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Galaxy Digital Holdings LP

Management's Discussion and Analysis

For the period ended March 31, 2023 and March 31, 2022

May 9, 2023

Introduction

This Management's Discussion and Analysis ("MD&A"), dated May 9, 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 condensed consolidated interim financial statements for the three months ended March 31, 2023 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. The condensed consolidated interim 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 three months ended March 31, 2023 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 regarding GalaxyOne, GAM's strategy to scale, the strategic alliance with DWS, the goals of GAM's strategies, mining business targets and its go-forward strategy, the market opportunity and plans with respect to GK8, the banking pipeline, remediation plans, market and industry outlook, 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, which could impact revenue and resources; (11) the risk that revenue or expenses estimates may not be met or may be materially less or more than those anticipated (12) any delay or failure to consummate the banking mandates or achieve its pipeline, (13) the possibility that GAM does not achieve its goals with respect to strategies or its strategic alliance and (14) 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; any challenges faced in the strategic alliance with DWS or in achieving asset management goals; 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. 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 owned by Michael Novogratz, is the sole member of GDH GP and continues to be the majority owner of the Partnership as of March 31, 2023. 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 March 31, 2023, the Partnership had 417 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 Critical accounting estimates and Accounting Policies including Initial Adoption, if applicable.

<u>Limited Partnership Agreement</u>

The key terms of the Limited Partnership Agreement (the "LPA") are consistent with those disclosed in the Company's audited financial statements for the year ended December 31, 2022.

The LPA 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 are treated as an advance against, and 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.

The General Partner did not make any distributions during the quarter ended March 31, 2023. Subsequent to March 31, 2023, a distribution of $22.4 million was approved in April 2023.

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.

<u>Description of Business</u>

The Partnership manages and reports its activities in the following operating businesses: Global Markets, Asset Management and Digital Infrastructure Solutions. In the first quarter of 2023, the Partnership began managing and reporting activities in these three operating businesses consistent with changes in our operations, from organic growth and recent acquisitions, and our management structure. Prior periods are presented on a comparable basis. In determining the Partnership's segment structure, the Partnership considered the basis on which the chief operating decision-maker, as well as other members of senior management, review the financial and operational performance of the Partnership. The primary changes made are as follows:

- Galaxy Global Markets consists of Trading and Investment Banking, which were standalone businesses prior to the first quarter.

- Galaxy Asset Management consists of passive, active and venture investment strategies. The business now includes select venture investments that were historically captured as Principal Investments.
- Galaxy Digital Infrastructure Solutions consists of proprietary and hosted bitcoin mining services, the newly acquired GK8 technology and self-custody capabilities and validator services.

Refer to Note 21 of the Partnership's condensed consolidated interim financial statements for further information on reportable segments.

Global Markets

Galaxy Global Markets ("GGM") provides comprehensive financial products and services to primarily institutions, corporates, and Qualified Individuals[1] within the digital asset ecosystem. GGM offers institutional-grade expertise and access to a broad range of digital asset products, including digital asset trading, derivatives, structured products, financing, capital markets and M&A advisory services.

GGM operates today in two discrete business units – Trading and Investment Banking.

Galaxy's Trading business services more than 280 active counterparties globally and provides liquidity on a principal basis across a variety of centralized exchanges and over-the-counter ("OTC") markets globally. Through GGM, counterparties can access digital asset spot and derivative trading, bespoke lending and structured products. GGM also engages in proprietary quantitative, arbitrage and macro trading strategies.

Our Investment Banking[2] business is a leader in financial and strategic advisory services for the digital assets, Web3 and blockchain technology sector. The team provides specialized crypto expertise while offering a full suite of financial services to public and private clients globally. In particular, Investment Banking helps clients execute large, complex transactions, including M&A and divestitures; provides restructuring advisory services; and offers equity and debt capital markets services, including project financing.

Additionally, Galaxy is actively building GalaxyOne, a unified technology platform for institutional investors. This client-centric prime-brokerage solution aims to be the single access point to services and products across the digital asset ecosystem. GalaxyOne will integrate trading, derivatives, custody, lending, margin, on-chain staking and research through a regulatory-compliant platform that utilizes robust risk-monitoring tools and transparent reporting.

Asset Management

Galaxy Asset Management ("GAM")[3] is a global asset management platform providing investors access to the digital asset ecosystem via a diverse suite of institutional-grade investment vehicles that span passive, active and venture strategies.

