %	115
Finance	10	19	17	19
Services: Business	2	13	3	11
High Tech Industries	2	11	3	10
Finance Technology	<1	2	<1	4
Media: Diversified and Production	<1	1	<1	1
Utilities: Electric	—	—	<1	1
Total	100 %	167	100 %	161

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 keys 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 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. 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 2020 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 stock.

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.

The Partnership also utilizes institutional grade custodians to secure digital assets for its fund products. A material percentage of the digital assets in the Partnership's funds are custodied with Bakkt Trust Company, LLC ("Bakkt Warehouse"). Bakkt is a New York State Department of Financial Services (NYDFS) regulated qualified custodian and is also majority owned by the Intercontinental Exchange ("ICE"). Bakkt's headquarters are in Atlanta, Georgia and business continuity operations can also be performed at ICE locations based in Chicago, New York and London. Terms and conditions for account services and offerings are pre-defined and agreed upon by both the Partnership and Bakkt per the Bakkt Trust Warehouse Agreement. The Partnership maintains internal controls to ensure accounts are appropriately created, restricted to designated individuals, and secured per account credentials. All Bakkt wallets require multi-signature authorization of 2 of 3 keys to approve each withdrawal transaction. The Bakkt Warehouse provides both online ("Warm Wallets") and offline ("Cold Wallets") custody solutions and its systems algorithmically balance between both storage mechanisms to minimize risks associated with online custody. Private keys are stored on hardened systems in cold storage and on FIPS 140-2 level 3 HSMs and 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 global syndicate.

On an on-going basis, a designated individual from the Partnership reviews and monitors balances maintained at Bakkt against internal fund records to ensure holdings are complete and accurate. The Partnership performs monitoring and due-diligence procedures on Bakkt on an ongoing basis; review procedures include the assessment of Bakkt's Warehouse wallet polices to ensure they are in line with institutional grade standards. Additionally, the Partnership had reviewed an attestation report on Bakkt's internal controls over custody of digital assets as of December 31, 2020, which has indicated that controls were implemented and operated as described by Bakkt management. The Partnership also reviews penetration test results to ensure Bakkt's critical systems are evaluated for potential vulnerabilities and exploits. The Partnership currently has an investment interest in Bakkt Holdings, LLC in the form of Class B Voting Units.

Crypto Asset Trading Platforms

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

As part of the Partnership's control procedures, certain individuals are designated to administrator and authenticate users with exchange access and secure accounts per IT security protocols. Upon opening a new account, passwords, application programming interface ("API") keys, and multi-factor authentication mechanisms are created to secure credentials under the Partnerships Password and Multi-Factor Authentication Policy. Credentials are managed in secured locations and are only made accessible to authorized personnel with privileged access. Address management features are utilized in accordance with each exchange and require withdrawal addresses to be whitelisted and approved by authorized individuals. This prevents the withdrawal of digital assets held on the exchanges to any address that has not been internally verified.

Exchange balances are aggregated via live API feeds to ensure risk exposures are monitored across the Partnership's positions. Exchange accounts with material balances are integrated within the Fireblocks platform; the integration allows for authorized users to initiate exchange withdrawals directly from Fireblocks to dedicated vault accounts within the platform. The Partnership maintains contingency plans to securely transfer digital assets of exchanges to pre-defined wallets and vault accounts. On an ongoing basis, the Partnership assesses its risk exposure based on current market conditions and its digital asset positions. To date, no known security breaches have occurred with any of the Partnership's exchange accounts which have resulted in a loss or theft of digital assets. The Partnership performs reconciliation procedures to review exchange balances, trades, and fees against internal and third-party records to ensure digital asset holdings are complete and accurate.

Risk

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

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into, causing the other party to incur a financial loss. The Partnership's cash, receivables, receivable for digital asset trades, 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 March 31, 2021, the Partnership held approximately \$2.9 million (December 31, 2020 - \$12.4 million) in cash and \$1.1 billion (December 31, 2020 - \$265.7 million) in digital assets at exchanges or custodians that do not have system or organization control reporting available. The Partnership's due diligence procedures around exchanges include, but are not limited to, internal control procedures around on-boarding new exchanges which includes review of the exchanges anti-money laundering ("AML") and know-your-client ("KYC") policies by the Partnership's chief compliance officer, obtaining a security ratings report by an independent third-party on certain exchanges, constant review of market information specifically regarding the exchanges security and solvency risk, setting balance limits for each exchange account based on risk exposure thresholds and preparing daily asset management reports to ensure limits are being followed and having a fail-over plan to move cash and digital assets held on an exchange in instances where risk exposure significantly changes. The Partnership limits its credit risk with respect to its receivables, receivables for digital asset trades, digital assets loans receivable and digital assets receivables by transacting with credit worthy counterparties that are believed to have sufficient capital to meet their obligations as they come due and, with regards to OTC and Master Loan Agreement (MLA) counterparties for the trading business, on which the Partnership has satisfactorily performed the relevant AML and KYC procedures. As of March 31, 2021 and subsequently, the Partnership does not expect a material loss on any of its loans. As of each reporting period, the Partnership assesses if there may be expected credit losses requiring recognition of a loss allowance. As of March 31, 2021, 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.

