Galaxy Digital Holdings Ltd.

Management's Discussion and Analysis

For the Years Ended December 31, 2022 and December 31, 2021

March 28, 2023

Introduction

This Management's Discussion and Analysis ("MD&A"), dated March 28, 2023, relates to the financial condition and results of operations of Galaxy Digital Holdings Ltd. ("GDH Ltd." or together with its consolidated subsidiaries, the "Company"), and is intended to supplement and complement the Company's consolidated financial statements for the year ended December 31, 2022. The Company's only significant asset is a minority interest in Galaxy Digital Holdings LP ("GDH LP" or the "Partnership"), an operating partnership that is building a diversified financial services and investment management business in the cryptocurrency and blockchain space (see Overview section). GDH LP has separately filed its consolidated financial statements and MD&A for the year ended December 31, 2022, which are available on the Company's SEDAR profile at www.sedar.com. **The Company's MD&A should be read in conjunction with GDH LP's consolidated financial statements and MD&A. The Company has included GDH LP's MD&A as an appendix to this MD&A.**

This MD&A, when read in conjunction with GDH LP's MD&A, was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations ("NI 51-102"). The consolidated financial statements and MD&A are presented in U.S. dollars, unless otherwise noted and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results presented for the year ended December 31, 2022 are not necessarily indicative of the results that may be expected for any future period.

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that the financial statements and MD&A do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings, and the financial report together with the other financial information included in these filings fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented in these filings.

In this MD&A, a reference to the "Company", "Galaxy", "we", "us", "our" and similar words refer to Galaxy Digital Holdings Ltd., its subsidiaries and affiliates, or any one of them, as the context requires.

Cautionary Note Regarding Forward-Looking Statements

This MD&A contains certain forward-looking information and forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended (the "U.S. Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and "forward-looking information" under Canadian securities laws (collectively referred to herein as "forward-looking statements"). These forward-looking statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", "seeks" or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. The forward-looking statements contained in this MD&A are based on our current expectations and beliefs concerning future developments and their potential effects on us taking into account information currently available to us. There can be no assurance that future developments affecting us will be those that we have anticipated. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. Our forward-looking statements include, but are not limited to, statements regarding our or our management team's expectations, hopes, beliefs, intentions or strategies regarding the future, including statements about our mining business and its go-forward strategy, our ability to complete the reorganization, domestication and related transactions (the "transactions") within a particular timeframe, our ability to achieve anticipated mining capacity within a particular timeframe, or expectations regarding industry or company performance and plans. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks include, but are not limited to: (1) the inability to complete the transactions, due to the failure to obtain shareholder and stock exchange approvals, or otherwise; (2) changes to the proposed structure of the transactions that may be required or appropriate as a result of applicable laws or regulations or as a condition to obtaining shareholder or stock exchange approval of the transactions; (3) the ability to meet and maintain listing standards following the consummation of the transactions; (4) the risk that the transactions disrupt current plans and operations; (5) costs related to the transactions, operations and strategy; (6) changes in applicable laws or regulations; (7) the possibility that the Company may be adversely affected by other economic, business, and/or competitive factors; (8) changes or events that impact the cryptocurrency industry, including potential regulation, that are outside of our control; (9) the risk that our business will not grow in line with our expectations or continue on its current trajectory; (10) the possibility that our addressable market is smaller than we have anticipated and/or that we may not gain share of it; (11) the risk that revenue or expenses estimates may not be met or may be materially less or more than those anticipated (12) those other risks contained in the Annual Information Form ("AIF") for the year ended December 31, 2022 available on the Company's profile at www.sedar.com and described in this MD&A.

Factors that could cause actual results of the Company to differ materially from those described in such forward-looking statements include, but are not limited to, a decline in the digital asset market or general economic conditions; the possibility that our addressable market is smaller than we have anticipated and/or that we may not gain share of the stated addressable market; our inability to remediate our material weaknesses in internal control over financial reporting; the failure or delay in the adoption of digital assets and the blockchain ecosystem; a delay or failure in developing infrastructure for our business or our businesses achieving mandates; delays in the delivery of new mining equipment or other challenges in the mining business related to hosting or power; and changes in applicable law or regulation and adverse regulatory developments. Readers are cautioned that such risk factors, uncertainties and other factors are not exhaustive. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. The forward-looking statements in this MD&A are applicable only as of the date of this MD&A or as of the date specified in the relevant forward-looking statement and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable securities laws. Investors are cautioned that forward-looking statements are not guarantees of future performance and are inherently uncertain. Accordingly, investors are cautioned not to put undue reliance on forward-looking statements.

Overview

The Company is a holding company as its only significant asset is a minority interest in GDH LP. GDH LP is building a diversified financial services and investment management business in the cryptocurrency and blockchain space, to capitalize on market opportunities made possible by the ongoing evolution of the digital assets space through five primary business lines: trading, asset management, investment banking, mining and principal investments. The Company's principal address is 300 Vesey Street, New York, New York, 10282.

The Partnership is a limited partnership formed under the laws of the Cayman Islands on May 11, 2018. Galaxy Digital Holdings GP LLC ("GDH GP" or the "General Partner"), is a limited liability company incorporated under the laws of the Cayman Islands on July 26, 2018 and serves as the general partner of the Partnership. Galaxy Group Investments LLC ("GGI"), a Delaware limited liability company, which is owned by Michael Novogratz, the Chief Executive Officer ("CEO") of the Company, is the sole member of GDH GP and continues to be the majority owner of the Partnership as of December 31, 2022. The Partnership is headquartered in New York City, with global offices across North America, Europe, and Asia.

As at December 31, 2022, the Partnership had 390 full-time employees.

Limited Partnership Agreement

On November 24, 2022, GDH LP, GDH GP, GDH Ltd., GDH Intermediate LLC (a wholly owned subsidiary of GDH Ltd.) and each of the Persons admitted as a "Class B Limited Partner" entered into a fifth 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. GDH Ltd. or GDHI LLC may elect to effect the exchange of all or any portion of Class B Units subject to an exchange for cash, and allow for the consolidation of Class A Units in certain circumstances.
- Allocations of Income, Gain, Loss, Deduction and Credit - each item of income, gain, loss, deduction and credit will be allocated pro-rata between Class A Units and Class B Units.
- Issuances and redemptions of ordinary shares of GDH Ltd. - If GDH Ltd. issues any of its ordinary shares, and 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, the General Partner will cause the Partnership to issue to GDH Ltd., in exchange for GDH Ltd. promptly contributing the net cash proceeds of the issuance to the Partnership, a number of Class A Units

equal to the number of ordinary shares issued. Upon the redemption, repurchase, or other acquisition of ordinary shares by GDH Ltd., the Partnership will, at substantially the same time as the redemption, repurchase or acquire, redeem or cancel Class A Units equal to the number of ordinary shares redeemed, repurchased or acquired for an amount equal to the net cash amount paid by the GDH Ltd. for such redemption, repurchase, or other acquisition.

- Exchanges of Class B Units - A Class B limited partner may exchange vested Class B Units for ordinary shares of GDH Ltd. On exchange, GDH Ltd. will issue ordinary shares and the Partnership will cancel the Class B Units exchanged and issue Class A Units to GDH Ltd. equal to the number of Class B Units being surrendered, after accounting for any withholding obligation if applicable.
- Removal of General Partner - The General Partner may generally be removed by the limited partners holding at least 66 2/3% of the outstanding Units.
- Reimbursable Expenses - All expenses reasonably incurred by GDH Ltd. in the conduct of its business, including fees related to professional advisors, required or advisable licenses and filings, and meetings and compensation of directors, will be reimbursable by GDH LP, excluding tax.
- General Partner Board - As long as GDH Ltd. owns more than 10% of the outstanding Units of GDH LP, GDH Ltd. will have the right to appoint one person to the board of the General Partner. In addition, if GDH Ltd. owns more than 40%, but not more than 50%, of the outstanding Units of GDH LP, GDH Ltd. will have the right to appoint another person to the board of the General Partner.

The LPA also allows the Partnership to make distributions, as and when determined by the General Partner, in its sole discretion so as to enable unit holders to pay anticipated taxes with respect to allocated Partnership taxable income and / or gains. Amounts distributed pursuant to the tax distribution provision will be treated as an advance against, and shall reduce (on a dollar for dollar basis), future amounts that would otherwise be distributable to such limited partners. The LPA provides that the value of any tax distribution made shall not exceed 25% of the Partnership’s market capitalization determined at the time the General Partner determines to make such distribution.

During the year ended December 31, 2022, the General Partner made distributions of $184.3 million in respect of taxable income related to tax years 2022 and 2021. During the year ended December 31, 2021, the General Partner made pro-rata tax distributions of $65.0 million in respect of taxable income related to tax year 2021 and 2020. A majority of the recipients of the distributions are related parties.

The foregoing summary is qualified in its entirety by the full text of the LPA which is available on GDH Ltd.'s SEDAR profile at www.sedar.com.

Accounting for the Investment by GDH Ltd.

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

If and when Class B units of the Partnership are exchanged into ordinary shares of 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, the Company has and will continue to perform assessments to determine if control of GDH LP is obtained. Under IFRS accounting guidance, as described above, 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.

Description of Business

The Partnership operates in the following businesses that complement each other: trading, asset management, investment banking, mining and principal investments.

Trading

Galaxy Trading ("GT") (formerly referred to as "Galaxy Digital Trading" or "GDT"), provides spot and derivative executions, as well as liquidity to institutional clients, counterparties and venues that transact in cryptocurrencies and other digital assets. GT acts as an institutional-grade liquidity provider with market expertise and global access to over 100 different cryptocurrencies across all major cryptocurrency and digital asset markets for over 930 unique counterparties. GT aims to provide a complete suite of products that leverage our expertise and knowledge. GT engages in a number of activities, on behalf of our customers, who are professional market participants - primarily institutional investment entities, and for its own account, around the buying, selling, lending and borrowing of cryptocurrencies and other digital assets. GT's full suite of service offerings, includes: over-the counter ("OTC") spot liquidity provision, and on-exchange liquidity provision, OTC derivatives options trading, and bespoke lending and structured product offerings. GT also engages in proprietary quantitative, arbitrage and macro trading strategies. GT is a diversified revenue stream that can have varied and/or little correlation with cryptocurrency and digital asset market prices. The correlation of GT's results to the values of cryptocurrencies and digital assets can vary significantly, due to its implementation of derivatives and hedging strategies, market-neutral trading activities, and other quantitative strategies. Moreover, GT's counterparty-facing trading activities, while impacted at times by the underlying values of cryptocurrencies and digital assets, can also result in profit making during periods of elevated volatility that would drive prices higher or lower, or conversely, could result in losses. GT's suite of product offerings expanded in November 2020 due to Galaxy's acquisition of two leading cryptocurrency trading firms: DrawBridge, an innovator in digital asset lending, borrowing, and structured products; and Quantitative Principal Trading ("QPT") (formerly referred to as "Blue Fire"), a proprietary trading firm specializing in providing two-sided liquidity for digital assets. These acquisitions added veteran trading and lending market talent to Galaxy's leadership team.

Our willingness to make markets, commit capital and take risk across numerous cryptocurrencies and digital assets is crucial to our relationships. We provide liquidity on a principal basis and play a critical role in price discovery, thereby improving the efficiency of cryptocurrency markets for all our clients, counterparties and industry participants. GT maintains a list of centralized exchanges that are approved as trading counterparties and platforms, and with whom our team spends extensive time working to electronically integrate for access and information flow.

GT also maintains strong relationships with a large number of spot and futures exchanges, digital asset exchanges and custodians, and fiat banking partners, which enables it to move capital and assets around efficiently in order to provide competitively priced liquidity and achieve cross-market opportunities. GT has consistently added to its onboarded counterparties list. Our business grew alongside digital asset markets in 2021 and continued to add trading counterparties through 2022. These new counterparties are becoming increasingly institutional in terms of size and sophistication, including a diverse and strategic group of proprietary trading companies, cryptocurrency and digital asset exchange operators, the largest crypto and venture capital investment funds, digital asset mining companies, coin protocols and foundations, family offices, and high and ultra-high net worth individuals. As of December 31, 2022, GT had $50.0 million of digital assets on loan and $170.6 million of digital assets borrowed for firm-wide activities.

Galaxy is also focused on developing its custody and Prime Brokerage service operations, to supplement our current GT offerings. Prime Brokerage will be provided with Galaxy's planned rollout of GalaxyOne Prime (or "GalaxyOne"), a new digital assets product offering for institutional investors that will integrate trading and lending of spot and derivatives alongside access to multiple qualified custodians through a unified tech platform.

Asset Management

Galaxy Asset Management ("GAM") (formerly referred to as "Galaxy Digital Asset Management" or "GDAM") manages capital on behalf of third parties in exchange for management fees and performance-based compensation. GAM creates products that provide clients with seamless access to digital assets investments through both passive and active fund strategies; solving custodial, technical and regulatory obstacles. GAM uses qualified third-party custodians to maintain and safeguard our Asset Management client assets one-to-one in cold storage with insurance protection. GAM's differentiating factors are its long-tenured professionals with institutional experience managing third party capital across a variety of traditional asset classes, an acute focus on risk management and compliance, strong relationships with key counterparties and a deep connectivity throughout the blockchain and cryptocurrency ecosystem. We have a track record of bringing differentiated products to market in a timely manner to address the evolving needs within the ecosystem. GAM works with prominent asset management industry players including CI, CAIS, Bloomberg, Morgan Stanley, Itaú and Invesco to accelerate product development, speed-to-market, distribution, and reach a global scale.

GAM operates in two business lines, Galaxy Fund Management ("GFM") and Galaxy Interactive ("Galaxy Interactive"). External management fees earned by GAM in both GFM and Galaxy Interactive generally range from 0.4% to 2.0% of assets under management (including sub-advisory agreements), and the majority of performance fees or "carry" have been structured to be up to 20%.

GFM is the diversified, cryptocurrency fund management business of GAM. GFM offers multi-manager funds, diversified passive and single-asset passive funds, exchange-traded funds ("ETFs"), and indexing solutions. GFM has taken an education-first approach to the institutional wealth and allocator client verticals and has recently capitalized on the improved awareness of digital assets through increased inflows into its current line-up of GFM funds. GFM's goals include but are not limited to: educating the institutional markets about digital assets, building an institutional brand in key client verticals, increasing AUM across its fund line-up, building its data and indexing business, and expanding its product line-up to create a diversified digital asset management platform.

GFM launched its first fund product in April 2018, the Galaxy Crypto Index Fund LP, and has continued to launch passive and active strategies for clients since. Throughout 2021 and the second quarter of 2022, GFM launched numerous single asset, sector specific and venture funds to clients directly, and numerous ETF products with its partners in Canada. GFM launched the Galaxy Liquid Alpha Fund, benchmarked to the Bloomberg Galaxy Bitcoin Index, with internal capital this year. Galaxy has also submitted filings with the SEC to bring physically backed ETF products to the U.S. with a premier asset management partner.

GFM acquired Galaxy Vision Hill, a premier investment consultant and asset manager, in May of 2021. GVH is an institutional-grade, multi-manager crypto fund of funds, or FOF, platform.

Galaxy Interactive makes venture capital investments in the interactive sector, targeting the intersection of content, technology and finance. The investment team categorizes the Galaxy Interactive landscape in three buckets - Content, Social, and Technology/Infrastructure - with a particular emphasis on the application of Web3 to these three areas. Galaxy Interactive currently manages three private venture capital funds. The first fund, Galaxy EOS VC Fund LP, launched in 2018 with $325 million of committed capital. After deploying substantially all of the capital in the first fund, Galaxy Interactive launched a commingled successor fund, Galaxy Interactive Fund I, LP, in April 2021. Galaxy Interactive continues to fundraise for Galaxy Interactive Fund II, which had its first close in March 2022.

As of December 31, 2022, GAM reported preliminary assets under management ("AUM") of approximately $1.7 billion. AUM consisted of almost $740 million in GAM's Galaxy Fund Management products and approximately $965 million in the Galaxy Interactive venture franchise.

Investment Banking

Galaxy Investment Banking, ("GIB") (formerly referred to as "Galaxy Digital Investment Banking" or "GDIB"), is a leader in financial and strategic advisory services for the digital asset, cryptocurrency and blockchain technology sector. GIB serves global public and private clients with a full spectrum of financial advisory services, including; general corporate, strategic, M&A, divestitures, and restructuring advisory services, as well as equity, debt and project finance capital markets services. GIB's value proposition is to provide traditional investment banking services such as capital raising and advisory for M&A and debt financing, whilst adding specialist knowledge about the inner workings of the cryptocurrency and blockchain technology sector. GIB maintains and continues to build on its systematic coverage of the highest quality businesses operating across the blockchain ecosystem, with the ultimate goal of forming long-lasting and trusted relationships. On July 24, 2019, Galaxy Digital Partners LLC was approved by FINRA to act as an underwriter to registered public offerings of equity, debt or other corporate securities in the United States, and is a member of the Securities Investor Protection Corporation. GIB is a diversified revenue stream that can be uncorrelated with cryptocurrency and digital asset market prices.

Mining

Galaxy Mining ("GM") (formerly referred to as "Galaxy Digital Mining" or "GDM") hosts our proprietary bitcoin mining equipment with the intended goal of helping to secure the Bitcoin network while generating low-cost basis bitcoin through block rewards and network transaction fees. The December 2022 Helios facility acquisition is expected to accelerate the expansion of GM's bitcoin mining operations and services, provide access to tax-efficient mining infrastructure, and reduce reliance on third-party hosting providers. The Helios facility is currently able to operate up to 180 megawatts ("MW") of mining capacity, with significant room for expansion. We expect to energize approximately 200 MW of mining capacity at Helios alone by year end 2023, with a mix of capacity dedicated to hosting and proprietary mining. As announced in November 2022, GM is also in the process of building out an additional Galaxy owned mining site in Texas. Through 2022, GM mined on a proprietary basis at colocation facilities and third-party data center providers using our proprietary bitcoin mining equipment in North America.

In addition to mining, GM, utilizing its deep experience in the sector, seeks to "sell the firm" by partnering with other Galaxy businesses to deliver financial services to miners, including liquidity, hedging, asset leasing and financing, and advisory services. Since its recent inception in September 2020, GM has procured bitcoin mining machines to be utilized for proprietary operations, miner finance, and resale to North American miners for the following business activities beyond proprietary operations:

- Miner Finance: Offer state of the art credit underwriting for selected miners to finance machines.
- Resale: Resell purchased machines to other North American miners that require machines, but not financing.