GAM's digital assets investments and ventures business manages $2.4 billion[4] in assets across more than 15 investment strategies. The business is strategically focused on scaling active and venture investment strategies to grow its alpha-generating assets under management, while leveraging a regional partnership model, with premiere local managers, to expand our global product reach.

GAM's passive strategies consist of single- and multi-asset private funds, as well as a suite of regulated spot crypto exchange-traded funds ("ETFs") through partnerships with leading asset managers in Brazil, Canada, Europe and the United States[5]. GAM's active pillar seeks to offer investors diversified, lower volatility and risk-managed access to the current and next generation of liquid digital assets via a long-biased strategy. GAM's venture strategies are organized around two investment themes: Interactive Ventures and Crypto Ventures. Founded in 2018, Galaxy Interactive is GAM's sector-focused venture arm, managing client capital across three funds. Galaxy's crypto venture sleeve invests client capital across two global, multi-manager venture funds. The business also manages Galaxy's balance sheet venture investments.

GAM utilizes Qualified Custodians for third party funds it manages to maintain and safeguard client assets, which are segregated from the assets of the custodians. Where possible, as a further risk mitigation tool, GAM employs a multi-custodial

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[1] "Qualified Individuals" are Eligible Contract Participants, knowledgeable employees of Galaxy and accredited investors, who are usually high net worth individuals.

[2] Galaxy Investment Banking operates through Galaxy Digital Partners LLC, a FINRA registered broker-dealer, and Galaxy Digital Labs LLC.

[3] Galaxy Asset Management includes Galaxy Digital Capital Management LP, an SEC registered investment adviser.

[4] As of March 31, 2023. All figures are unaudited. AUM is inclusive of sub-advised funds, committed capital closed-end vehicles, seed investments by affiliates, affiliated separately managed accounts, and fund of fund products. Changes in AUM are generally the result of performance, contributions, withdrawals, and acquisitions. Preliminary AUM associated with GVH Multi-Strategy FOF LP and GVH Market Neutral FOF LP is based on management's most recent estimate. AUM for committed capital closed-end vehicles that have completed their investment period is reported as NAV. AUM for quarterly close vehicles is reported as of the most recent quarter available for the applicable period. AUM for affiliated separately managed accounts is reported as NAV as of the most recently available estimate for the applicable period.

[5] Pending regulatory approval of a spot crypto ETF in the United States.

model for fund assets and requires insurance from our custody providers. GAM leverages Big Four audit firms to audit our funds and utilizes independent, unaffiliated fund administrators for all our funds.

Digital Infrastructure Solutions

Galaxy Digital Infrastructure Solutions (“GDIS”) develops, operates and invests in technology that powers the digital assets ecosystem, with a focus on scalability and security. Galaxy is an industry leader in proprietary bitcoin mining and hosting services, critical network validator services, and the development of enterprise-grade custodial technology.

Galaxy is strategically focused on growing its capacity for both proprietary and hosted bitcoin mining with a target Hashrate Under Management (“HUM”) of over 4 exahash by the end of 2023. Galaxy aims to continuously mine bitcoin well below its fair market value, grow recurring hosting fees, and focus on energy and software management. Galaxy plans to grow its HUM across both hosting and proprietary sites across North America, with the majority at the flagship site, Helios, in West Texas. The electrical infrastructure at Helios can support 200 megawatts ("MW"), and Galaxy has received official approval from the Electric Reliability Council of Texas (ERCOT) and the Wind Electricity Coordinating Council (WECC) to scale up to 800MW. Additionally, Galaxy is dedicated to managing its carbon footprint by increasing the use of clean energy and maintains a long-term goal to utilize an over 80% sustainable power mix for all mining operations.

Galaxy is also focused on emerging areas of blockchain infrastructure. This includes supporting the integrity of protocols and ecosystem projects by operating validator nodes to secure blockchains, and by offering self-custody technology solutions to institutions through GK8. The market opportunity for GK8's custodial technology continues to expand rapidly alongside growing demand for global, regulated qualified custodians, with target client segments including banks, broker-dealers and trust companies, as well as institutional appetite to self-custody digital assets. Galaxy is focused on expanding institutional access to GK8 products globally and on a product roadmap that prioritizes both unparalleled security and flexible ecosystem interactions.