<u>Derivative-related credit risk</u>

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 its derivatives when the value exceeds a specified amount.

Interest Rate Risk

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

Liquidity Risk

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as they come due, as well as the risk of not being able to liquidate assets at reasonable prices. The Partnership manages liquidity risk by maintaining sufficient cash balances to enable settlement of its liabilities. Accounts payable and accrued liabilities, other than accrued compensation, and payables for digital asset trades generally have maturities of 30 days or less or are due on demand, or in the case of digital assets loan payable, on 5 to 20 business days notice or at the end of the set term unless renewed. The Partnership intends to manage its short-term liquidity needs through its available cash balance and cash inflows from its ongoing business activities. In addition, as of March 31, 2021, 80.6% (December 31, 2020 - 74.3%) of the Partnership's net portfolio was in liquid, actively traded cryptocurrency which can be monetized at reasonable prices in short order.

Foreign Currency Risk

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

Market Risk

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All investments present a risk of loss of capital. The maximum risk resulting from financial instruments is equivalent to their fair value. The Partnership's investments 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 March 31, 2021, management's estimate of the effect on equity to a +/- 10% change in the market prices of the Partnership's investments and investments sold short, with all other variables held constant, is +/- $33.7 million (December 31, 2020 - $25.6 million).

Digital Asset Risk

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

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

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

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

The cryptocurrency exchanges on which the Partnership may trade 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 March 31, 2021, management's estimate of the effect on equity to a +/- 10% change in the market prices of the Partnership's net digital assets, including digital assets posted as collateral, with all other variables held constant, is +/- $203.8 million (December 31, 2020 - $86.1 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.

27. CAPITAL MANAGEMENT

The Partnership's objectives when managing capital are to safeguard its ability to continue as a going concern, to meet the capital needs of its ongoing operations, and to maintain a flexible capital structure which optimizes the cost of capital. The Partnership considers current economic conditions as well as the risk profile of its portfolio and overall business when managing its capital structure. The Partnership has an ongoing process whereby actual expenditures and cash needs are compared against budgets to ensure that there is sufficient capital on hand to meet ongoing obligations. As of March 31, 2021 and December 31, 2020, the Partnership had $1.68 billion and $798.2 million in equity, excluding non-controlling interests, 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 March 31, 2021.

28. COMMITMENTS AND CONTINGENCIES

Sublease

As of March 31, 2021 and December 31, 2020, the Partnership had commitments under two operating subleases (Note 24). The first sublease has a 10.5 year term that commenced on February 1, 2018 and expiring on June 30, 2028. The sublease contains a standard rent escalation clause, and rent was waived until June 30, 2018. The rent began at $0.8 million per annum and is to be paid monthly in advance in equal installments.

In addition, the Partnership entered into another sublease agreement, effective August 1, 2019. The sublease started on August 1, 2019 and ends on June 30, 2028. The sublease contains a standard rent escalation clause and rent began at $11.5 thousand per month and is to be paid monthly in advance.

As of March 31, 2021, the Partnership has operating lease commitments for the next five years as follows (in thousands):

	Rent Due
2021	741
2022	1,013
2023	1,043
2024	1,074
2025	1,107
Total	**$ 4,978**

Additionally, the Partnership has $2.9 million in total commitments under the subleases for the period from 2026 to the expiration of the sublease terms on June 30, 2028.

Investment and loan commitments

As of March 31, 2021, the Partnership was obligated to one portfolio company to fund up to $6.8 million, of which $1.9 million was funded subsequent to period end.

Agreement for blockchain servers

The Partnership has entered into agreements for the supply of blockchain servers. The commitment amount and the amount paid as of March 31, 2021 are disclosed below:

	Commitment Amount ($ millions)	Amount Paid as of Period End ($ millions)	Net ($ millions)
Blockchain servers	53.8	14.8	39.0

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 March 31, 2021 and December 31, 2020, there was no liability accrued under these arrangements.

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

Financial Support of GDH Ltd.

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

29. SUBSEQUENT EVENT

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

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