GM remains committed to its goal of reaching an 80% sustainable energy mix[1] and is actively pursuing multiple long-term solutions to achieve this target.

GM is currently exclusively engaged in bitcoin mining and as of today has no intentions to mine other cryptocurrencies.

Principal Investments

Galaxy Principal Investments (“GPI”) (formerly referred to as “Galaxy Digital Principal Investments” or “GDPI”) manages a diverse portfolio of largely private investments across the digital assets industry. Our venture portfolio invests in traditionally structured companies, as well as, companies building digital asset networks capitalized by tokens.

GPI's investment objective is to identify, invest in, and support category-defining companies and networks that we anticipate will grow the cryptoeconomy, and shape the adoption of the ecosystem. We believe that a core piece of Galaxy's edge in the ecosystem is the information and connectivity generated by our GPI activity.

Our areas of investment focus routinely evolve alongside developments in the digital assets space. A key differentiator for GPI is our ability to leverage Galaxy's broader operating business to identify opportunities and current pain points in the digital assets space. We take a similar approach in our relationships with our portfolio companies by engaging with them on a regular basis to maintain an in-depth knowledge of the digital assets ecosystem, to continue to identify and target valuable solutions. Additionally, we make strategic investments into the equity and debt of companies operating in similar or adjacent businesses to Galaxy with an eye towards future commercial relationships and/or strategic alignment of interests. Finally, we allocate our balance sheet to warehouse investments and provide seed capital for future asset management strategies, which we believe puts us at an advantage relating to many of our competitors.

GPI's primary investment focus is on early-stage companies and networks, most of which are in the Seed and Series A stages. By utilizing a robust, institutional-quality investment process that relies on organization, prioritization and deep-dive due diligence, Galaxy continues to make selective principal investments across the ecosystem using freshly allocated capital as well as capital sourced from realization of existing and previous investments.

Risks and Uncertainties

In addition to the risks contained herein, the disclosure in this MD&A is subject to, and should be read in conjunction with, the risk factors outlined in the AIF, filed on the Company’s SEDAR profile at www.sedar.com, and in the Partnership’s MD&A Risks and Uncertainties section.

[1]Sustainable Energy Mix” is defined by the BMC as energy sourced from hydro, wind, solar, nuclear and geothermal energy sources. The BMCs “Sustainable Energy” definition is based on the principles brought forward by the U.S. Energy Information Administration (EIA) Net Zero by 2050 Report. The definition was updated in the fourth quarter to exclude carbon-based energy with net carbon credits.

Annual Highlights & Results

The following represents selected financial data and a discussion of significant changes.

(in millions)	December 31, 2022	December 31, 2021	December 31, 2020
Cash	$ 10.0	$ 26.8	$ —
Investment in associate	257.8	841.5	247.0
Total assets	394.3	888.8	267.8
Total liabilities	95.0	102.5	20.8
Shareholders' equity	299.3	786.3	247.0

(in millions)	Year ended December 31, 2022	Year ended December 31, 2021	Year Ended December 31, 2020
Operating expenses	$ —	$ —	$ —
Equity income (loss) from associate	(334.0)	506.7	103.4
Impairment on investment in associate	(252.5)	—	
Income (loss) and comprehensive income (loss) for the period before taxes	(578.6)	504.0	103.4

- As the only significant asset of GDH Ltd. is its minority interest in GDH LP, its results are driven by the results of GDH LP. GDH Ltd. accounts for its investment in this associate (GDH LP) using the equity method. The investment, initially recorded at cost, is increased or decreased to recognize GDH Ltd.'s share of the earnings and losses of GDH LP. As of December 31, 2022, an impairment assessment was required under International Financial Reporting Standards and GDH Ltd.'s minority interest in GDH LP was marked down based on the TSX year-end closing share price. An impairment expense of $109.0 million was recognized for the quarter ended and $252.5 million for the year ended December 31, 2022. The net comprehensive loss of GDH Ltd. was $332.2 million for the year ended December 31, 2022.
- As of December 31, 2022, total assets stood at $394.3 million (December 31, 2021 - $888.8 million), a decrease of $494.5 million, driven by the Company's recognition of its share of loss for the period from its investment in associate and an impairment of its investment in associate.
- The Company had no or minimal net operating expenses for the year ended December 31, 2022 and 2021 as the operating expenses incurred of $2.0 million and $3.4 million, respectively, were reimbursed by GDH LP.
- The net comprehensive loss for the year ended December 31, 2022 was $332.2 million, as compared to the net comprehensive income of $262.4 million for the year ended December 31, 2021. The current year loss was primarily due to the Company's recognition of its share of losses from its investment in GDH LP and an impairment of its investment in GDH LP, partially offset by income tax benefit.
- **As the only significant asset of the Company is its minority interest in GDH LP, the results of the Company will be driven by the results of GDH LP. For additional information on the results of GDH LP, see Quarterly Highlights and Results, Performance by Reportable Segment, and the Financial Instruments, Digital Assets and Risk sections of GDH LP's MD&A, which is filed as an appendix to the GDH Ltd. MD&A.**
- As indicated in the Liquidity and Capital Resources section, the Company is dependent on financial support from GDH LP, which has the obligation to reimburse the Company for all reasonable operational expenses per the LPA.

Other

The following table summarizes Net income (loss) and comprehensive income (loss) for the past eight quarters:

(in millions)	Three months ended December 31	Three months ended September 30	Three months ended June 30	Three months ended March 31
2022	$ (154.6)	$ (156.4)	$ (153.4)	$ (22.4)
2021	$ 139.6	$ 109.6	$ (49.2)	$ 202.1

Discussion of Operations and Operational Highlights

The Company is a holding company as its only significant investment is a minority interest in GDH LP. As the Company will account for its investment under the equity method (i.e. initially recognize the investment at cost and then subsequently increase or decrease the investment carrying to recognize the Company's share of earnings and losses of GDH LP and for impairment losses, if any), the results of GDH LP will significantly impact the Company's performance. **For additional information on the operations and operational highlights and financial results of GDH LP, see Discussion of Operations and Operational Highlights and Results, and Quarterly Highlights & Results sections of GDH LP's MD&A, which is filed as an appendix to GDH Ltd.'s MD&A.**

- **Corporate Overview**
  - **Senior Leadership Update**

    On February 7, 2023, Damien Vanderwilt transitioned from his role as Co-President and Head of Global Markets at Galaxy to become a Senior Advisor and, on February 14, 2023, a member of the Company's board of directors.

  - **GDH Ltd. Reorganization and Domestication:**

    On May 5, 2021, Galaxy announced that its board of directors approved a proposed reorganization and domestication (the "Reorganization") of GDH Ltd. and the Partnership. Under the proposed terms of the Reorganization: GDH Ltd. and the Partnership will redomicile from the Cayman Islands to the state of Delaware. Galaxy's corporate and capital structure will be reorganized so as to normalize it on the basis of frequently used Up-C structures in the United States. The Reorganization is subject to ongoing SEC review and stock exchange approval and will include the following steps:

    - Galaxy Digital Inc., a new Delaware holding company, has been established and will become the successor public company of GDH Ltd. ("PubCo"), with all outstanding Galaxy ordinary shares becoming Class A shares of PubCo.
    - Mike Novogratz, the CEO and Founder of Galaxy, who currently controls the general partner of Partnership, will transfer control of the Partnership's general partner to PubCo.
    - PubCo will issue new voting securities to Mike Novogratz and other holders of Class B Units of the Partnership that will entitle them to vote (but not hold any economic rights) at the PubCo level, as though they had converted their existing Class B Units of the Partnership for shares of PubCo.
    - The "variable voting rights" attached to the ordinary shares of Galaxy that currently restrict the aggregate votes that may be cast by U.S. shareholders will be eliminated.
    - PubCo intends to apply to list its Class A shares on the Nasdaq.

    The purpose and business reasons for the Reorganization include:

    - Expectation of enhanced shareholder value through increased access to U.S. capital markets, improved flexibility for future equity and debt capital market needs, and an increased profile for Galaxy in the United States.
    - Normalization of Galaxy's corporate and capital structure.
    - Facilitation of acquisitions.
    - Alignment of all stakeholders' interests at the PubCo level.

  - **Sustainability Program**

    The Company publicly launched a Sustainability Program and Strategy in January 2022, underscoring the Company's commitment to responsible environmental practices, a robust corporate governance strategy and an equitable, inclusive environment for employees. The Program is overseen by the Company's Board of Directors, supported by an ESG Steering Committee comprised of senior executives across the Company's business lines and corporate functions.

- **GDH Ltd. acquisition of BitGo:**

  On August 15, 2022, the Company's Board voted to exercise the right to terminate the previously announced BitGo merger agreement in accordance with the terms of the agreement. The Company has not accrued any costs in relation to the termination.

Financial Instruments and Other Risk

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

Credit risk

Credit risk is the risk that 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 Company’s primary exposure to credit risk is on its cash held in bank accounts and the Promissory Note due from the Partnership. Credit risk on its cash exposure is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. As at December 31, 2022, the Company's credit risk exposure is not deemed to be significant.

Liquidity risk

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

Interest rate risk

The Company's only interest-bearing instrument is its Promissory Note with the Partnership. The Promissory Note is at a fixed interest rate of 7% and is not scheduled to be repriced prior to maturity. The Company's financial results are therefore not sensitive to changes in interest rates.

Foreign exchange risk

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

Digital assets and market risks

The Company's investment in GDH LP is impacted by GDH LP's investments in digital assets as well as private companies, both of which may be subject to significant changes in value. The Company seeks to minimize potential adverse effects of these risks on performance by ensuring that the risk management at GDH LP appropriately addresses these risks by, for example, employing experienced personnel, daily monitoring of the Partnership’s investments and digital assets and review of the Partnership's investment objectives.

For additional information on GDH LP's exposure to financial instruments and other risks, see Financial Instruments, Digital Assets and Risk section of GDH LP's MD&A, which is filed as an appendix to the GDH Ltd. MD&A.

Liquidity and Capital Resources

Financial support

As the Company is a holding company, it is dependent on GDH LP to fund its operating expenses. In accordance with the LPA, GDH LP will pay for all reimbursable expenses of GDH Ltd. or its subsidiary, GDH Intermediate LLC including all expenses reasonably incurred in the conduct of its business such as fees paid to professional advisors, required or advisable licenses and filing fees, and directors fees. For the year ended December 31, 2022, GDH LP paid or accrued $2.5 million (December 31, 2021 - $4.2 million) for the reimbursable expenses on behalf of GDH Ltd.

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

The following table represents liquidity available to the Partnership:

(in thousands)	**As of December 31, 2022**	**As of December 31, 2021**
Estimated working capital	$ 453,125	$ 600,071
Digital assets, net	415,352	1,212,455
	$ 868,477	$ 1,812,526

Working capital as of December 31, 2022 and December 31, 2021 is calculated as the sum of cash, receivable for digital asset trades, cash posted as collateral, receivables, prepaid expenses and other assets; less accounts payable and accrued liabilities, cash posted to the Partnership as collateral, cash portion of payables to customers, payable for digital asset trades, short-term lease liability and payables to customers. As of December 31, 2022, the Company held $65.2 million of cash at brokers (December 31, 2021 - $29.6 million) and $58.7 million of cash at exchanges (December 31, 2021 - $57.3 million).

Digital Assets, net as of December 31, 2022 and December 31, 2021 includes all digital assets categorized as assets on the statement of financial position, less all digital assets categorized as liabilities on the statement of financial position, less non-controlling interests liabilities.

The following table presents the summary of the Partnership's contractual obligations as of December 31, 2022:

(in thousands)	**Payments Due by Period**				
Contractual Obligations	**Total**	**Less than 1 year**	**1 - 3 years**	**4 - 5 years**	**After 5 years**
Digital asset loans payable	$ 170,566	$ 170,566	$ —	$ —	$ —
Lease obligations	21,771	6,281	7,360	5,129	3,001
Other obligations[2]	83,650	2,567	81,083	—	—
Total Contractual Obligations	**$ 275,987**	**$ 179,414**	**$ 88,443**	**$ 5,129**	**$ 3,001**

[1] "Other obligations" includes obligations to fund capital commitments to 10 portfolio companies.

As of December 31, 2022, the Company did not have any commitment for capital expenditures.

For additional information on the liquidity and capital resources of GDH LP, see Liquidity and Capital Resources section of the GDH LP MD&A, which is filed as an appendix to the GDH Ltd. MD&A.

Off-balance sheet arrangements

As of December 31, 2022, the Company did not have any off-balance sheet arrangements, other than the financial support mentioned in the Liquidity and Capital Resources section, that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, without limitation, such considerations as liquidity and capital resources that have not been previously been discussed.

Commitments and Contingencies

GDH LP Class B Units

GDH LP has two classes of ownership interests: Class A Units and Class B Units. The units rank equal from an economic perspective; however, under the terms of the LPA, Class B Units will, subject to certain limitations, be exchangeable for GDH Ltd. shares on a one-for-one basis.

As of December 31, 2022, after accounting for exchanges and forfeitures, there were 215,973,821 (December 31, 2021 - 228,701,080) Class B Units issued, of which 215,943,369 (December 31, 2021 - 228,110,373) were outstanding and exercisable into ordinary shares of GDH Ltd.

Stock Option Plan

The Company has a stock option plan (the "Plan") to grant options, which are exercisable into an equivalent amount of the Company's ordinary shares, to employees, officers, directors and consultants of the Company and its affiliates (inclusive of GDH LP). Under the Plan, the exercise price of each option may not be less than the market price of the Company's shares at the date of grant. Options granted under the Plan will have a term not to exceed 5 years and be subject to vesting provisions as determined by the board of directors of the Company who administer the Plan. On exercise of an option, the holder will receive one ordinary share in the Company and GDH LP will issue one Class A Unit to the Company. The maximum number of shares reserved for issuance under the Plan is fixed at 45,565,739 shares of the Company. Following the approval of the Long Term Incentive Plan, the Company will no longer make grants under the Plan and future grants will be made from the Long Term Incentive Plan. The Plan reserve has been rolled over into the Long Term Incentive Plan.

Long Term Incentive Plan

In May 2021, the board of directors of the Company approved a Long Term Incentive Plan ("LTIP") to grant stock options, stock appreciation rights, restricted stock, and share units (in the form of restricted share units and/or performance share units) to employees, officers, and consultants of the Company and its affiliates (inclusive of GDH LP) and deferred share units to non-employee directors of the Corporation and non-employee managers of the board of managers of the General Partner, subject to shareholder approval, which was received on June 29, 2021. Under the LTIP Plan, the exercise price of each option may not be less than the market price of GDH Ltd.'s shares at the date of grant. Options granted under the Plan will have a term not to exceed ten years and will be subject to vesting provisions as determined by the board of directors of GDH Ltd., who administer the Plan. On exercise of an option, the holder will receive one ordinary share in GDH Ltd. and GDH LP will issue one Class A Unit to GDH Ltd. The maximum number of shares reserved for issuance under the Plan is fixed at 48,290,478 shares of GDH Ltd.

The following table represents a summary of stock options outstanding as of December 31, 2022:

Grant Date	Number Outstanding	Number Exercisable	Exercise Price (C$)	Expiry Date
Employees and Officers:				
July 31, 2018	3,914,852	3,914,852	3.00	July 23, 2023
June 25, 2019	1,382,200	1,382,200	2.15	June 25, 2024
April 9, 2020	2,401,541	1,423,214	1.35 - 1.85	April 9, 2025
June 25, 2020	750,000	750,000	1.39	June 25, 2025
November 16, 2020	5,327,150	2,386,317	5.65	November 16, 2025
December 3, 2020	7,384,300	3,634,300	6.21	December 3, 2025
December 8, 2020	452,500	225,000	6.00	December 8, 2025
December 21, 2020	100,000	50,000	8.02	December 21, 2025
May 27, 2021	3,075,000	165,000	23.12 - 25	May 27, 2026
August 17, 2021	300,000	—	22.27 - 35	August 17, 2026
September 29, 2021	400,000	100,000	20.00	September 29, 2026
December 1, 2021	550,000	137,500	30.76	December 1, 2026
December 8, 2021	50,000	12,500	25.69	December 8, 2026
April 1, 2022	1,315,000	—	21.30 - 23.00	April 1, 2027
May 11, 2022	200,000	—	10.52	May 11, 2027
June 30, 2022	50,000	—	5.39	June 30, 2027
Total	27,652,543	14,180,883		

As of March 27, 2023, there were 23,435,877 options outstanding, of which 15,791,544 were exercisable.

As of December 31, 2022, there were 11,462,917 restricted units outstanding. As of March 27, 2023 there were 10,631,384 restricted share units outstanding (December 31, 2021- 7,833,659).

Transactions with related parties

Compensation to key management personnel

The Company'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 Company, directly or indirectly. Key management personnel include officers, directors, companies controlled by officers or directors and companies with common directors of the Company. The transactions the Company enters into with related parties are made on terms equivalent to those that prevail in arm's length transactions.

Compensation provided to key management personnel for the years ended December 31, 2022 and 2021 was as follows:

(in thousands)	Year ended December 31, 2022	Year ended December 31, 2021
Directors fees	$ 986	$ 565

Other

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

The CEO of GDH Ltd. serves as co-chairman of the board for another company, resulting in GDH Ltd. and that company being related parties. As of December 31, 2022, GDH LP had an investment in the company valued at $16.2 million (December 31, 2021 - $121.3 million).

In accordance with the LPA (Note 5), GDH LP will reimburse or pay for all reimbursable expenses of the Company. For the year ended December 31, 2022, GDH LP paid or accrued $2.5 million (2021 - $4.2 million) respectively for the reimbursable expenses.

On April 14, 2022 the Partnership entered into a Promissory Note (the "Promissory Note") with GDH Intermediate LLC ("GDHI LLC"), a subsidiary of GDH Ltd. Under the terms of the Promissory Note, the Partnership can request that GDHI LLC make advances to the Partnership from time to time, which decision is in GDHI LLC’s sole and absolute discretion. As of December 31, 2022, GDHI LLC has advanced $52.5 million to the Partnership.

Under the terms of the Promissory Note, interest accrues on any outstanding advances at a rate per annum equal to 7.0%. Interest is payable semi-annually in arrears on June 30 and December 31 of each year, commencing on December 31, 2022, subject to the right of GDHI LLC to elect that the amount of any such interest payment be capitalized and increase the principal amount of the Promissory Note in lieu of being paid in cash by the Partnership. As of December 31, 2022, the Partnership did not have interest payable outstanding. The Promissory Note will mature, and the principal amount of all outstanding advances, plus any accrued and unpaid interest, will be due and payable on December 31, 2024, unless extended by GDHI LLC.