Risks and Uncertainties

In addition to the risks contained herein, the disclosures in this MD&A are 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

Quarterly Highlights & Results

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

(in millions)	**March 31, 2023**	**December 31, 2022**
Digital assets	$ 854.1	$ 566.7
Digital assets posted as collateral	94.9	25.1
Total	949.0	591.8
Investments	692.4	595.1
Total assets	2,923.1	2,346.1
Total liabilities	1,326.6	907.3
Total equity	1,596.5	1,438.8

(in millions)	**Three months ended March 31, 2023**	**Three months ended March 31, 2022**
Net realized gain on digital assets	$ 66.1	$ 355.0
Net realized gain (loss) on investments	(2.0)	69.4
Net derivative gain	55.1	82.0
Total income	146.7	543.6
Operating expenses	(91.1)	(110.9)
Net unrealized gain (loss) on digital assets	3.0	(500.3)
Net unrealized gain (loss) on investments	82.7	(74.1)
Net comprehensive income (loss) for the period	133.8	(111.7)

- As of March 31, 2023, digital assets, including digital assets posted as collateral, was $949.0 million, an increase of $350.7 million from December 31, 2022. This increase was primarily due to an increase in digital assets borrowed and collateral payable, as well as an increase in the price of digital assets held by the Partnership.
- Investments increased $97.3 million during the period to $692.4 million as of March 31, 2023. The change was primarily attributable to unrealized gains on investments of $82.7 million due to favorable market conditions.
- Total liabilities increased by $580.8 million during the period to $1.3 billion as of March 31, 2023 primarily due to increases in digital assets loans payable of $129.2 million, collateral payable of $218.5 million, and short derivatives positions of $65 million (offsetting long derivatives positions included in total assets), offset partially by a decrease in accounts payable and accrued liabilities of $29.3 million.
- Total equity increased by $157.7 million during the period to $1.6 billion as of March 31, 2023 primarily driven by $133.8 million of net comprehensive income and equity based compensation of $23.9 million.
- Operating expenses decreased by $19.8 million for the period ended March 31, 2023 as compared to the period ended March 31, 2022, driven by a decrease in compensation expense of $9.9 million, lower interest expense due to decreased notional operating loans and lower average Notes payable outstanding.

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 Critical accounting estimates and Accounting Policies, including Initial Adoption.

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

$'s in millions	**Three months ended March 31, 2023**	**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**
Net realized gain (loss) on digital assets	$ 66.1	$ (73.5)	$ 4.7	$ (231.1)	$ 355.0	$ 315.6	$ 130.5	$ (162.5)
Net realized gain (loss) on investments	$ (2.0)	$ (22.1)	$ (8.8)	$ 3.5	$ 69.4	$ 6.3	32.6	41.4
Income (loss)	$ 146.7	$ (37.5)	$ 32.7	$ (119.2)	$ 543.6	$ 277.8	216.5	21.5
Operating expenses	$ (91.1)	$ (130.6)	$ (126.1)	$ (129.3)	$ (110.9)	$ (34.0)	(151.2)	(49.2)
Net unrealized gain (loss) on digital assets	$ 3.0	$ 5.0	$ 69.4	$ (233.4)	$ (500.3)	$ 228.9	355.2	(495.6)
Net unrealized gain (loss) on investments	$ 82.7	$ (123.9)	$ (39.3)	$ (258.9)	$ (74.1)	$ 145.8	177.9	165.1
Net comprehensive income (loss)	$ 133.8	$ (288.8)	$ (68.1)	$ (554.7)	$ (111.7)	$ 521.3	517.9	(182.9)

For the three months ended March 31, 2023, Net comprehensive income was $133.8 million, as compared to Net comprehensive loss for the three months ended March 31, 2022 of $(111.7) million. The income was primarily due to net realized gain on digital assets, net derivative gain, and net unrealized gain on investments, partially offset by operating expenses. As one of the primary observable benchmarks for valuation in the space, prices for digital assets increased significantly during the quarter. Bitcoin increased by 72% from approximately $16,500 to $28,500 per coin and Ethereum increased by 52%, from approximately $1,200 to $1,800 per coin[6]. The Net comprehensive loss for the three months ended March 31, 2022 was primarily driven by net unrealized losses on digital assets, net unrealized losses on investments, and operating expenses, partially offset by realized gain on digital assets and investments and net derivative gain.

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

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.

  - **GK8 Acquisition**

On February 21, 2023, a subsidiary controlled by the Partnership acquired the net 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.