As at December 31, 2022, the Company had $45.2 million in receivables from GDH LP (December 31, 2021 - payable to GDH LP of $25.2 million) for the aforementioned Promissory Note offset by payables for stock options and warrant exercises.

Change in Accounting Policies including Initial Adoption

There were no changes to the accounting policies for the period ended December 31, 2022.

Use of estimates and judgments

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

Significant judgments in applying accounting policies

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

Influence over Investment in associate

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

The Company has classified its investment in GDH LP as an associate based on management's judgment that the Company has significant influence but no controlling financial interest.

Key sources of estimation uncertainty

Deferred tax assets

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

Investment in associate

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

Furthermore, the Company consistently assesses the overall carrying value of its investment in associate to ensure that it is carried at no more than its recoverable amount. The Company recognized an impairment of its Investment in associate during the year ended December 31, 2022.

Share Capital

Common Stock

As of December 31, 2022, after accounting for additional issuances related to exchanges of GDH LP Class B Units during the period, issuance of shares on exercise of options and shares issued for exchange of warrants, there were 104,811,539 ordinary shares issued and outstanding.

As of March 27, 2023, there were 104,186,539 ordinary shares issued and outstanding.

Stock Options and Restricted share units

Refer to the Company's Note 8 and Note 10 in the Company's consolidated financial statements for further information on the stock options and restricted share units issued by the Company.

Warrants

As of December 31, 2022, there were no warrants were outstanding (December 31, 2021 - 1,647,556).

Disclosure Controls and Procedures

Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that material information is gathered and reported to senior management to permit timely decisions regarding public disclosure.

Management, with the participation of the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), assessed the effectiveness of the Company's disclosure controls and procedures as of December 31, 2022. Based upon the results of that evaluation, the CEO and the CFO concluded that the disclosure controls and procedures were effective to provide reasonable assurance that material information relating to the Company is accumulated and communicated to management (particularly during the period in which the Company's annual filings are being prepared) to allow timely decisions regarding required disclosure, and that the information disclosed by the Company in the reports that it files is appropriately recorded, processed, summarized and reported within the time period specified in applicable securities legislation.

Internal Control over Financial Reporting

Internal controls over financial reporting ("ICFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with International Financial Reporting Standards ("IFRS").

Management, with the participation of the CEO and the CFO, assessed the effectiveness of the Company's internal control over financial reporting as at December 31, 2022. Based upon the results of that assessment as at December 31, 2022 and the results of the assessment as at December 31, 2021, Management concluded that internal control over financial reporting was not effective as a result of the material weaknesses.

For the year ended December 31, 2021, we identified material weaknesses in our internal control over financial reporting. No additional material weaknesses were identified for the year ended December 31, 2022. A material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis. The noted material weaknesses are as follows:

- We did not design certain process-level and management review controls at a sufficient level of precision to (1) verify that certain information used in accounting for digital asset transactions obtained through database queries was complete, accurate, appropriate for the intended use, and subject to proper change management and (2) to validate the accuracy of data elements utilized in spreadsheets for accounting for digital assets, derivatives, issued financial instruments, classification of cash flows and the valuation of investments and property and equipment.
- We did not have sufficiently designed controls to ensure that all journal entries were properly reviewed and approved prior to posting to the general ledger due to the ability to modify a posted journal entry without an additional review. As such, our control over the risk of management override was not sufficiently designed.
- We had insufficient segregation of duties within our trading operations between authorizing and executing transfers of certain digital assets, as well as the recording and settlement of trades.

Remediation Plan

We continue to execute our plan to remediate the material weaknesses identified in the prior year. The remediation measures are ongoing, and although not all inclusive, remediation measures include implementing additional policies, procedures, and controls.

We are working to remediate these material weaknesses as efficiently and effectively as possible. At this time, we cannot provide an estimate of the timing for achieving full remediation or the costs expected to be incurred in connection with implementing this remediation plan; however, these remediation measures will be time consuming, could result in us incurring significant costs, and could place significant demands on our financial and operational resources. We cannot assure you the measures we are taking to remediate these material weaknesses will be sufficient or that they will prevent future material weaknesses. Additional material weaknesses or failure to maintain effective internal control over financial reporting could cause us to fail to meet our reporting obligations as a public company and may result in a restatement of our financial statements for prior periods.

Remediation of Previously Identified Material Weaknesses

Material Weakness Related to Accounting Talent

Management remediated its previously identified material weakness related to deficient internal controls around application of accounting standards and financial statement presentation. We have restructured the Finance department and increased the number of resources with requisite knowledge of technical accounting. Additionally, management has designed and implemented controls related to determining appropriate accounting treatment and financial statement presentation.

Material Weakness Related to Journal Entry Review

In order to address the material weakness, we have implemented and continue to implement controls designed to prevent and detect journal entries posted to the general ledger without proper segregation of duties. Specifically, we have designed a more restrictive systemic journal entry approval workflow and implemented a manual analysis and review of posted entries to confirm segregation of duties. Management is waiting to conclude this material weakness has been remediated until these controls have operated for a sufficient period of time.

Aside from those outlined above, there have been no significant changes to the Company's ICFR for the period ended December 31, 2022, which have materially affected, or are reasonably likely to materially affect the Company's ICFR.

Management's Responsibility for Financial Statements

The information provided in this MD&A, including the consolidated financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the consolidated financial statements.

Other Information and Disclaimer

No Offer or Solicitation

As previously announced, the Company intends to complete its proposed reorganization and domestication to become a Delaware-based company, and subsequently list on the Nasdaq, upon completion of the SEC's ongoing review and subject to stock exchange approval of such listing. The proposed reorganization and domestication is subject to approval by shareholders of the Company and applicable regulatory authorities, including the Toronto Stock Exchange. In connection with the proposed reorganization and domestication, the Company has filed a registration statement, including a management information circular/ prospectus, with the SEC, which has not yet become effective. SHAREHOLDERS ARE ADVISED TO READ THE FINAL VERSIONS OF SUCH DOCUMENTS, WHEN AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. Shareholders may obtain a free copy of the registration statement (including the management information circular/prospectus) and any other relevant documents from the SEC's website at http://www.sec.gov. Copies of the final versions of such documents can also be obtained, when available, without charge, via Galaxy Digital's investor relations website: https://investor.galaxy.com. The Company anticipates holding a shareholder meeting to seek approval following the effectiveness of the registration statement, and further details will be included in the management information circular to be mailed to shareholders and posted on the Company's SEDAR profile at www.sedar.com.

This document shall not constitute a solicitation of a proxy, consent or authorization with respect to any securities or in respect of the domestication or any of the other proposed reorganization transactions. This document does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote of approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of any such jurisdiction.

Appendix

Galaxy Digital Holdings LP

Management's Discussion and Analysis

For the Years Ended December 31, 2022 and 2021

March 28, 2023

Introduction

This Management's Discussion and Analysis ("MD&A"), dated March 28, 2023, relates to the financial condition and results of operations of Galaxy Digital Holdings LP ("GDH LP" or together with its subsidiaries, the "Partnership"), and is intended to supplement and complement the Partnership's consolidated financial statements for the year ended December 31, 2022 and should be read in conjunction therewith. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations ("NI 51-102"). The consolidated financial statements and MD&A are presented in U.S. dollars, unless otherwise noted and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results presented for the year ended December 31, 2022 are not necessarily indicative of the results that may be expected for any future period.

The Partnership's certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that the financial statements and MD&A do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings, and the financial report together with the other financial information included in these filings fairly present in all material respects the financial condition, financial performance and cash flows of the Partnership, as of the date of and for the periods presented in these filings.

In this MD&A, a reference to the "Partnership", "Galaxy", "we", "us", "our" and similar words refer to Galaxy Digital Holdings LP, its subsidiaries and affiliates, or any one of them, as the context requires.

Cautionary Note Regarding Forward-Looking Statements

This MD&A contains certain forward-looking information and forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended (the "U.S. Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and "forward-looking information" under Canadian securities laws (collectively referred to herein as "forward-looking statements"). These forward-looking statements relate to future events or the Partnership's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", "seeks" or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. The forward-looking statements contained in this MD&A are based on our current expectations and beliefs concerning future developments and their potential effects on us taking into account information currently available to us. There can be no assurance that future developments affecting us will be those that we have anticipated. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. Our forward-looking statements include, but are not limited to, statements regarding our or our management team's expectations, hopes, beliefs, intentions or strategies regarding the future, including statements about our mining business and its go-forward strategy, our ability to complete the reorganization, domestication and related transactions (the "transactions") within a particular timeframe, our ability to achieve anticipated mining capacity within a particular timeframe, or expectations regarding industry or company performance and plans. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks include, but are not limited to: (1) the inability to complete the transactions, due to the failure to obtain shareholder and stock exchange approvals, or otherwise; (2) changes to the proposed structure of the transactions that may be required or appropriate as a result of applicable laws or regulations or as a condition to obtaining shareholder or stock exchange approval of the transactions; (3) the ability to meet and maintain listing standards following the consummation of the transactions; (4) the risk that the transactions disrupt current plans and operations; (5) costs related to the transactions, operations and strategy; (6) changes in applicable laws or regulations; (7) the possibility that the Partnership may be adversely affected by other economic, business, and/or competitive factors; (8) changes or events that impact the cryptocurrency industry, including potential regulation, that are outside of our control; (9) the risk that our business will not grow in line with our expectations or continue on its current trajectory; (10) the possibility that our addressable market is smaller than we have anticipated and/or that we may not gain share of it; (11) the risk that revenue or expenses estimates may not be met or may be materially less or more than those anticipated (12) those other risks contained in the Annual Information Form ("AIF") for the year ended December 31, 2022 available on the Partnership's profile at www.sedar.com and described in this MD&A.

Factors that could cause actual results of the Partnership to differ materially from those described in such forward-looking statements include, but are not limited to, a decline in the digital asset market or general economic conditions; the possibility that our addressable market is smaller than we have anticipated and/or that we may not gain share of the stated addressable market; our inability to remediate our material weaknesses in internal control over financial reporting; the failure or delay in the adoption of digital assets and the blockchain ecosystem; a delay or failure in developing infrastructure for our business or our businesses achieving mandates; delays in the delivery of new mining equipment or other challenges in the mining business related to hosting or power; and changes in applicable law or regulation and adverse regulatory developments. Readers are cautioned that such risk factors, uncertainties and other factors are not exhaustive. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. The forward-looking statements in this MD&A are applicable only as of the date of this MD&A or as of the date specified in the relevant forward-looking statement and the Partnership does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable securities laws. Investors are cautioned that forward-looking statements are not guarantees of future performance and are inherently uncertain. Accordingly, investors are cautioned not to put undue reliance on forward-looking statements.

Overview

The Partnership is a limited partnership formed under the laws of the Cayman Islands on May 11, 2018. Galaxy Digital Holdings GP LLC ("GDH GP" or the "General Partner"), is a limited liability company incorporated under the laws of the Cayman Islands on July 26, 2018 and serves as the general partner of the Partnership. Galaxy Group Investments LLC ("GGI"), a Delaware limited liability company, which is owned by Michael Novogratz, is the sole member of GDH GP and continues to be the majority owner of the Partnership as of December 31, 2022. Galaxy Digital Holdings Ltd. ("Galaxy", "GDH Ltd." or "Company") has a minority investment in the Partnership and is listed on the Toronto Stock Exchange ("TSX") under the ticker "GLXY".

The Partnership is headquartered in New York City, with global offices across North America, Europe, and Asia.

As at December 31, 2022, the Partnership had 390 full-time employees.

The U.S. dollar is the presentation currency for all periods presented. There have been no changes to the accounting principles applied for all periods presented, except as disclosed in Change in Accounting Policies including Initial Adoption, if applicable.

Limited Partnership Agreement

On November 24, 2022, GDH LP, GDH GP, GDH Ltd., GDH Intermediate LLC (a wholly owned subsidiary of GDH Ltd.) and each of the Persons admitted as a "Class B Limited Partner" entered into a fifth 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. GDH Ltd. or GDHI LLC may elect to effect the exchange of all or any portion of Class B Units subject to an exchange for cash, and allow for the consolidation of Class A Units in certain circumstances.
- Allocations of Income, Gain, Loss, Deduction and Credit - each item of income, gain, loss, deduction and credit will be allocated pro-rata between Class A Units and Class B Units.
- Issuances and redemptions of ordinary shares of GDH Ltd. - If GDH Ltd. issues any of its ordinary shares, and 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, the General Partner will cause the Partnership to issue to GDH Ltd., in exchange for GDH Ltd. promptly contributing the net cash proceeds of the issuance to the Partnership, a number of Class A Units equal to the number of ordinary shares issued. Upon the redemption, repurchase, or other acquisition of ordinary shares by GDH Ltd., the Partnership will, at substantially the same time as the redemption, repurchase or acquire, redeem or cancel Class A Units equal to the number of ordinary shares redeemed, repurchased or acquired for an amount equal to the net cash amount paid by the GDH Ltd. for such redemption, repurchase, or other acquisition.
- Exchanges of Class B Units - A Class B limited partner may exchange vested Class B Units for ordinary shares of GDH Ltd. On exchange, GDH Ltd. will issue ordinary shares and the Partnership will cancel the Class B Units

exchanged and issue Class A Units to GDH Ltd. equal to the number of Class B Units being surrendered, after accounting for any withholding obligation if applicable.

- Removal of General Partner - The General Partner may generally be removed by the limited partners holding at least 66 2/3% of the outstanding Units.
- Reimbursable Expenses - All expenses reasonably incurred by GDH Ltd. in the conduct of its business, including fees related to professional advisors, required or advisable licenses and filings, and meetings and compensation of directors, will be reimbursable by GDH LP, excluding tax.
- General Partner Board - As long as GDH Ltd. owns more than 10% of the outstanding Units of GDH LP, GDH Ltd. will have the right to appoint one person to the board of the General Partner. In addition, if GDH Ltd. owns more than 40%, but not more than 50%, of the outstanding Units of GDH LP, GDH Ltd. will have the right to appoint another person to the board of the General Partner.

The LPA also allows the Partnership to make distributions, as and when determined by the General Partner, in its sole discretion so as to enable unit holders to pay anticipated taxes with respect to allocated Partnership taxable income and / or gains. Amounts distributed pursuant to the tax distribution provision will be treated as an advance against, and shall reduce (on a dollar for dollar basis), future amounts that would otherwise be distributable to such limited partners. The LPA provides that the value of any tax distribution made shall not exceed 25% of the Partnership's market capitalization determined at the time the General Partner determines to make such distribution.

During the year ended December 31, 2022, the General Partner made distributions of $184.3 million in respect of taxable income related to tax years 2022 and 2021. During the year ended December 31, 2021, the General Partner made pro-rata tax distributions of $65.0 million in respect of taxable income related to tax year 2021 and 2020. A majority of the recipients of the distributions are related parties.

The foregoing summary is qualified in its entirety by the full text of the LPA which is available on GDH Ltd.'s SEDAR profile at www.sedar.com.

Description of Business

The Partnership operates in the following businesses that complement each other: trading, asset management, investment banking, mining and principal investments.

Trading

Galaxy Trading ("GT") (formerly referred to as "Galaxy Digital Trading" or "GDT"), provides spot and derivative executions, as well as liquidity to institutional clients, counterparties and venues that transact in cryptocurrencies and other digital assets. GT acts as an institutional-grade liquidity provider with market expertise and global access to over 100 different cryptocurrencies across all major cryptocurrency and digital asset markets for over 930 unique counterparties. GT aims to provide a complete suite of products that leverage our expertise and knowledge. GT engages in a number of activities, on behalf of our customers, who are professional market participants - primarily institutional investment entities, and for its own account, around the buying, selling, lending and borrowing of cryptocurrencies and other digital assets. GT's full suite of service offerings, includes: over-the counter ("OTC") spot liquidity provision, and on-exchange liquidity provision, OTC derivatives options trading, and bespoke lending and structured product offerings. GT also engages in proprietary quantitative, arbitrage and macro trading strategies. GT is a diversified revenue stream that can have varied and/or little correlation with cryptocurrency and digital asset market prices. The correlation of GT's results to the values of cryptocurrencies and digital assets can vary significantly, due to its implementation of derivatives and hedging strategies, market-neutral trading activities, and other quantitative strategies. Moreover, GT's counterparty-facing trading activities, while impacted at times by the underlying values of cryptocurrencies and digital assets, can also result in profit making during periods of elevated volatility that would drive prices higher or lower, or conversely, could result in losses. GT's suite of product offerings expanded in November 2020 due to Galaxy's acquisition of two leading cryptocurrency trading firms: DrawBridge, an innovator in digital asset lending, borrowing, and structured products; and Quantitative Principal Trading ("QPT") (formerly referred to as "Blue Fire"), a proprietary trading firm specializing in providing two-sided liquidity for digital assets. These acquisitions added veteran trading and lending market talent to Galaxy's leadership team.

Our willingness to make markets, commit capital and take risk across numerous cryptocurrencies and digital assets is crucial to our relationships. We provide liquidity on a principal basis and play a critical role in price discovery, thereby improving the efficiency of cryptocurrency markets for all our clients, counterparties and industry participants. GT maintains a list of centralized exchanges that are approved as trading counterparties and platforms, and with whom our team spends extensive time working to electronically integrate for access and information flow.

GT also maintains strong relationships with a large number of spot and futures exchanges, digital asset exchanges and custodians, and fiat banking partners, which enables it to move capital and assets around efficiently in order to provide competitively priced liquidity and achieve cross-market opportunities. GT has consistently added to its onboarded counterparties list. Our business grew alongside digital asset markets in 2021 and continued to add trading counterparties through 2022. These new counterparties are becoming increasingly institutional in terms of size and sophistication, including a diverse and strategic group of proprietary trading companies, cryptocurrency and digital asset exchange operators, the largest crypto and venture capital investment funds, digital asset mining companies, coin protocols and foundations, family offices, and high and ultra-high net worth individuals. As of December 31, 2022, GT had $50.0 million of digital assets on loan and $170.6 million of digital assets borrowed for firm-wide activities.

Galaxy is also focused on developing its custody and Prime Brokerage service operations, to supplement our current GT offerings. Prime Brokerage will be provided with Galaxy's planned rollout of GalaxyOne Prime (or "GalaxyOne"), a new digital assets product offering for institutional investors that will integrate trading and lending of spot and derivatives alongside access to multiple qualified custodians through a unified tech platform.

Asset Management

Galaxy Asset Management ("GAM") (formerly referred to as "Galaxy Digital Asset Management" or "GDAM") manages capital on behalf of third parties in exchange for management fees and performance-based compensation. GAM creates products that provide clients with seamless access to digital assets investments through both passive and active fund strategies; solving custodial, technical and regulatory obstacles. GAM uses qualified third-party custodians to maintain and safeguard our Asset Management client assets one-to-one in cold storage with insurance protection. GAM's differentiating factors are its long-tenured professionals with institutional experience managing third party capital across a variety of traditional asset classes, an acute focus on risk management and compliance, strong relationships with key counterparties and a deep connectivity throughout the blockchain and cryptocurrency ecosystem. We have a track record of bringing differentiated products to market in a timely manner to address the evolving needs within the ecosystem. GAM works with prominent asset management industry players including CI, CAIS, Bloomberg, Morgan Stanley, Itaú and Invesco to accelerate product development, speed-to-market, distribution, and reach a global scale.

GAM operates in two business lines, Galaxy Fund Management ("GFM") and Galaxy Interactive ("Galaxy Interactive"). External management fees earned by GAM in both GFM and Galaxy Interactive generally range from 0.4% to 2.0% of assets under management (including sub-advisory agreements), and the majority of performance fees or "carry" have been structured to be up to 20%.

GFM is the diversified, cryptocurrency fund management business of GAM. GFM offers multi-manager funds, diversified passive and single-asset passive funds, exchange-traded funds ("ETFs"), and indexing solutions. GFM has taken an education-first approach to the institutional wealth and allocator client verticals and has recently capitalized on the improved awareness of digital assets through increased inflows into its current line-up of GFM funds. GFM's goals include but are not limited to: educating the institutional markets about digital assets, building an institutional brand in key client verticals, increasing AUM across its fund line-up, building its data and indexing business, and expanding its product line-up to create a diversified digital asset management platform.

GFM launched its first fund product in April 2018, the Galaxy Crypto Index Fund LP, and has continued to launch passive and active strategies for clients since. Throughout 2021 and the second quarter of 2022, GFM launched numerous single asset, sector specific and venture funds to clients directly, and numerous ETF products with its partners in Canada. GFM launched the Galaxy Liquid Alpha Fund, benchmarked to the Bloomberg Galaxy Bitcoin Index, with internal capital this year. Galaxy has also submitted filings with the SEC to bring physically backed ETF products to the U.S. with a premier asset management partner.

GFM acquired Galaxy Vision Hill, a premier investment consultant and asset manager, in May of 2021. GVH is an institutional-grade, multi-manager crypto fund of funds, or FOF, platform.

Galaxy Interactive makes venture capital investments in the interactive sector, targeting the intersection of content, technology and finance. The investment team categorizes the Galaxy Interactive landscape in three buckets - Content, Social, and Technology/Infrastructure - with a particular emphasis on the application of Web3 to these three areas. Galaxy Interactive currently manages three private venture capital funds. The first fund, Galaxy EOS VC Fund LP, launched in 2018 with $325 million of committed capital. After deploying substantially all of the capital in the first fund, Galaxy Interactive launched a commingled successor fund, Galaxy Interactive Fund I, LP, in April 2021. Galaxy Interactive continues to fundraise for Galaxy Interactive Fund II, which had its first close in March 2022.

As of December 31, 2022, GAM reported preliminary assets under management ("AUM") of approximately $1.7 billion. AUM consisted of almost $740 million in GAM's Galaxy Fund Management products and approximately $965 million in the Galaxy Interactive venture franchise. GAM reported preliminary AUM of $1.9 billion as of February 2023.

Investment Banking

Galaxy Investment Banking, (“GIB”) (formerly referred to as “Galaxy Digital Investment Banking” or “GDIB”), is a leader in financial and strategic advisory services for the digital asset, cryptocurrency and blockchain technology sector. GIB serves global public and private clients with a full spectrum of financial advisory services, including; general corporate, strategic, M&A, divestitures, and restructuring advisory services, as well as equity, debt and project finance capital markets services. GIB's value proposition is to provide traditional investment banking services such as capital raising and advisory for M&A and debt financing, whilst adding specialist knowledge about the inner workings of the cryptocurrency and blockchain technology sector. GIB maintains and continues to build on its systematic coverage of the highest quality businesses operating across the blockchain ecosystem, with the ultimate goal of forming long-lasting and trusted relationships. On July 24, 2019, Galaxy Digital Partners LLC was approved by FINRA to act as an underwriter to registered public offerings of equity, debt or other corporate securities in the United States, and is a member of the Securities Investor Protection Corporation. GIB is a diversified revenue stream that can be uncorrelated with cryptocurrency and digital asset market prices.

Mining

Galaxy Mining (“GM”) (formerly referred to as “Galaxy Digital Mining” or “GDM”) hosts our proprietary bitcoin mining equipment with the intended goal of helping to secure the Bitcoin network while generating low-cost basis bitcoin through block rewards and network transaction fees. The December 2022 Helios facility acquisition is expected to accelerate the expansion of GM's bitcoin mining operations and services, provide access to tax-efficient mining infrastructure, and reduce reliance on third-party hosting providers. The Helios facility is currently able to operate up to 180 megawatts ("MW") of mining capacity, with significant room for expansion. We expect to energize approximately 200 MW of mining capacity at Helios alone by year end 2023, with a mix of capacity dedicated to hosting and proprietary mining. As announced in November 2022, GM is also in the process of building out an additional Galaxy owned mining site in Texas. Through 2022, GM mined on a proprietary basis at colocation facilities and third-party data center providers using our proprietary bitcoin mining equipment in North America.

In addition to mining, GM, utilizing its deep experience in the sector, seeks to "sell the firm" by partnering with other Galaxy businesses to deliver financial services to miners, including liquidity, hedging, asset leasing and financing, and advisory services. Since its recent inception in September 2020, GM has procured bitcoin mining machines to be utilized for proprietary operations, miner finance, and resale to North American miners for the following business activities beyond proprietary operations:

- Miner Finance: Offer state of the art credit underwriting for selected miners to finance machines.
- Resale: Resell purchased machines to other North American miners that require machines, but not financing.

GM remains committed to its goal of reaching an 80% sustainable energy mix[1] and is actively pursuing multiple long-term solutions to achieve this target.

GM is currently exclusively engaged in bitcoin mining and as of today has no intentions to mine other cryptocurrencies.

Principal Investments

Galaxy Principal Investments (“GPI”) (formerly referred to as “Galaxy Digital Principal Investments” or “GDPI”) manages a diverse portfolio of largely private investments across the digital assets industry. Our venture portfolio invests in traditionally structured companies, as well as, companies building digital asset networks capitalized by tokens.

GPI's investment objective is to identify, invest in, and support category-defining companies and networks that we anticipate will grow the cryptoeconomy, and shape the adoption of the ecosystem. We believe that a core piece of Galaxy's edge in the ecosystem is the information and connectivity generated by our GPI activity.

[1] “Sustainable Energy Mix” is defined by the Bitcoin Mining Council (“BMC”) as energy sourced from hydro, wind, solar, nuclear and geothermal energy sources. The BMC's “Sustainable Energy” definition is based on the principles brought forward by the U.S. Energy Information Administration (“EIA”) Net Zero by 2050 Report. The definition was updated in the fourth quarter to exclude carbon-based energy with net carbon credits.

Our areas of investment focus routinely evolve alongside developments in the digital assets space. A key differentiator for GPI is our ability to leverage Galaxy's broader operating business to identify opportunities and current pain points in the digital assets space. We take a similar approach in our relationships with our portfolio companies by engaging with them on a regular basis to maintain an in-depth knowledge of the digital assets ecosystem, to continue to identify and target valuable solutions. Additionally, we make strategic investments into the equity and debt of companies operating in similar or adjacent businesses to Galaxy with an eye towards future commercial relationships and/or strategic alignment of interests. Finally, we allocate our balance sheet to warehouse investments and provide seed capital for future asset management strategies, which we believe puts us at an advantage relating to many of our competitors.

GPI's primary investment focus is on early-stage companies and networks, most of which are in the Seed and Series A stages. By utilizing a robust, institutional-quality investment process that relies on organization, prioritization and deep-dive due diligence, Galaxy continues to make selective principal investments across the ecosystem using freshly allocated capital as well as capital sourced from realization of existing and previous investments.

Risks and Uncertainties

In addition to the risks contained herein, the disclosure in this MD&A is subject to, and should be read in conjunction with, the risk factors outlined in the AIF, filed on GDH Ltd.'s SEDAR profile at www.sedar.com

Annual Highlights & Results

The following represents selected financial data and a discussion of significant changes.

(in millions)	December 31, 2022	December 31, 2021	December 31, 2020
Digital assets	$ 566.7	$ 2,420.8	$ 931.5
Digital assets posted as collateral	25.1	71.4	15.6
Total	591.8	2,492.2	947.1
Investments	595.1	1,069.8	260.4
Total assets	2,346.1	5,096.5	1,562.6
Total liabilities, excluding non-controlling interests liability	907.4	2,336.7	478.4
Total equity	1,438.8	2,598.4	798.2

(in millions)	Year ended December 31, 2022	Year ended December 31, 2021	Year ended December 31, 2020
Net realized gain on digital assets	$ 55.1	$ 1,014.3	$ 271.1
Net realized gain on investments	42.0	231.4	10.8
Net derivative gain	191.5	10.8	5.7
Total income	419.5	1,365.6	304.2
Operating expenses	(496.9)	(364.6)	(79.9)
Net unrealized gain (loss) on digital assets	(659.2)	451.5	239.7
Net unrealized gain (loss) on investments	(496.2)	547.0	90.6
Net comprehensive income (loss) for the period	(1,023.3)	1,714.6	385.5

- As of December 31, 2022, digital assets, including digital assets posted as collateral, was $591.8 million, a decrease of $1.9 billion from December 31, 2021. This decrease was primarily due to the decrease in the price of digital assets held by the Partnership, strategic liquidations of positions, a decrease in digital assets borrowed and collateral payable, as well as the deconsolidation of sponsored investment funds.
- Investments decreased $474.7 million during the year to $595.1 million as of December 31, 2022. The change was primarily due to unrealized losses on investments of $496.2 million due to unfavorable market conditions.
- Total liabilities, excluding Non-controlling interests liabilities, decreased by $1.4 billion during the period to $907.4 million as of December 31, 2022 primarily due to decreases in digital assets loans payable of $734.4 million, collateral payable of $348.6 million, payable to customers of $132.9 million and accounts payable and accrued liabilities of $79.2 million.

- Total equity decreased by $1.2 billion during the period to $1.4 billion as of December 31, 2022 primarily driven by $1.0 billion of net comprehensive loss and tax distributions of $184.3 million.
- Operating expenses increased for the year ended December 31, 2022 as compared to the year ended December 31, 2021, driven by an increase in general and administrative expenses due to impairment charges recognized on both mining equipment, prepaid hosting fees and FTX related losses on cash held on the platform at the time of bankruptcy. This increase was partially offset by lower professional fees.

The U.S. dollar is the presentation currency and functional currency of the major operating subsidiaries for all periods presented above. There have been no changes to the accounting principles applied for all periods presented, except as disclosed in Change in Accounting Policies.

The following table represents the Partnership's breakdown of Net comprehensive income for the past eight quarters:

$'s in millions	Three months ended December 31, 2022	Three moths ended September 30, 2022	Three moths ended June 30, 2022	Three months ended March 31, 2022	Three months ended December 31, 2021	Three months ended September 30, 2021	Three months ended June 30, 2021	Three months ended March 31, 2021
Net realized gain (loss) on digital assets	$ (73.5)	$ 4.7	$ (231.1)	$ 355.0	$ 315.6	$ 130.5	$ (162.5)	$ 730.7
Net realized gain (loss) on investments	$ (22.1)	$ (8.8)	$ 3.5	$ 69.4	$ 6.3	32.6	41.4	151.1
Income (loss)	$ (37.5)	$ 32.7	$ (119.2)	$ 543.6	$ 277.8	216.5	21.5	849.7
Operating expenses	$ (130.6)	$ (126.1)	$ (129.3)	$ (110.9)	$ (34.0)	(151.2)	(49.2)	(130.2)
Net unrealized gain (loss) on digital assets	$ 5.0	$ 69.4	$ (233.4)	$ (500.3)	$ 228.9	355.2	(495.6)	362.9
Net unrealized gain (loss) on investments	$ (123.9)	$ (39.3)	$ (258.9)	$ (74.1)	$ 145.8	177.9	165.1	58.3
Net comprehensive income (loss)	$ (288.8)	$ (68.1)	$ (554.7)	$ (111.7)	$ 521.3	517.9	(182.9)	858.2

For the year ended December 31, 2022, Net comprehensive loss was $1.0 billion, as compared to Net comprehensive income for the year ended December 31, 2021 of $1.7 billion. The loss was primarily due to net unrealized losses on digital assets and investments and operating expenses, partially offset by realized gains on digital assets, realized gains on investments and net derivative gain. As one of the primary observable benchmarks for valuation in the space, prices for digital assets declined significantly during the year. Bitcoin declined by 64%, from approximately $46,500 to $16,500 per coin and Ethereum declined by 67%, from approximately $3,700 to $1,200 per coin[2]. The Net comprehensive income for the year ended December 31, 2021 was primarily driven by net realized and unrealized gains on digital assets and investments, partially offset by operating expenses and net loss on warrant liability.

Financial Outlook

Disclaimers and Additional Information

This section below contains certain pre-released first quarter 2023 financial information (the "pre-released financial information"). The pre-released financial information contained in this MD&A is preliminary and represents the most current information available to management. The Partnership's actual consolidated financial statements for such period may result in material changes to the pre-released financial information summarized in this MD&A (including by any one financial metric, or all of the financial metrics) as a result of the completion of normal quarter and year end accounting procedures and adjustments and annual independent audit or due to other risks contained in the Annual Information Form for the year ended December 31, 2022. Although the Partnership believes the expectations reflected in this MD&A are based upon reasonable assumptions, the Partnership can give no assurance that actual results will not differ materially from these expectations.

[2] Source: coinmarketcap.com for Bitcoin and Ether

Preliminary Quarter-to-Date Financial Highlights, through Friday, March 24th 2023[3]

- Income before tax was approximately $150 million[2], through March 24, 2023 bringing Partner's Capital to over $1.5 billion

Discussion of Operations & Operational Highlights

- **Corporate Overview**

  - **Senior Leadership Update**

    On February 7, 2023, Damien Vanderwilt transitioned from his role as Co-President and Head of Global Markets at Galaxy to become a Senior Advisor and, on February 14, 2023, a member of the Company's board of directors.

  - **GDH Ltd. Reorganization and Domestication:**

    On May 5, 2021, Galaxy announced that its board of directors approved a proposed reorganization and domestication (the "Reorganization") of GDH Ltd. and the Partnership. Under the proposed terms of the Reorganization: GDH Ltd. and the Partnership will redomicile from the Cayman Islands to the state of Delaware. Galaxy's corporate and capital structure will be reorganized so as to normalize it on the basis of frequently used Up-C structures in the United States. The Reorganization is subject to ongoing SEC review and stock exchange approval and will include the following steps:

    - Galaxy Digital Inc., a new Delaware holding company, has been established and will become the successor public company of GDH Ltd. ("PubCo"), with all outstanding Galaxy ordinary shares becoming Class A shares of PubCo.
    - Mike Novogratz, the CEO and Founder of Galaxy, who currently controls the general partner of Partnership, will transfer control of the Partnership's general partner to PubCo.
    - PubCo will issue new voting securities to Mike Novogratz and other holders of Class B Units of the Partnership that will entitle them to vote (but not hold any economic rights) at the PubCo level, as though they had converted their existing Class B Units of the Partnership for shares of PubCo.
    - The "variable voting rights" attached to the ordinary shares of Galaxy that currently restrict the aggregate votes that may be cast by U.S. shareholders will be eliminated.
    - PubCo intends to apply to list its Class A shares on the Nasdaq.

    The purpose and business reasons for the Reorganization include:

    - Expectation of enhanced shareholder value through increased access to U.S. capital markets, improved flexibility for future equity and debt capital market needs, and an increased profile for Galaxy in the United States.
    - Normalization of Galaxy's corporate and capital structure.
    - Facilitation of acquisitions.
    - Alignment of all stakeholders' interests at the PubCo level.

  - **Sustainability Program:**

    The Company publicly launched a Sustainability Program and Strategy in January 2022, underscoring the Company's commitment to responsible environmental practices, a robust corporate governance strategy and an equitable, inclusive environment for employees. The Program is overseen by the Company's Board of Directors, supported by an ESG Steering Committee comprised of senior executives across the Company's business lines and corporate functions.

[3] This preliminary, unaudited year-to-date financial information is as of March 24, 2023. Financial results exclude impacts from non-cash equity based compensation and completion of the full quarterly valuation process of our investment portfolio. This data is subject to change as management completes its quarterly close procedures.

- **Helios Acquisition**

  On December 28, 2022, the Partnership acquired the Helios mining facility from Argo Blockchain plc ("Argo")

  - Helios is a large-scale bitcoin mining facility located in Dickens County, Texas, that has the ability to operate up to 180 megawatts (MW) of mining capacity, utilizing immersion cooling technology.
  - Upon receipt of certain approvals and incremental investments, Helios could be expanded to provide Galaxy with as much as 800 MW of capacity, enabling the Company to grow its proprietary and hosted bitcoin mining infrastructure.
  - The purchase price was approximately $77 million, including transaction costs.

- **GK8 Acquisition**

  Subsequent to year end on February 21, 2023, the Company acquired the assets of GK8, a digital asset self-custody platform for approximately $44 million.

  - We believe the market opportunity for GK8's custodial technology services continues to expand rapidly, particularly as institutional demand in the asset class grows. As such, our primary focus is to invest in GK8's sales footprint and existing product roadmap to begin capturing market share.
  - Furthermore, the Company will use GK8's custody solution in the ongoing development of GalaxyOne, our own unified, client-centric prime-brokerage platform for clients to engage with digital assets.
  - Additional benefits of the transaction include expansion of the Company's geographic reach, adding an office in Tel Aviv, and onboarding an experienced team of nearly 40 individuals, including cryptographers and blockchain engineers.
  - The founders of GK8, CEO Lior Lamesh and CTO Shahar Shamai, will lead Galaxy's custodial technologies offering.

- **GDH Ltd. acquisition of BitGo**

  On August 15, 2022, the Company's Board voted to exercise the right to terminate the previously announced BitGo merger agreement in accordance with the terms of the agreement. The Company has not accrued any costs in relation to the termination.

- **Operational highlights**
  - **Galaxy Trading** reported continued growth of counterparty count and strong GT Operational Net Revenue contributions. GT remains invested in the build out of our GalaxyOne integrated institutional prime brokerage platform.
    - GT ended the year with more than 930 total counterparties and continues to provide liquidity in over 100 cryptocurrencies.
    - Counterparty trading volumes decreased by just over 65% year over year, in-line with the decrease in total crypto-market capitalization during the same period.
    - The Company's cumulative gross counterparty loan originations were approximately $2.8 billion for the year. The value of GT's counterparty loan and yield portfolio decreased approximately 42% year over year.
    - The Company is focused on the strategic build out of GalaxyOne -- our unified, client-centric prime-brokerage platform for digital assets. A beta version of the trading component of the platform will be released to select customers in the second quarter of 2023.
  - **Galaxy Asset Management** reported preliminary assets under management ("AUM") of approximately $1.7 billion as of December 31, 2022, a 41% decrease from prior year primarily driven by a decrease in digital asset prices partially offset by net positive cash inflows to Galaxy's managed funds during the period.

- December 31, 2022 reported preliminary AUM consisted of almost \$740 million in GAM's Galaxy Fund Management ("GFM") products and approximately \$965 million in the Galaxy Interactive venture franchise.
- GAM strategically focused on scaling active strategies within our Galaxy Fund Management and Interactive products, and as a result, GAM saw positive net flows this year.
- Within the quarter, Galaxy Asset Management announced a strategic partnership with Itaú Asset Management to develop a comprehensive suite of Brazilian-listed, physically backed, digital asset exchange-traded funds and launched the first ETF of the new partnership, the IT Now Bloomberg Galaxy Bitcoin ETF.
- Galaxy Interactive launched its third fund, Galaxy Interactive Fund II, LP in early 2022. Subsequent to year end.
- In February 2022, GFM launched the CI Galaxy Multi-Crypto ETF (Ticker: CMCX), continuing our partnership with CI Global Asset Management.
- GAM launched the Galaxy Liquid Alpha Fund in May 2022, benchmarked to the Bloomberg Galaxy Bitcoin index. The fund seeks to utilize a combination of macro, quantitative, and fundamental analysis to pick large secular winners within the emerging crypto asset class.
- Also in May 2022, GFM partnered with:
  - VettaFi to launch the Alerian Galaxy Cryptocurrency-Focused Blockchain Technology Index and the Alerian Galaxy Immersive Digital Worlds Index
  - CI Financial on the launch of two equity-based ETFs: the CI Galaxy Blockchain ETF (Ticker: CBCX) and CI Galaxy Metaverse ETF (Ticker: CMVX)
- In November 2022, GFM announced a strategic partnership with Itaú Asset Management to develop a comprehensive suite of Brazilian-listed, physically backed, digital asset exchange traded funds and launched the first ETF of the new partnership, the IT Now Bloomberg Galaxy Bitcoin ETF (Ticker: BITI11).

o **Galaxy Investment Banking** has a number of existing mandates expected to close in the first half of 2023.

- GIB remains engaged in the markets' prominent shift toward consolidation and M&A activity, while also supporting clients with innovative financing solutions amid a challenging capital markets backdrop.
- GIB continues to execute against an active pipeline of mandates representing over \$1 billion in potential transaction value.
- GIB advised on 8 publicly announced transactions for external clients across M&A and capital raising as well as 1 M&A transaction of the Galaxy Mining business during 2022.
- On the external M&A side, GIB advised Genesis Volatility, a digital assets data and analytics provider, on its sale to Amberdata and advised CoreWeave, a specialized cloud computing provider, on its strategic investment from Magnetar Capital. GIB also advised Blockdaemon, a leading digital assets infrastructure company, on its acquisitions of MPC technology pioneer, Sepior, and fiat-to-crypto on-ramp provider, Gem, which closed in July and February 2022 respectively – these represent the 2^{nd} and 3^{rd} transactions Galaxy has served as exclusive buy-side M&A advisor to Blockdaemon since 2021. Separately, GIB served as financial advisor to Algorand and Hivemind on a take-private acquisition of Napster, an entertainment and music streaming service company initially made popular in the early 2000s, which closed in May 2022, as well as financial advisor to Thunder Bridge Capital Partners IV on its acquisition of Japanese digital asset wallet and exchange service provider, Coincheck, which was announced in March 2022.

- On the capital markets side, GIB served as exclusive financial advisor and sole placement agent to CoreWeave, a specialized cloud computing provider, on its $100 million strategic investment from Magnetar Capital in December 2022. GIB also served as exclusive financial advisor and sole placement agent to Qredo, a decentralized custody technology company, on its $80 million Series A financing in February 2022. Also in February, GIB served as sole equity placement agent on digital asset mining data center operator, Compute North's, $85 million Series C financing.
- Lastly, GIB served as financial advisor to the Mining business on its acquisition of the Helios bitcoin mining facility and related operations from Argo Blockchain ("Argo").

o **Galaxy Mining**, following the acquisition of Helios, ended 2022 with over 1.5 EH/s in Hashrate Under Management ("HUM"), inclusive of both self-mining and hosting services. GM has approximately doubled that capacity from the beginning of 2023, with approximately 30% from self-mining operations.

- In December 2022, Galaxy acquired the Helios bitcoin mining facility and its related operations from Argo. The facility is currently able to operate up to 180 megawatts ("MW") of mining capacity, with significant room for expansion. We expect to energize approximately 200 MW of mining capacity at Helios alone by year end 2023, with a mix of capacity dedicated to hosting and proprietary mining.
- The Helios transaction will continue to accelerate the expansion of GM's bitcoin mining operations and services, provide access to tax-efficient mining infrastructure, and reduce reliance on third-party hosting providers.
- Galaxy has also begun energization of our first proprietary mining site in Diboll, Texas, with over half the site expected to be energized in April 2023 and the full 16 MW expected to be energized by end of the second quarter 2023.
- In the third quarter of 2022, GM announced an investment in Aspen Creek Digital Corporation ("ACDC"), and continues to host machines at their sustainably-focused facilities. ACDC is a bitcoin mining company focused on renewable energy, demonstrating GM's ongoing commitment to sustainability and proper risk perimeters on hosting providers.
- On a proprietary basis, GM continues to mine at well-under the fair market value of bitcoin.
- By the end of 2023 GM expects to have a targeted over 4 EH/s of HUM, approximately 50% of which will come from self-mining.
- GM remains committed to its goal to reach an 80% sustainable energy mix and is actively pursuing multiple long-term solutions to achieve this target.
- Subsequent to year end, Galaxy hedged a majority of Helios' power obligations with a 24x7 fixed price block of power, which protects from rising power prices, improves site uptime, and allows Galaxy to achieve a lower effective cost of power. Galaxy will layer on additional blocks of power as the site is expanded and wholesale pricing becomes favorable.

o **Galaxy Principal Investments** holds 145 investments across 104 portfolio companies as of December 31, 2022. GPI continues to make investments in companies that offer compelling opportunities, one example of this being our fourth quarter GPI investment in verification platform, Veridise, which provides thorough security audits for DeFi applications. GPI also made the following investments earlier in 2022: Gensyn, Encode, Certora and Celestia.

Industry Performance and Outlook

The following table reflects the performance of the cryptocurrency market capitalization, bitcoin and ether for the period from January 9, 2018 to December 31, 2022 (amounts expressed in US$):

	As of January 9, 2018	As of December 31, 2019	As of December 31, 2020	As of December 31, 2021	As of December 31, 2022	% Change 2022	% Change from January 9, 2018 to December 31, 2022
Cryptocurrency Market Capitalization (millions)(1)	$739,209	$190,906	$765,313	$2,206,758	$793,602	(64.0)%	7.4%
Bitcoin Price(2)	$14,595	$7,194	$29,002	$46,306	$16,548	(64.3)%	13.4%
Ether Price(2)	$1,300	$130	$738	$3,683	$1,197	(67.5)%	(7.9)%

(1) Represents coinmarketcap.com quoted price as of 23:59 UTC for total market capitalization; January 9, 2018 is presented as that is the date of the Asset Contribution. Capitalization numbers are presented in millions of U.S. dollars.

(2) Represents coinmarketcap.com quoted price as of 23:59 UTC for Bitcoin and Ether; January 9, 2018 pricing is presented as that is the date of the Asset Contribution.

Market Overview

Digital asset values receded in 2022, along with broader decline in the traditional markets, in the face of tightening monetary policy from many of the world's central banks to address high inflation. Bitcoin and ether were each down 76% and 75%, respectively as of December 2022 from their all-time high in November 2021 due to several factors as described below.

Inflation worries began to appear in the U.S. and around the world in late 2021. After hitting its lowest change of 0.1% in May 2020 since 2015, the year over year U.S. Consumer Price Index ("CPI") grew by 7.0% in December 2021 and 9.1% by the end of June 2022, the highest reading for the index in more than 40 years. CPI inflation receded somewhat in the fourth quarter of 2022, with the year over year rate rising only 6.5% in December 2022. At the end of 2021, elevated inflation led central banks worldwide to begin signaling monetary tightening policies were forthcoming, specifically raising key benchmark interest rates and engaging in balance sheet runoff . The U.S. Federal Reserve raised the base rate by 75 basis points in June, July, September and November 2022. Softer than expected month over month CPI for both October and November 2022 showed progress on inflation, perhaps buoying the Federal Reserve's decision to raise rates by 50 basis points rather than 75 basis points in December 2022. In February 2023, the Federal Reserve raised rates by 25 basis points. That being said, the Federal Reserve continues to reiterate its commitment to keeping financial conditions tight and has raised its forecast for the terminal rate and the duration it predicts rates will remain elevated. Hawkish language by the Federal Reserve has led to bouts of volatility in asset markets as investors eagerly await new consumption, supply and monetary data.

Declining digital asset prices in 2022 exerted pressure on crypto-native protocols and companies, exposing unsustainable designs and business models. Several centralized lending firms became undercollateralized or insolvent, leading to business closures. The unwinding of much of the centralized crypto credit complex led to significant deleveraging across the digital asset market, placing additional downward pressure on digital asset prices. In November 2022, FTX filed for Chapter 11 bankruptcy protection after halting client withdrawals. On-chain data, public reporting, statements by FTX's new CEO John J. Ray III, civil allegations by the Securities and Exchange Commission and Commodities Future Trading Commission, and federal criminal charges by the U.S. Department of Justice suggest malfeasance by Sam Bankman-Fried, founder and former CEO of FTX, and perhaps others, including the intentional misappropriation of user funds. The insolvency and bankruptcy of FTX, one of the world's largest digital asset trading platforms, caused increased volatility in digital asset prices, sending BTC and ETH to new yearly lows in November 2022. The liquidity crunch in the wake of FTX's bankruptcy has made operating in the crypto-industry significantly more challenging.

Although major decentralized finance protocols performed as expected without disruption through the volatility of 2022 in general, digital asset markets remain tenuous given the uncertainty around the health of key market participants in the wake of the collapse of FTX and the bankruptcy filing of Genesis Global Capital. Certain digital asset prices rebounded in December 2022 and January 2023 as 30 day realized volatility neared the lowest in five years. Despite this positive momentum, digital asset markets lack clear, crypto-specific catalysts that are likely to propel prices significantly higher in the near term.

Industry Outlook

As digital asset protocols, networks, and applications continue to launch and develop, new innovations may spur wider user adoption through numerous potential use cases and provide a tailwind to the industry. Some of the larger incumbent digital asset protocols have introduced upgrades for scalability and usability amidst rising competitive pressures from new protocols. In September 2022, Ethereum successfully completed the change from Proof-of-Work mining to Proof-of-Stake validating, "The Merge". This was a major milestone for the public blockchain network. Development of powerful new layered scaling approaches for Ethereum, known as optimistic or zero-knowledge rollups, have the potential to unlock new use cases for the blockchain protocol. Even bitcoin, the oldest digital asset network, successfully enacted a network-wide upgrade in November 2021, a rarity for the conservatively developed network. This upgrade paved the way for the creation of inscriptions and ordinals, a new way to create Bitcoin-native non-fungible tokens (NFT), a phenomenon that has already shown growth and adoption in 2023 and opens new design space for Bitcoin developers. Advancements in the development of Bitcoin's Lightning Network continue and are likely to enhance Bitcoin's utility and addressable market. Broadly, new tools, infrastructure, and protocol upgrades may drive additional developer interest and application design, resulting in growing user adoption of digital assets.

Increasing regulatory clarity from global regulatory bodies has made it easier for individuals and institutional investors to participate in the digital assets ecosystem around the world. Further clarity on the classification and treatment of assets, know-your-customer and anti-money laundering procedures, and rules on accounting, taxation, custody, and transacting are providing a framework for current and prospective participants in the broader digital asset industry. While the United States remains a challenging regulatory environment for digital asset companies, with banking and securities regulators tightening their restrictive guidance and expanding enforcement actions, the Partnership is hopeful that clearer and more comprehensive guidance will emerge in 2023. In the wake of FTX's collapse, we believe that the increased scrutiny on digital asset markets by policymakers makes it more likely that new legislation or rulemaking will be implemented by U.S. regulators, although the likelihood of comprehensive legislation being implemented in the near term remains somewhat muted given that the two houses of Congress are controlled by different parties. Advancement of the European Union's Markets in Crypto-Assets (MiCA) regulation through the European Council represents the vanguard of complex regulatory clarity and its final passage by the EU Commission would be a boon for the digital assets sector on the continent. The United Kingdom has also advanced comprehensive guidance for digital asset companies that will allow them to operate under existing frameworks, and jurisdictions in the Middle East, Hong Kong, and Southeast Asia have advanced comprehensive and clarifying regulation that improves the operating environment for compliant crypto firms.

Institutional inflows into bitcoin and other digital assets declined significantly in 2022. Major networks like Bitcoin and Ethereum also saw declining transactional usage in 2022, including in the decentralized finance sector on Ethereum and other blockchains. In addition, the budding non-fungible token (NFT) market saw declining volumes throughout 2022. Nonetheless, these markets and platforms continue to operate efficiently and process significant nominal volumes, even if usage has declined since its peak in 2021.

Generally speaking, blockchain technology continues to see significant technical advancements, with layer 2 networks growing in adoption and capability, application of zero-knowledge technology increasing, and research into new scaling and privacy techniques continuing at a rapid pace. Venture capital funding for cryptocurrency and blockchain startups hit an all-time high of $11 billion in the first quarter of 2022 but shrank in the fourth quarter to $2.7 billion . Overall, 2022 ended the year with more than $30 billion invested in the crypto startup ecosystem by venture investors, just shy of 2021's all-time high of $33 billion. The fourth quarter of 2022 saw growth in more nascent subsectors like real-world asset tokenization, Web3, NFT, Decentralized Autonomous Organizations ("DAOs"), and the Metaverse. These investments should fuel new innovations that will continue to advance the cryptocurrency ecosystem.

These advances are expected to lead to wider adoption of digital assets. In turn, growing interest and adoption may lead to increased volumes and prices, which should benefit all of our businesses. On a daily basis, the trading business and the Partnership's short- and long-term positioning of its portfolio may benefit the most from these advances as their success will increase the volume and value of digital assets traded.

The Partnership believes that in the long run bitcoin has the potential to become a safe-haven, hard money asset (and that in its current state has all the requisite elements to do so). We believe that the broader digital assets market has significant upside potential, with new opportunities emerging in payments, finance, art, collectibles, gaming, and the Metaverse. Nonetheless, shifting risk sentiment will continue to impact the digital assets markets in the near term.

To date, the Partnership has not been uniquely impacted by COVID-19. For the safety and well-being of its employees, the Partnership has implemented its business continuity plans, including remote work arrangements. While COVID-19 continues to impact the global economy, its relevance to global commerce has declined significantly since 2021. Digital asset markets have been impacted by COVID-19, but other factors, including inflation, global central bank monetary policy, investor risk sentiment, and geopolitical events are seen as more impactful on both crypto and traditional markets. If novel COVID-19 variants emerge, or if major lockdowns reoccur, the COVID-19 picture could change again.

Performance by Reportable Segment

The following table represents income and expenses by each of the reportable segments for the year ended December 31, 2022:

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Income (loss)							
Advisory and management fees	$ 1,193	$ —	$ 16,638	$ 13,121	$ —	$ (1,000)	$ 29,952
Net realized gain (loss) on digital assets	90,632	(21,310)	(14,184)	—	—	—	$ 55,138
Net realized gain (loss) on investments	(14,974)	56,996	—	—	—	—	$ 42,022
Income from lending	36,579	183	—	—	—	—	$ 36,762
Net derivative gain (loss)	191,581	(61)	—	—	—	—	$ 191,520
Income from mining	—	—	—	—	35,384	—	$ 35,384
Other income	(645)	2,929	115	—	540	25,745	$ 28,684
	304,366	**38,737**	**2,569**	**13,121**	**35,924**	**24,745**	**419,462**
Operating expenses	**189,964**	**9,384**	**47,167**	**10,763**	**70,629**	**168,954**	**496,861**
Net unrealized gain (loss) on digital assets	(501,619)	(75,708)	(81,842)	—	—	—	(659,169)
Net unrealized gain (loss) on investments	(538)	(495,646)	—	—	—	—	(496,184)
Net gain on notes payable - derivative	—	—	—	—	—	57,998	57,998
Net gain (loss) on warrant liability	—	—	—	—	—	20,322	20,322
Foreign currency gain	(141)	—	—	—	—	(175)	(316)
(Gain) loss attributable to non-controlling interests liability	—	—	97,219	—	—	—	97,219
	(502,298)	**(571,354)**	**15,377**	**—**	**—**	**78,145**	**(980,130)**
Income (loss) before income taxes	**(387,896)**	**(542,001)**	**(29,221)**	**2,358**	**(34,705)**	**(66,064)**	**(1,057,529)**
Income tax expense	—	—	—	—	—	(35,952)	(35,952)
Net income (loss) for the period	**$ (387,896)**	**$ (542,001)**	**$ (29,221)**	**$ 2,358**	**$ (34,705)**	**$ (30,112)**	**$(1,021,577)**
Foreign currency translation adjustment	—	—	—	—	—	(1,726)	(1,726)
Comprehensive income (loss) for the period	**$ (387,896)**	**$ (542,001)**	**$ (29,221)**	**$ 2,358**	**$ (34,705)**	**$ (31,838)**	**$(1,023,303)**

The table below presents income and expenses by each of the reportable segments for the year ended December 31, 2021:

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Income (loss)							
Advisory and management fees	$ 254	$ —	$ 11,390	$ 4,092	$ —	$ —	$ 15,736
Net realized gain (loss) on digital assets	711,731	59,440	243,089	—	—	—	$ 1,014,260
Net realized gain (loss) on investments	—	231,388	—	—	—	—	$ 231,388
Income from lending	72,343	706	—	—	—	2	$ 73,051
Net derivative gain (loss)	(14,239)	25,000	—	—	—	—	$ 10,761
Income from mining	—	—	—	—	14,703	—	$ 14,703
Other income	3,148	2,383	78	58	15	—	$ 5,682
	773,237	**318,917**	**254,557**	**4,150**	**14,718**	**2**	**1,365,581**
Operating expenses	**175,270**	**17,279**	**28,161**	**4,094**	**6,100**	**133,664**	**364,568**
Net unrealized gain (loss) on digital assets	382,289	117,281	(47,315)	—	(790)	—	451,465
Net unrealized gain (loss) on investments	2,050	536,341	8,606	—	—	—	546,997
Net gain on notes payable - derivative	—	—	—	—	—	12,132	12,132
Net gain (loss) on warrant liability	—	—	—	—	—	(45,644)	(45,644)
Foreign currency gain	2,950	(358)	—	—	—	(2)	2,590
(Gain) loss attributable to non-controlling interests liability	—	—	(197,376)	—	—	—	(197,376)
	226,269	**478,152**	**(243,816)**	**—**	**—**	**(24,802)**	**770,164**
Income (loss) before income taxes	**824,236**	**779,790**	**(17,420)**	**56**	**8,618**	**(158,464)**	**1,771,177**
Income tax expense	—	—	—	—	—	56,900	56,900
Net income (loss) for the period	**$ 824,236**	**$ 779,790**	**$ (17,420)**	**$ 56**	**$ 8,618**	**$ (215,364)**	**$ 1,714,277**
Foreign currency translation adjustment	—	—	—	—	—	367	367
Comprehensive income (loss) for the period	**$ 824,236**	**$ 779,790**	**$ (17,420)**	**$ 56**	**$ 8,618**	**$ (214,997)**	**$ 1,714,644**

The results of the Partnership's operations are directly affected by changes in the prices of cryptocurrencies and other digital assets that the Partnership holds or may hold. A significant decrease in the price or value of digital assets held by the Partnership may adversely affect the Partnership's results of operations. This is evidenced by the $659.2 million of Net unrealized loss on digital assets and $451.5 million of Net unrealized gain on digital assets for the years ended December 31, 2022 and December 31, 2021, respectively. The trading segment primarily 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.

Year ended December 31, 2022 and December 31, 2021

Net Realized Gain on Digital Assets

Net realized gain on digital assets of $55.1 million for the year ended December 31, 2022 was driven primarily by sales of LUNA. For the year ended December 31, 2021, the largest contributors to the Net realized gains on digital assets of $1.0 billion were sales of bitcoin and ether.

Net Unrealized Gain (Loss) on Digital Assets

For the year ended December 31, 2022, the Net unrealized loss on digital assets of $659.2 million was primarily driven by the reversal of the previously recognized unrealized gains due to the sale of LUNA as well as changes in market value of digital assets held in consolidated funds and digital asset receivables. For the year ended December 31, 2021, the largest contributors to the net unrealized gains on digital assets of $451.5 million were gains on holdings of bitcoin, ether and LUNA.

Net Realized Gain on Investments

For the year ended December 31, 2022, Net realized gain on investments of $42.0 million was primarily attributable to a partial sale of the Partnership's investment in Fireblocks and redemption of the Partnership's investment in the Pantera ICO Fund LP partially offset by realized losses on the sale of Monex securities. For the year ended December 31, 2021, the Net realized gain on investments of $231.4 million was driven by realizations of large investment positions, including sale of the Partnership's investment in BlockFi, Inc.

Net Unrealized Gain (Loss) on Investments

For the year ended December 31, 2022, Net unrealized loss on investments of $496.2 million was primarily attributable to a decrease in the fair value of the Partnership's investments in Candy Digital, Fireblocks Ltd. and Bitfury. For the year ended December 31, 2021, the unrealized gain on investments of $547.0 million, respectively was primarily due to fair value increases of the Partnership's investments in the Pantera ICO Fund, Pantera Venture Fund, LP, Fireblocks, Ltd. and Wakem, LLC.

The table below presents the fair value of each asset class by reporting segment as of December 31, 2022:

(in thousands)	**Trading**	**Principal Investments**	**Asset Management**	**Investment Banking**	**Mining**	**Corporate and Other**	**Totals**
Digital assets	$ 566,690	$ —	$ —	$ —	$ —	$ —	$ 566,690
Digital assets receivables	12,980	4,597	—	—	—	—	17,577
Digital assets posted as collateral	25,138	—	—	—	—	—	25,138
Investments:							
Pre-network launch	—	5,500	—	—	—	—	5,500
Convertible Notes	—	12,649	—	—	—	—	12,649
Preferred Stock	250	256,111	—	—	2,100	—	258,461
Common Stock	121	61,146	—	381	—	—	61,648
LP/LLC Interests	—	255,799	—	—	—	—	255,799
Warrants/Trust Units/ Trust Shares	—	1,065	—	—	—	—	1,065
Total	**$ 605,179**	**$ 596,867**	**$ —**	**$ 381**	**$ 2,100**	**$ —**	**$ 1,204,527**

The table below presents the fair value of each asset class by reporting segment as of December 31, 2021:

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

Financial Instruments, Digital Assets and Risk

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

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

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

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

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

(in thousands)	**As of December 31, 2022**				**As of December 31, 2021**			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Digital assets	$ —	$ 566,690	$ —	$ 566,690	$ —	$ 2,416,633	$ 4,144	$ 2,420,777
Digital assets receivable	—	1,523	16,054	17,577	—	10,036	61,621	71,657
Digital assets posted as collateral	—	25,138	—	25,138	—	71,400	—	71,400
Derivative assets	—	17,719	—	17,719	—	45,669	—	45,669
Common stock	11,259	—	50,389	61,648	56,109	—	215,185	271,294
Convertible notes	—	—	12,649	12,649	—	—	9,768	9,768
LP/LLC interests	—	1,300	254,499	255,799	—	—	383,279	383,279
Pre-network launch	—	—	5,500	5,500	—	—	6,393	6,393
Preferred stock	—	—	258,461	258,461	—	—	382,182	382,182
Warrants/Trust units/ Trust shares	—	—	1,065	1,065	7,963	—	8,897	16,860
Total	$ 11,259	$ 612,370	$ 598,617	$ 1,222,246	$ 64,072	$ 2,543,738	$ 1,071,469	$ 3,679,279

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments sold short	$ 91	$ —	$ —	$ 91	$ 11,630	$ —	$ —	$ 11,630
Derivative liabilities	—	16,568	—	16,568	—	25,567	—	25,567
Warrant liability	—	—	—	—	—	—	20,488	20,488
Embedded derivative - Notes payable	—	—	868	868	—	—	58,866	58,866
Total	$ 91	$ 16,568	$ 868	$ 17,527	11,630	25,567	79,354	116,551

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

Valuation of Assets / Liabilities that use Level 2 Inputs ("Level 2 Assets / Liabilities"). Consists of the Partnership's investments in derivatives, digital assets and its digital assets posted as collateral, 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 23:59 UTC, per coinmarketcap.com*.

* Coinmarketcap.com is a pricing aggregator. The Partnership assesses any price difference amongst the principal market and an aggregated price noting no material difference.

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

- For digital assets and digital assets receivables, fair value was determined utilizing a volume-weighted average of prices across principal exchanges as of 23:59 UTC, with an adjustment for the time of receipt of tokens and/or potential volatility. If the digital asset is contractually or legally to be received over a specific vesting period or is restricted for trading, a discount is applied to the closing prices. The discount is calculated using an option pricing model to determine the cost of the subject asset including the risk of encountering lower prices.
- For the Partnership's common stock investments:

  - Various option pricing models were considered and/or utilized including: a backsolve method, a protective put method to calculate a discount for lack of marketability, and a Black-Scholes model to calculate a discount for lack of marketability was applied to investments restricted for trading; and
  - A prior transaction approach was used for others; some adjusted.
- For the Partnership's preferred stock investments:
  - Various option pricing models were considered and/or utilized including: a backsolve method, a protective put method to calculate a discount for lack of marketability, and a Black-Scholes model to calculate a discount for lack of marketability was applied to investments restricted for trading; and
  - A prior transaction approach was used for others; some adjusted.
  - One of the Partnership's preferred stock investments used the adjusted book value method to estimate fair value. This is an approach that relies on adjusting the most recently reported book values of the subject enterprise's assets to their market values and subtracting the corresponding liabilities;
  - A discounted cash flow was utilized for one investment;
  - And one investment was valued based on a sum of the parts method.
- For the Partnership's convertible notes, the market approach is used, with further fair value adjustments (e.g. the application of unobservable probabilities); as well as a prior transaction approach for many, some adjusted.
- For a majority of the Partnership's limited partnership/limited liability company interest investments in funds, fair value was based on the net asset value provided by the fund, adjusted if necessary for events between statement date and the date of the financials. For one limited partnership interest investment in a fund, fair value was based on a probability weighted estimated future payout under the income approach. A prior transaction approach was used for other investments; some adjusted.
- For the Partnership's investment in warrants/trust units/trust shares, an adjusted book value approach was used for one investment; the remainder utilized a prior transaction approach, some adjusted.

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

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

Other

Adjustments to observable prices obtained for assets that are deemed to lack access to an active market are based on empirical and quantitative studies designed to estimate liquidity discounts. To estimate the appropriate discount to apply, the Partnership considers 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 table represents a reconciliation of Level 3 assets and liabilities for the year ended December 31, 2022:

Assets (in thousands)	Fair value at December 31, 2021	Purchases	Sales/ Distributions	Net Realized Gain (Loss) on Digital Assets and Investments	Net Unrealized Gain/(Loss) on Digital Assets and Investments	Transfers in /(out) of Level 3	Fair Value at December 31, 2022
Digital assets	$ 4,144	$ —	$ —	$ —	$ —	$ (4,144)	$ —
Digital assets receivables	61,621	45,965	—	—	(55,206)	(36,326)	16,054
Common stock	215,185	250	(2,910)	2,153	(131,676)	(32,613)	50,389
Convertible notes	9,768	2,000	—	—	1,542	(661)	12,649
LP/LLC interests	383,279	97,739	(92,607)	50,464	(184,376)	—	254,499
Pre-network launch	6,393	3,050	(2,656)	(487)	(800)	—	5,500
Preferred stock	382,182	42,957	(25,143)	24,789	(147,110)	(19,214)	258,461
Warrants/Trust units/ Trust shares	8,897	4	(2)	—	(7,834)	—	1,065
Total Digital Assets, Digital Assets Receivables and Investments	**$ 1,071,469**	**$ 191,965**	**$ (123,318)**	**$ 76,919**	**$ (525,460)**	**$ (92,958)**	**$ 598,617**

Liabilities	Fair value at December 31, 2021	Conversions	Revaluation	Fair Value at December 31, 2022
Warrant liability[(1)]	$ 20,488	$ (166)	$ (20,322)	$ —
Embedded derivative - Notes payable	$ 58,866	$ —	$ (57,998)	$ 868

[(1)] All the outstanding warrants expired in November 2022.

Transfers in and out of Level 3 are considered to have occurred at the beginning of the period the transfer occurred. Total transfers out of Level 3 were $93.0 million for the year ended December 31, 2022. The transfers out of Level 3 for investments were due to removal of restrictions. The transfers out of Level 3 for digital assets and digital assets receivable were due to vesting of digital assets as expected. There were two investments that changed investment type categories during the year ended December 31, 2022: $0.7 million transferred out of convertible notes into preferred stock and $19.9 million transferred out of common stock into preferred stock. These are included in the 'Transfers in/(out) of Level 3' column in the above table.

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

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

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

Total transfers into Level 3 were $46.9 million and total transfers out of Level 3 were $49.0 million for the year ended December 31, 2021. The transfers into Level 3 for common stock were due to fair value adjustments determined by unobservable market inputs as well as the addition of a restriction requiring the application of a discount for lack of marketability. The transfers into Level 3 for convertible notes were due to fair value adjustments determined by unobservable market inputs. The transfers into Level 3 for preferred stock were due to fair value adjustments determined by a market approach utilizing an option pricing based methodology, a discount for lack of marketability and other unobservable market inputs. The transfers into Level 3 for LP/LLC interest were due to fair value adjustments determined by a market approach and other unobservable market inputs. The transfer into Level 3 for Warrants/Trust units/Trust shares was due to fair value adjustments determined by unobservable market inputs. The transfer out of Level 3 for trust units was due to the removal of restrictions. The transfers out of Level 3 for digital assets and digital assets receivable were due to the receipt of digital assets expected to be distributed over time according to a release schedule. These are included in the 'Transfers in/(out) of Level 3' column in the above table.

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 December 31, 2022 (in thousands)	Significant Unobservable Inputs	Range
Digital assets receivables	$16,054	Marketability discount	1.9% - 60.6%
Common Stock	$50,389	Marketability discount	17.5% - 25.0%
		Control discount	10.0%
		Time to liquidity event (years)	5.00
		Annualized equity volatility	90%
		Risk free rate	2.7% - 3.9%
		Expected dividend payout ratio	—%
Convertible notes	$12,649	Recovery rate	0% - 100%
		Scenario probability (1):	
		No deal closure and dissolution	98%
		Deal closure and partial default	—%
		Deal closure and full recovery	2%
		EV/Revenue multiple	1.0x
LP/LLC interests [2]	$254,499	Marketability discount	10%
		Control discount	10%
		Market adjustment discount	17.1% - 61.9%
		Time to liquidity (years)	5.0
		Annualized equity volatility	90.0%
		Risk free rate	3.2%
		Expected dividend payout	—%
Preferred stock [3]	$258,461	Market adjustment discount	15.0% - 65.0%
		Marketability discount	40%
		Time to liquidity event (years)	3.25 - 5.0
		Annualized equity volatility	90%
		Risk free rate	0.17% - 4.19%
		Expected dividend payout ratio	—%
		Enterprise value to revenue multiple	1.4x - 3.5x
		Discount rate	17%
		Exit multiple	4.0x
Warrants/Trust Units	$1,065	Marketability discount	63.5%
Embedded derivative - notes payable	$868	Volatility	58.0%
		Time-Step	0.004 years
		Risk free rate	4.1%

[1]Relates to the probability of a deal closure with a potential buyer of the underlying company

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

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

Financial Instrument	Fair Value at December 31, 2021 (in thousands)	Significant Unobservable Inputs	Range
Digital assets	$4,144	Marketability discount	14.4% - 58.2%
Digital assets receivables	61,621	Marketability discount	15.7% - 61.2%
Common Stock	215,185	Marketability discount	15.3% - 25.1%
		Time to liquidity event (years)	0.3 - 5.0
		Annualized equity volatility	50% - 120%
		Risk free rate	0.12% - 0.79%
		Expected dividend payout ratio	—
Convertible Notes	9,768	Recovery rate	0% - 100%
		Scenario probability (1):	
		No deal closure and dissolution	90%
		Deal closure and partial default	5%
		Deal closure and full recovery	5%
LP/LLC interests [2]	383,279	Lack of control discount	10%
		Marketability discount	10%
		Time to assumed payoff (years)	0.5
Preferred stock [3]	382,182	Control discount	10%
		Marketability discount	20.0% - 25.0%
		Time to liquidity event (years)	2.75 - 5.0
		Annualized equity volatility	90%
		Risk free rate	0.17% - 1.26%
		Expected dividend payout ratio	—%
		Enterprise value to revenue multiple	6.25x - 7.0x
Warrants / Trust units	8,897	Adjusted book value	
Warrant liability	20,488	Volatility	120%
		Time to expiration (years)	0.87
		Risk free rate	0.69%
		Expected dividend payout ratio	—
		Dilution factor	0.5%
Embedded derivative - notes payable	58,866	Volatility	47.9%
		Time-step	0.004 years
		Risk free rate	1.25%

[1]Relates to the probability of a deal closure with a potential buyer of the underlying company

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

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

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

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

Valuation Techniques

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

Category	Valuation Methods & Techniques	Key Inputs
Cryptocurrency	• Black-Scholes option pricing model for discount for lack of marketability	• Volume-weighted average of trading prices • Selected volatilities of subject cryptocurrencies • Vesting period • Risk-free rate • Dividend yield
Pre-network launch	• Prior transactions method	• Prior prices of subject pre-ICO cryptocurrencies
Convertible notes	• Prior transactions method • Guideline public company method • Probability-weighted expected return model	• Prior prices of subject convertible note • Enterprise value-to-revenue multiple • Scenario probabilities • Recovery rates
Preferred and common stock (private)	• Prior transactions method • Comparable transactions method • Backsolve method in an option pricing model framework • Discounted cash flows • Control adjustments • Marketability adjustments • Guideline public company method • Adjusted book value	• Prior prices of subject preferred or common stock • Enterprise value-to-revenue multiple • Expected time to exit • Volatility of the company's total equity • Risk free rate • Expected dividend payout ratio • Discount rate • Selected discounts for lack of control • Selected discounts for lack of marketability • Changes in the valuations of venture investments by stage, observed private transactions, equity values of public companies and/or values of digital assets • Net assets of subject company • Discount to a previous funding round
Common stock (public)	• Public closing price • Marketability adjustments	• Public closing prices of subject securities • Selected discounts for lack of marketability
LP/LLC interests	• Prior transactions method • Comparable transactions method • Net asset value provided by fund • Discounted cash flow • Adjusted net assets method	• Prior prices of subject LP/LLC interests • Net asset value provided by fund • Volume-weighted average trading prices of digital assets • Valuation changes of venture investments by stage • Scenario probabilities • Selected discount for lack of marketability • Vesting period • Volatility
Warrants/Trust Units/ Trust Shares	• Public closing price • Backsolve method in an option pricing model framework • Prior transactions method	• Public closing prices of subject securities • Selected volatility of underlying trust units • Prior prices of subject trust shares

Industry

As of December 31, 2022 and December 31, 2021, details of the industry composition of the Partnership's equity, debt, cryptocurrency and pre-launch network investments are as follows:

Industry	December 31, 2022		December 31, 2021	
	Percentage	# of Investments	Percentage	# of Investments
Other (Digital assets and Pre-Launch network investments)	49 %	180	69 %	124
Finance	28	51	17	33
Services: Business	4	20	5	11
High tech industries	15	50	9	29
Software	2	11	<1	4
Finance technology	1	7	<1	2
Media: Diversified and production	1	6	<1	1
Mining	<1	1	0	0
Total	100 %	326	100 %	204

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

While the above table provides information regarding the portfolio's industry concentration, at this time, the industry is not a significant factor that the Principal Investments team considers when determining whether to make an investment. Rather, the Partnership considers all investments in the blockchain/cryptocurrency ecosystem, and those in the broader emerging technology sectors, with an appropriate risk and return profile.

Reconciliation of Investment count per IFRS financial statements and Investment and Portfolio count identified as GPI

The portfolio companies and investment count reported as Key Performance Indicators ("KPIs") within the Principal Investment segment operational highlights ("GPI KPIs") was 145 investments across 104 portfolio companies as of December 31, 2022. The GPI KPI count for Principal Investments differs from the above count of investments on balance sheet due to the following reasons:

GPI KPI count excludes:

- **Cryptocurrencies** – while we allocate balance sheet to invest in cryptocurrencies, we do not consider cryptocurrencies to be GPI portfolio companies
- **100% Hedged investments** – we do not consider balance sheet investments which we have fully hedged against to be GPI portfolio companies
- **Multiple different-structured investments in one company** – we consider investments with different structuring to be only one, not multiple, GPI portfolio companies
- **Publicly-traded equity investments used for short-term trading purposes** – at times we invest in publicly-traded equities for short-term trading purposes, but as we do not intend to hold these positions long term, we do not consider these balance sheet investments as GPI portfolio companies
- **Seed Investments in new Galaxy-sponsored Asset Management funds**: GPI provides seed investments in new funds launched by our Asset Management business, but we do not consider these positions GPI portfolio companies

GPI KPI count includes:

- **Restricted Tokens**: We consider investments which are structured as Restricted Tokens as GPI KPIs. Restricted Tokens are reported on the "Digital Assets Receivable" line item on our balance sheet.

Material Positions

The Partnership considers a variety of quantitative and qualitative factors in determining if any one investment is considered a material investment position as of each report date. Factors considered include, but are not limited to, the proportion of each investment to total assets; whether any one investment is materially larger than other portfolio investments; the concentration of the portfolio and any associated risks; the liquidity of each investment, or lack thereof; the impact of such an investment on the

Partnership's assets or operations; and the existence or absence of other factors that could cause one to conclude that the investment was significant to the Partnership notwithstanding its absolute size.

Digital Assets

As of December 31, 2022, the Partnership had material holdings of Bitcoin and USDC. The Partnership's largest digital asset holdings by fair value were as follows (in thousands):

(in thousands)		December 31, 2022
Bitcoin	$	222,229
USDC		199,479
USDT		62,267
Ether		54,219
Other		28,496
Digital assets	**$**	**566,690**

(in thousands)		December 31, 2021
Ether (includes $127.8 million of non-controlling interests liability[1])	$	519,112
Bitcoin (includes $22.5 million of non-controlling interests liability[1])		486,308
Terra LUNA		407,607
USDC		334,971
Solana		230,256
USDT		86,533
Other		355,990
Digital assets	**$**	**2,420,777**

[1] Non-controlling interests liability not applicable to December 31, 2022 balances as all sponsored investment funds were deconsolidated during the year ended December 31, 2022.

Investments

As of December 31, 2022 and December 31, 2021, the Partnership had no individually material equity investment positions to disclose. As of December 31, 2022, the largest investments by fair value were as follows (in thousands):

Investment Name	Investment Type [(1)]		Cost		Fair Value
Fireblocks, Ltd.	Preferred Stock		4,479		60,757
Galaxy EOS VC Fund LP	LP/LLC Interests		24,800		42,940
Galaxy Interactive Fund I, LP	LP/LLC Interests		28,073		35,436
Mt. Gox Investment Fund LP	LP/LLC Interests		47,436		31,725
Ramp Network Inc.	Preferred Stock		8,682		22,871
block.One	Common Stock		9,232		22,342
Bullish Global	Preferred Stock		20,000		21,938
Ripple Labs, Inc.	LP/LLC Interests & Preferred Stock		21,341		21,423
Galaxy Liquid Alpha Fund, LP	LP/LLC Interests		21,695		16,254
Candy Digital, Inc.	Common Stock		1,897		16,238
Other	Other		296,047		303,198
		$	483,682	$	595,122

[(1)] *The cost and fair value of the investments disclosed may combine positions in multiple investment types.*

As of December 31, 2021, the largest investments by fair value were as follows (in thousands):

Investment Name	Investment Type [1]	Cost (in thousands)	Fair Value (in thousands)
Fireblocks, Ltd.	Preferred Stock	$ 4,732	$ 147,999
Candy Digital, Inc.	Common Stock	1,897	121,278
Pantera ICO Fund LP	LP/LLC Interests	17,407	85,203
Mt. Gox Investment Fund LP	LP/LLC Interests	47,436	61,826
Galaxy Interactive Fund I, LP	LP/LLC Interests	22,073	50,959
Monex Group Inc.	Common Stock	48,216	43,425
Galaxy EOS VC Fund LP	LP/LLC Interests	23,159	39,892
block.One	Common Stock	9,989	38,418
Bullish Global	Preferred Stock	20,000	37,551
Cryptology Asset Group P.L.C.	Common Stock	878	34,800
Other	Other	271,680	408,425
		$ 467,467	$ 1,069,776

[1] *The cost and fair value of the investments disclosed may combine positions in multiple investment types.*

***Block.one** – the developer of the EOS.IO blockchain protocol focused on enabling secure data transfer and high-performance decentralized applications.*

***Bullish Global** – Bullish is a cryptocurrency exchange to service the institutional liquidity services market.*

***Candy Digital, Inc.** – a developer of an NFT ecosystem designed to enable sports fans and collectors to purchase, trade, and share officially licensed sports NFTs*

***Cryptology Asset Group P.L.C**. – an investment company investing in crypto assets and crypto companies around the globe and advising blockchain based businesses.*

***Fireblocks, Inc.** – an enterprise SaaS company that has developed a unique security model that is associated with transacting in digital assets.*

***Galaxy EOS VC Fund LP** – a partnership focused on developing the EOS.IO ecosystem with an investment strategy focused on investments that utilize the EOS.IO blockchain software.*

***Galaxy Interactive Fund I, LP** – sector-focused venture capital fund dedicated to the interactive entertainment ecosystem.*

***Galaxy Liquid Alpha Fund, LP -** a partnership which seeks to provide access to the current and next generation of essential digital assets by offering capital appreciation with significant alpha enhancing opportunities.*

***Monex Group Inc.** – a company that provides retail online brokerage services to individual investors and businesses.*

***Mt. Gox Investment Fund LP** – a partnership focused on buying creditor's claims against Mt Gox, the former bitcoin exchange currently in bankruptcy proceedings.*

***Pantera ICO Fund LP** – an investment firm exclusively focused on blockchain technology and digital assets. Pantera's ICO Fund makes investments in Initial Coin Offerings.*

***Ramp Network Inc.** – a company that is building payment rails which connect cryptocurrency to the global financial system.*

***Ripple Labs, Inc.** – the developer of the Ripple exchange network, a blockchain-based technology protocol focused on payment systems.*

Period ended December 31, 2022

The $105.0 million decrease in Candy Digital, Inc. and $87.0 million decrease in Fireblocks Ltd. were due to fair value model updates considering the changes in the market environment.

Galaxy redeemed its investment in the Pantera ICO Fund LP during the period ended December 31, 2022.

The $30.1 million decrease in Mt Gox Investment Fund LP was driven by the price decline of the BTC held against the claims in the bankruptcy process.

The $23.7 million decrease in Cryptology Asset Group P.L.C. was due to changes in market price.

The table below presents a breakdown of the fair value of the Partnership's digital assets by market capitalization:

As of December 31, 2022:	**Fair Value (in thousands)**	
> $1 billion market cap	$	549,699
<= $1 billion market cap		16,991
Net	$	566,690

As of December 31, 2021:	**Fair Value (in thousands)**	
> $1 billion market cap	$	2,297,526
<= $1 billion market cap		123,251
Net	$	2,420,777

Above capitalizations are obtained from coinmarketcap.com.

The Partnership actively manages its digital asset portfolio by actively trading, both long and short, assets with greater than a $1 billion market capitalization. (*See table in Industry Performance & Outlook for a comparison of the Partnership's digital assets above against the overall cryptocurrency market*).

Safeguarding of Digital Assets

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

Fireblocks issues an annual SOC 2 Type II attestation report. 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. Fireblocks has had no known security breaches or incidents reported to date. The Partnership currently has an investment interest in Fireblocks in the form of preferred shares.

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

Crypto Asset Exchanges

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, Gibraltar, Panama, Taiwan, Luxembourg, Singapore, Seychelles, South Korea, Japan and Hong Kong. The Partnership has a robust due diligence program for all exchanges, regardless of domicile or jurisdiction. Each exchange is required to provide all information and documentation that is necessary to do business with the Partnership. Information security reviews are conducted on each exchange to assess data retention protocols, infrastructure, and applicable IT policies and procedures. Designated departments review all documentation to ensure each exchange meets pre-defined criteria before providing approval for onboarding. Additionally, the Partnership assesses security, reputation, and operational risks in its determination of utilizing any exchange. Once onboarded, each exchange is monitored on an ongoing basis to ensure they maintain compliance with required legal and regulatory standings.

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

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

Risk

The Partnership’s activities may expose it to a 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 as well as any market events and diversifying the Partnership’s business strategy and 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, prepaid assets, assets posted as collateral, 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 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. 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 prepaids, receivables, receivables for digital asset trades, digital assets loans receivable and digital assets receivables by transacting with credit worthy counterparties that are believed to have sufficient capital to meet their obligations as they come due and, with regards to OTC and Master Loan Agreement (MLA) counterparties for the trading business, on which the Partnership has satisfactorily performed the relevant AML and KYC procedures and required the posting of collateral, if deemed necessary. As of December 31, 2022 and subsequently, the Partnership does not expect a material loss on any of its loans except for those for which it has recorded an allowance. As of each reporting period, the Partnership assesses if there are expected credit losses requiring recognition of a loss allowance. As of December 31, 2022, the Partnership is exposed to credit risk. While the Partnership intends to only transact with counterparties or exchanges that it believes to be creditworthy, there can be no assurance that a counterparty will not default and that the Partnership will not sustain a material loss on a transaction as a result.

The Company conducts digital asset trades using both direct principal to principal transactions with counterparties and through centralized or decentralized exchanges. Digital assets held on exchanges are subject to operational custody of the exchange operators, and could potentially be lost or impaired due to fraud or negligence of the exchange operators. The Company mitigates this risk by performing regular reviews of each exchange it transacts on, distributing its digital assets across multiple different exchanges to reduce concentration risk, and holding assets in self-custody where appropriate. As of December 31, 2022, approximately $131.1 million of the Company's digital assets are held on exchange (December 31, 2021 - $1.6 billion). One exchange individually held more than 10% as of December 31, 2022 (December 31, 2021 - Three), holding approximately 13% of the Company's digital assets.

Derivative-related credit risk

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

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

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. General interest rate fluctuations may have an impact on the Partnership’s investment opportunities, primarily within its principal investments segment. An increase in interest rates may make it more expensive to utilize a leverage facility in the future to make investments. To the extent the Partnership invests in debt instruments, interest rate changes may affect the value of the instrument indirectly in the case of fixed rate obligations, or directly in the case of adjustable rate instruments. In general, rising rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Interest rate sensitivity generally is more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate changes would also affect the Partnership's ability to earn interest income or borrow at variable rates. The Partnership's digital assets loans receivable and payable (Note 8) are at fixed rates of interest. The Partnership’s remaining loans all have fixed rates however in some cases can also be settled in digital assets at the option of the borrower. As of December 31, 2022, the Partnership’s exposure to interest rate risk is limited.

Liquidity Risk

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as they come due, as well as the risk of not being able to liquidate assets at reasonable prices. The Partnership manages liquidity risk by maintaining sufficient cash balances to enable settlement of its liabilities. Accounts payable and accrued liabilities, other than accrued compensation, and payables for digital asset trades generally have maturities of 30 days or less or are due on demand, or in the case of digital assets loan payable, on 5 to 20 business days' notice or at the end of a set term unless renewed. The Partnership intends to manage its short-term liquidity needs through its available cash balance and cash inflows from its ongoing business activities. In addition, as of December 31, 2022, 97.0% (December 31, 2021 - 69.6%) of the Partnership’s digital assets portfolio was in liquid, actively traded cryptocurrency markets 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. The value of the financial assets may therefore be unfavorably affected by fluctuations in currency rates and exchange control regulations. For the period ended December 31, 2022, the Partnership minimized exposure to foreign currencies by entering into foreign currency derivative instruments.

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

As of December 31, 2022, management's estimate of the effect on equity due to a +/- 20% change in the market prices of the Partnership's investments and investments sold short, with all other variables held constant, was +/- $119.0 million (December 31, 2021 - $211.6 million).

Digital Asset Risk

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

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

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

As of December 31, 2022, management's estimate of the effect on equity due to a +/- 20% change in the market prices of the Partnership's digital assets, with all other variables held constant, was +/-$113.3 million (December 31, 2021 - $484.2 million).

Loss of access risk

The loss of access to the private keys associated with the Partnership's cryptocurrency holdings may be irreversible and could adversely affect an investment. Cryptocurrencies are controllable only by the 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.

Expenses

The Partnership's operating expenses were as follows:

(in thousands)	Year ended December 31, 2022	Year ended December 31, 2021
Compensation and compensation related	127,909	114,426
Equity based compensation	100,849	70,891
General and administrative	163,955	37,430
Professional fees	28,223	53,329
Profit share arrangement expense	—	16,568
Interest	38,896	70,155
Notes interest expense	37,029	1,769
Totals	$ 496,861	$ 364,568

Year ended December 31, 2022 compared to December 31, 2021

Compensation and compensation related expense for the year ended December 31, 2022 increased compared to year ended December 31, 2021 primarily due to an increase in headcount, partially offset by a lower bonus accrual.

Equity based compensation expense for the year ended December 31, 2022 increased compared to the year ended December 31, 2021 primarily due to grants made to new employees in the prior year.

General and administrative costs for the year ended December 31, 2022 were higher compared to the year ended December 31, 2021 due primarily to impairment recognized on mining equipment and prepaid hosting fees, losses related to the FTX bankruptcy, as well as increased expenses related to mining hosting, technology, marketing, depreciation and amortization, and a provision for expected credit losses recognized in June 2022.

Professional fees for the year ended December 31, 2022 decreased compared to the year ended December 31, 2021 primarily due to the reversal of BitGo related accruals as they were contingent on completion of the acquisition.

Profit share arrangement expense was attributable to the acquisition of Blue Fire Capital ("BFC"). For the period of one year which concluded on December 31, 2021 (the "earnout period"), certain management personnel were entitled to receive a percentage of net profit of BFC, payable sixty days after the earnout period, if certain financial metrics were achieved.

Interest expense for the year ended December 31, 2022 was lower compared to the year ended December 31, 2021 primarily due to decreased borrowing volumes.

Notes interest expense is attributable to the $500 million 3.0% Exchangeable Notes issued in December 2021.

Liquidity and Capital Resources

The following table represents liquidity available to the Partnership:

(in thousands)	As of December 31, 2022	As of December 31, 2021
Estimated working capital	$ 453,125	$ 600,071
Digital assets, net	415,352	1,212,455
	$ 868,477	$ 1,812,526

Working capital as of December 31, 2022 and December 31, 2021 is calculated as the sum of cash, receivable for digital asset trades, cash posted as collateral, receivables, prepaid expenses and other assets; less accounts payable and accrued liabilities, cash posted to the Partnership as collateral, cash portion of payables to customers, payable for digital asset trades, short-term lease liability and payables to customers. As of December 31, 2022, the Company held $65.2 million of cash at brokers (December 31, 2021 - $29.6 million) and $58.7 million of cash at exchanges (December 31, 2021 - $57.3 million).

Digital Assets, net as of December 31, 2022 and December 31, 2021 includes all digital assets categorized as assets on the statement of financial position, less all digital assets categorized as liabilities on the statement of financial position, less non-controlling interests liabilities.

The following table represents a breakdown of the Partnership's Digital assets, net balance:

(in thousands)	As of December 31, 2022	As of December 31, 2021
Assets		
Digital assets	$ 566,690	$ 2,420,777
Digital asset loans receivable, net of allowance	49,971	192,684
Digital assets receivable, current	12,423	52,998
Digital assets receivable, noncurrent	5,154	18,659
Assets posted as collateral	25,138	71,400
	659,376	2,756,518
Liabilities		
Payables to customers[1]	—	18,565
Digital asset loans payable	170,566	905,013
Collateral payable[1]	73,458	458,949
Non-controlling interests liability	—	161,536
	244,024	1,544,063
Digital assets, net	**$ 415,352**	**$ 1,212,455**
Stablecoins, net	$ 281,048	$ 240,634
Digital assets, net excl. stablecoins	**$ 134,304**	**$ 971,821**

[1] Excludes cash portion of consolidated balance on the Partnership's balance sheet.

The Partnership has commitments to invest in its managed funds. In addition as the Partnership grows its business, the Partnership expects its operating expenses to increase. Given the growth in the Partnership's businesses, it is difficult to accurately predict the level of investment that the Partnership will make in its respective businesses.

As of December 31, 2022, the Partnership had total equity of $1.4 billion. As of December 31, 2021, the Partnership had total equity of $2.6 billion. The decrease in equity during the year ended December 31, 2022 was primarily due to the net comprehensive loss for the period.

(in thousands)		December 31, 2022		December 31, 2021
Total assets	$	2,346,143	$	5,096,538
Total liabilities, excluding non-controlling interests liability		907,351		2,336,651
Non-controlling interests liability		—		161,536
Partners' Capital		1,438,792		2,598,351

As of December 31, 2022, the Partnership had cash of $542.1 million (December 31, 2021 - $840.8 million) and $415.4 million (December 31, 2021 - $1.2 billion) of net digital assets, including digital assets posted as collateral. Management believes that the Partnership has sufficient financial resources to maintain its operations and activities for the upcoming year.

In December 2021, Galaxy completed a $500.0 million exchangeable note offering. The Partnership utilized the net proceeds from the exchangeable notes offering to accelerate growth initiatives across the businesses and to address a multitude of opportunities we see in our industry.

The Partnership expects to generate incremental cash in the ordinary course through revenues earned in each of its businesses. The Trading business anticipates generating cash through strategically liquidating, shorting, trading and reinvesting in liquid cryptocurrencies, and lending and borrowing of cryptocurrencies, as well as through OTC trading. The Asset Management business continues to earn fees for managing third party capital. The Principal Investments business has captured and may capture additional realized appreciation in the future by strategically monetizing investments in its illiquid book, generating cash to facilitate operating the overall business. The Investment Banking business has earned fees from serving its clients and is expected henceforth to earn fees by serving larger, more institutional clients in the digital assets and blockchain technology industry. The Mining business earns current income from its proprietary bitcoin mining.

As of December 31, 2022 and through the date of this filing, we have not experienced any difficulties meeting counterparty requests to return loans or collateral.

In the event there is insufficient working capital to support the growth of the business, the Partnership may sell digital assets to generate sufficient cash to meet obligations as they come due, or may exit all or a portion of an investment. The Partnership may also seek additional sources of financing in the future, including but not limited to, issuing equity or convertible notes or seeking other financing in the form of a debt facility.

The following table presents the summary of the Partnership's contractual obligations as of December 31, 2022:

(in thousands)	Payments Due by Period								
Contractual Obligations		**Total**		**Less than 1 year**		**1 - 3 years**		**4 - 5 years**	**After 5 years**
Digital asset loans payable	$	170,566	$	170,566	$	—	$	—	$ —
Lease obligations	$	21,771		6,281		7,360		5,129	3,001
Notes payable	$	445,592		592		—		445,000	—
Other obligations[1]	$	83,650		2,567		81,083		—	—
Total Contractual Obligations	**$**	**721,579**	**$**	**180,006**	**$**	**88,443**	**$**	**450,129**	**$ 3,001**

[1]"Other obligations" includes obligations to fund capital commitments to 10 portfolio companies.

Transactions with Related Parties

Compensation of Key Management Personnel

Key management personnel include ten individuals (December 31, 2022 - twelve individuals), consisting of officers and certain employees who are considered to have decision making authority. The following table represents compensation provided to key management personnel for the period ended December 31, 2022 and 2021:

(in thousands)	Year ended December 31, 2022	Year ended December 31, 2021
Base compensation and accrued bonuses[(1)]	$ 6,733	$ 21,089
Benefits	400	410
Equity based compensation	29,330	30,710
Total	**$ 36,463**	**$ 52,209**

(1) As of December 31, 2022, the amount includes approximately $3.3 million (2021 - $17.2 million) of accrued bonuses within accounts payable and accrued liabilities.

GDH LP, an operating partnership, is managed by the board of managers and officers of the General Partner, Galaxy Digital Holdings GP LLC. Director fees, including equity based compensation provided to the directors was $0.8 million for the year ended December 31, 2022 (December 31, 2021: $0.7 million).

Distributions

During the year ended December 31, 2022, the General Partner approved pro-rata tax distributions of $184.3 million (December 2021 - $65.0 million). A majority of the recipients of the distributions are related parties.

Sublease

Galaxy Investment Partners LLC ("GIP"), which has leased the office space located on the 8th floor of 107 Grand Street, New York, New York 10013, subleased to Galaxy Digital Services ("GDS") to occupy the 8th floor on the same terms as the master lease. During the year ended December 31, 2021, the Partnership exited the premises prior to the conclusion of the sublease term. The Partnership will make payments on the sublease through June 2023 (Note 25) and has an associated lease liability of $1.3 million as of December 31, 2022 (December 31, 2021 - $2.1 million).

Transactions with GDH Ltd.

In accordance with the LPA (Note 5), the Partnership will reimburse or pay for all reimbursable expenses of GDH Ltd. For the year ended December 31, 2022, the Partnership paid or accrued $2.5 million (December 31, 2021 - $4.2 million), on behalf of GDH Ltd., which has been included in general and administrative expenses (Note 19).

On April 14, 2022 the Partnership entered into a Promissory Note (the "Promissory Note") with GDH Intermediate LLC ("GDHI LLC"), a subsidiary of GDH Ltd. Under the terms of the Promissory Note, the Partnership can request that GDHI LLC make advances to the Partnership from time to time, which decision is in GDHI LLC's sole and absolute discretion. As of December 31, 2022, GDHI LLC has advanced $52.5 million to the Partnership.

Under the terms of the Promissory Note, interest accrues on any outstanding advances at a rate per annum equal to 7.0%. Interest is payable semi-annually in arrears on June 30 and December 31 of each year, commencing on December 31, 2022, subject to the right of GDHI LLC to elect that the amount of any such interest payment be capitalized and increase the principal amount of the Promissory Note in lieu of being paid in cash by the Partnership. As of December 31, 2022, the Partnership did not have interest payable outstanding. The Promissory Note will mature, and the principal amount of all outstanding advances, plus any accrued and unpaid interest, will be due and payable on December 31, 2024, unless extended by GDHI LLC.

As at December 31, 2022, the Partnership had $45.2 million (December 31, 2021 - $25.2 million receivable) in payables to GDH Ltd. primarily for the aforementioned Promissory Note offset by receivables for warrant and stock option exercises.

Other

For a period of one year starting on January 1, 2021 (the "earnout period"), related to the acquisition of BlueFire Capital ("BFC"), certain BFC management personnel, were entitled to receive a percentage of BFC's net profit, payable sixty days after the earnout period, if certain financial metrics were achieved. The arrangement ended on December 31, 2021. During the year ended December 31, 2021, the Partnership incurred $11.6 million of profit share expense related to the aforementioned management personnel, all of which was reflected in accounts payable at December 31, 2021 and was settled during the year ended December 31, 2022.

The Partnership's CEO serves as co-chairman of the board for another company, resulting in the Partnership and that company being related parties. As at December 31, 2022, the Partnership had an investment in the company valued at $16.2 million (December 31, 2021 - $121.3 million). Subsequent to December 31, 2022, the Partnership acquired additional shares of this company for approximately $13 million. See Note 27 for additional information.

The Partnership has sub-advisory arrangements with a beneficial owner of GDH Ltd. which invests in certain funds managed by the Partnership. Such sub-advisory arrangements have been entered into with Galaxy Digital Capital Management LP, in its capacity as an investment advisor registered under the Advisers Act, and any fee arrangements, have been on an arms-length basis. For the year ended December 31, 2022, the total amount of advisory fees received from the sub-advisory arrangement was $1.0 million (December 31, 2021- $1.0 million).

The Partnership's CEO, through an entity which he controls, owns a private aircraft that is used for business purposes in the ordinary course of the Partnership's operations. The Partnership paid $1.2 million for usage of aircraft during the year ended December 31, 2022.

Investments in Galaxy Funds

Our directors and executive officers are generally permitted to invest their own capital (or capital of estate planning vehicles controlled by them or their immediate family members) directly in our sponsored funds and affiliated entities. In general, such investments are not subject to management fees, and in certain instances may not be subject to performance fees. The fair value of such investments aggregated to $8.5 million as of December 31, 2022 (December 31, 2021 - $56.0 million).

Critical accounting estimates and Accounting Policies including Initial Adoption

Critical accounting estimates

Use of estimates and judgments

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

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

<u>Significant judgments in applying accounting policies</u>

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

Digital assets

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

Income from digital asset mining

The Partnership recognizes income from the provision of transaction verification services within the Bitcoin network, commonly referred to as "cryptocurrency mining". The Partnership participates in mining pools operated by third parties in order to limit its exposure to variability of mining output. The Partnership receives bitcoins from the mining pool operator as consideration for its participation in the pool. Income earned from mining is measured based on the fair value of the bitcoin reward received. The fair value is derived based on the end of day spot price of bitcoin, on the date of receipt, which is not materially different from the fair value at the time the Company earned the award. Currently no specific guidance in IFRS or alternative accounting frameworks exist regarding the accounting of digital currencies obtained via mining. The Partnership has exercised judgment in determining the appropriate accounting treatment for the recognition of income from mining.

Valuation techniques

The fair values of all investments are measured using the market or income approaches (Note 23). The determination of fair value requires significant judgment by the Partnership. The Partnership maintains a valuation policy which requires an appointed Valuation Committee (the "VC"), which is composed of employees of the Partnership, to act in good faith to fair value its investments on a quarterly basis, consistent with fair value accounting guidance in accordance with IFRS 13, *Fair Value Measurement*.

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

The Partnership applies the value in use method when determining recoverable amounts of assets being tested for impairment, utilizing both internal and external metrics.

Level of control and influence over investments and funds

Classification of investments requires judgment on whether the Partnership controls, has joint control or significant influence over the strategic financial and operating decisions relating to the activity of the investee. In assessing the level of control or influence that the Partnership has over an investment, management considers ownership percentages, board representation as well as other relevant provisions in shareholder agreements. As of December 31, 2022 and December 31, 2021, the Partnership had greater than 20% ownership in certain of its underlying investments and board representation in other investments. The Partnership elected the Fair Value Through Profit and Loss option for investments for which it was concluded that it had significant influence under IAS 28, and records changes in fair value of these investments on its consolidated statements of income (loss) and comprehensive income (loss).

Classification of the funds formed by the Partnership requires judgment 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 may require equity accounting. As at December 31, 2022, after completing an analysis under IFRS 10, the Partnership has determined it no longer has control of the managed funds that were previously consolidated. Refer to Note 17 for information on previously consolidated funds.

Income taxes

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

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

Key sources of estimation uncertainty

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

Digital assets and investments - valuation

Although many of the Partnership's digital assets are traded in active markets and are valued based upon quoted prices, 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 23). These valuations require the Partnership to make significant estimates and assumptions.

Digital assets are treated as inventory for financial reporting purposes.

Derivatives - valuation

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

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

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

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

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

Valuation 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.

The Partnership evaluates property and equipment for impairment when indicators of impairment are identified. Indicators of impairment include adverse changes to the conditions of the assets, significant reduction of market values of similar assets, or changes in the Partnership's business plans that relate to the property and equipment. Impairment testing requires determination of recoverable amounts, which includes significant judgments related to the determination of fair value less cost to dispose and value in use of the relevant assets. Refer to Note 14 for additional information on impairment of property and equipment.

Valuation of equity based compensation

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

Valuation and economic recoverability of goodwill and intangible assets

Goodwill and intangible assets are capitalized if they are expected to have future economic benefits and are expected to be economically recoverable. Purchased intangibles are valued on acquisition using established methodologies and amortized over their estimated useful economic lives, except in those cases where intangibles are determined to have indefinite lives, where there is no foreseeable limit over which these intangible assets would generate net cash flows. The valuations and lives of goodwill and intangible assets are based on management's best estimates of future performance and periods over which value from intangible assets will be derived. Goodwill and intangible assets are assessed for indicators of impairment throughout the year, and Galaxy performs a formal impairment review annually. 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 consolidated financial statements include estimates and assumptions for determining the future tax rates applicable to subsidiaries and identifying the temporary differences that relate to each subsidiary. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply during the year when the assets are realized or the liabilities settled, using the tax rates and laws enacted or substantively enacted at the consolidated statements of financial position dates. Operating plans and forecasts are used to estimate when a temporary difference will reverse.

Digital Assets

A significant portion of the Partnership's assets are digital assets inventory held at fair value.

Digital assets are utilized primarily by the Partnership in its Trading business and are affected by various economic and technological forces including but not limited to global supply and demand, interest rates, foreign exchange rates, inflation or deflation and ongoing political, regulatory, and economic conditions.

A significant portion of the Partnership's profitability and future cash flows are impacted by the current and future prices and price fluctuations of digital assets. The Partnership may not be able to liquidate its inventory of digital assets at its desired price, if needed. In addition, the ability of the Partnership to transfer or liquidate its inventory of digital assets in a timely manner may be impacted by technical and procedural limitations of digital asset exchanges, custodians, and relevant local regulatory restrictions. A broad decline in the market prices of digital assets could negatively impact the Partnership's future operations and profitability.

Digital assets have a limited history and their fair value historically has been volatile. Historical performance and fair value of digital assets are not indicative of their future value and price performance.

Partnership Interests

The Partnership is a limited partnership between GDH GP, GDH Ltd., GGI and other Class B Unit holders.

The information contained in this MD&A and the information in the condensed consolidated interim financial statements for the year ended December 31, 2022, represents the financial position of the Partnership and do not include all of the assets, liabilities, income and expenses of the partners. Income taxes are the responsibility of the partners and not GDH LP.

As of December 31, 2022 and December 31, 2021, the Partnership has two classes of ownership interests, namely Class A Units and Class B Units. As of March 27, 2023, there were 104,186,539 Class A Units and 215,943,369 Class B Units outstanding. As of December 31, 2022, there were 104,811,539 Class A Units and 215,943,369 Class B Units outstanding.

Equity Based Compensation Awards and Other

As of March 27, 2023 and December 31, 2022, 10,792,944 compensatory Class B Unit awards were outstanding, net of exchanges and forfeitures, of which, 10,762,492 Class B Units were exercisable.

As of December 31, 2022, 27,652,543 options granted under the GDH Ltd. stock option plan and LTIP were outstanding, of which 14,180,883 were exercisable. As of March 27, 2023, there were 23,435,877 options outstanding, of which 15,791,544 were exercisable.

As of March 27, 2023 and December 31, 2022, there were no warrants outstanding. As of December 31, 2021, 1,647,556 warrants issued by GDH Ltd. in connection with the PIPE were outstanding.

As of December 31, 2022, there were 11,462,917 restricted units outstanding. As of March 27, 2023 there were 10,631,384 restricted share units outstanding (December 31, 2021- 7,833,659).

Disclosure Controls and Procedures

Disclosure controls and procedures (“DC&P”) are intended to provide reasonable assurance that material information is gathered and reported to senior management to permit timely decisions regarding public disclosure.

Management, with the participation of the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), assessed the effectiveness of the Partnership's disclosure controls and procedures as of December 31, 2022. Based upon the results of that evaluation, the CEO and the CFO concluded that the disclosure controls and procedures were effective to provide reasonable assurance that material information relating to the Partnership is accumulated and communicated to management (particularly during the period in which the Partnership’s annual filings are being prepared) to allow timely decisions regarding required disclosure, and that the information disclosed by the Partnership in the reports that it files is appropriately recorded, processed, summarized and reported within the time period specified in applicable securities legislation.

Internal Control over Financial Reporting

Internal controls over financial reporting (“ICFR”) are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with International Financial Reporting Standards ("IFRS").

Management, with the participation of the CEO and the CFO, assessed the effectiveness of the Partnership's internal control over financial reporting as at December 31, 2022. Based upon the results of that assessment as at December 31, 2022 and the results of the assessment as at December 31, 2021, Management concluded that internal control over financial reporting was not effective as a result of the material weaknesses.

For the year ended December 31, 2021, we identified material weaknesses in our internal control over financial reporting. No additional material weaknesses were identified for the year ended December 31, 2022. A material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis. The noted material weaknesses are as follows:

- We did not design certain process-level and management review controls at a sufficient level of precision to (1) verify that certain information used in accounting for digital asset transactions obtained through database queries was complete, accurate, appropriate for the intended use, and subject to proper change management and (2) to validate the accuracy of data elements utilized in spreadsheets for accounting for digital assets, derivatives, issued financial instruments, classification of cash flows and the valuation of investments and property and equipment.

- We did not have sufficiently designed controls to ensure that all journal entries were properly reviewed and approved prior to posting to the general ledger due to the ability to modify a posted journal entry without an additional review. As such, our control over the risk of management override was not sufficiently designed.

- We had insufficient segregation of duties within our trading operations between authorizing and executing transfers of certain digital assets, as well as the recording and settlement of trades.

Remediation Plan

We continue to execute our plan to remediate the material weaknesses identified in the prior year. The remediation measures are ongoing, and although not all inclusive, remediation measures include implementing additional policies, procedures, and controls.

We are working to remediate these material weaknesses as efficiently and effectively as possible. At this time, we cannot provide an estimate of the timing for achieving full remediation or the costs expected to be incurred in connection with implementing this remediation plan; however, these remediation measures will be time consuming, could result in us incurring significant costs, and could place significant demands on our financial and operational resources. We cannot assure you the measures we are taking to remediate these material weaknesses will be sufficient or that they will prevent future material weaknesses. Additional material weaknesses or failure to maintain effective internal control over financial reporting could cause us to fail to meet our reporting obligations as a public company and may result in a restatement of our financial statements for prior periods.

Remediation of Previously Identified Material Weaknesses

Material Weakness Related to Accounting Talent

Management remediated its previously identified material weakness related to deficient internal controls around application of accounting standards and financial statement presentation. We have restructured the Finance department and increased the number of resources with requisite knowledge of technical accounting. Additionally, management has designed and implemented controls related to determining appropriate accounting treatment and financial statement presentation.

Material Weakness Related to Journal Entry Review

In order to address the material weakness, we have implemented and continue to implement controls designed to prevent and detect journal entries posted to the general ledger without proper segregation of duties. Specifically, we have designed a more restrictive systemic journal entry approval workflow and implemented a manual analysis and review of posted entries to confirm segregation of duties. Management is waiting to conclude this material weakness has been remediated until these controls have operated for a sufficient period of time.

Aside from those outlined above, there have been no significant changes to the Partnership's ICFR for the period ended December 31, 2022, which have materially affected, or are reasonably likely to materially affect the Partnership's ICFR.

Management's Responsibility for Financial Statements

The information provided in this MD&A, including the consolidated financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of (i) future values for certain assets or liabilities and (ii) valuation of equity based compensation. Management believes such estimates have been based on careful judgments and have been properly reflected in the consolidated financial statements.

Other Information and Disclaimer

No Offer or Solicitation

As previously announced, the Company intends to complete its proposed reorganization and domestication to become a Delaware-based company, and subsequently list on the Nasdaq, upon completion of the SEC's ongoing review and subject to stock exchange approval of such listing. The proposed reorganization and domestication is subject to approval by shareholders of the Company and applicable regulatory authorities, including the Toronto Stock Exchange. In connection with the proposed reorganization and domestication, the Company has filed a registration statement, including a management information circular/ prospectus, with the SEC, which has not yet become effective. SHAREHOLDERS ARE ADVISED TO READ THE FINAL VERSIONS OF SUCH DOCUMENTS, WHEN AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. Shareholders may obtain a free copy of the registration statement (including the management information circular/prospectus) and any other relevant documents from the SEC's website at http://www.sec.gov. Copies of the final versions of such documents can also be obtained, when available, without charge, via Galaxy Digital's investor relations website: https://investor.galaxy.com. The Company anticipates holding a shareholder meeting to seek approval following the effectiveness of the registration statement, and further details will be included in the management information circular to be mailed to shareholders and posted on the Company's SEDAR profile at www.sedar.com.

This document shall not constitute a solicitation of a proxy, consent or authorization with respect to any securities or in respect of the domestication or any of the other proposed reorganization transactions. This document does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote of approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of any such jurisdiction.