- **Operational highlights**

Galaxy Global Markets ("GGM")

- The Partnership's trading business within GGM ended the quarter with more than 280 active counterparties.[7] The business onboarded more than 30 new counterparties in the quarter, bringing the total count to over 960.
- The value of Galaxy's counterparty loan book size was approximately $500 million, an over 15% increase compared to prior year end.
- Cumulative gross counterparty loan originations were approximately $300 million in the quarter.
- The Partnership's investment banking business within GGM continues to execute against an active pipeline of mandates representing over $1 billion in potential transaction value.
- Within the quarter, Galaxy advised Pantera, a leading blockchain asset management firm, on the sale of its stake in European digital assets exchange, Bitstamp, to Ripple Labs.

Galaxy Asset Management ("GAM")

- GAM reported $4.7 million of income for the three months ended March 31, 2023 compared to $352.1 million for the three months ended March 31, 2022. The March 31, 2022 results were driven by net realized gain on sale of luna.
- GAM reported preliminary assets under management ("AUM")[8] of approximately $2.4 billion[5]. AUM consisted of nearly $844 million in passive strategies, approximately $108 million in active strategies and approximately $1.4 billion in venture strategies.
- Subsequent to quarter end, GAM entered into a strategic alliance with DWS, one of the world's leading asset managers, with the aim of initially developing a comprehensive suite of exchange-traded products on certain digital assets in Europe.
- GAM holds investments in more than 220 portfolio companies across our venture platform, directly through the Partnership and indirectly held in the non-consolidated sponsored investment funds.

Galaxy Digital Infrastructure Solutions ("GDIS")

- The Partnership's mining business within GDIS reported $10.2 million of income for the three months ended March 31, 2023, compared to $9.8 million of income for the three months ended March 31, 2022.
- Galaxy ended the quarter with approximately 3.0 exahash per second ("EH/s") in Hashrate Under Management ("HUM")[9], representing an over 100% increase compared to prior year end. Approximately 30% of the 3.0 EH/s of HUM came from self-mining operations. Galaxy remains on track to surpass 4.0 EH/s of HUM by the end of 2023.
- As Galaxy has increased its mining capacity across our Helios and Diboll sites in Texas, we increased the size of our power purchase agreement to protect Galaxy from rising power prices.
- In February 2023, the Partnership completed the acquisition of net assets of GK8 Ltd., which is reflected within GDIS.

[7] Active counterparties represent counterparties with whom we have traded within the past 12 months and are still onboarded with the Galaxy's trading business.
[8] AUM is an internal estimate inclusive of sub-advised funds, committed capital in a closed-end vehicle, and seed investments by affiliates. Changes in AUM are generally the result of performance, contributions, and withdrawals. AUM for committed capital closed-end vehicles that have completed their investment period is reported as NAV (Net Asset Value). Quarterly AUM for close-end vehicles is reported as of the most recent quarter available for the applicable period.
[9] Hashrate Under Management is defined as the total combined hashrate of active proprietary and hosted mining capacity managed by Galaxy.

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 March 31, 2023 (amounts expressed in US$):

	As of January 9, 2018[(2)]	As of December 31, 2019	As of December 31, 2020	As of December 31, 2021	As of December 31, 2022	As of March 31, 2023	% Change 2023	% Change from January 9, 2018 to March 31, 2023 [(2)]
Cryptocurrency Market Capitalization (millions)[(1)]	$739,209	$190,906	$765,313	$2,206,758	$793,602	$1,189,541	49.9%	60.9%
Bitcoin Price[(3)]	$14,595	$7,194	$29,002	$46,306	$16,548	$28,478	72.1%	95.1%
Ether Price[(3)]	$1,300	$130	$738	$3,683	$1,197	$1,822	52.2%	40.2%

(1) Represents market capitalization data from coinmarketcap.com as of 23:59 UTC, presented in millions of U.S. dollars.

(2) January 9, 2018 is presented as the date that Michael Novogratz contributed his portfolio of digital assets to Galaxy LP, a consolidated subsidiary of the Company.

(3) Represents coinmarketcap.com quoted price as of 23:59 UTC for bitcoin and ether.

Market Overview

Digital asset values receded in 2022, along with broader decline in the traditional markets, in the face of tightening monetary policy imposed by global central banks in response to rising inflation. Bitcoin and ether were each down 76% and 75%, respectively as of December 2022 from their all-time highs in November 2021.

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 collapse of FTX and several other major cryptocurrency firms has led U.S. regulators and policymakers to take a more aggressive approach to the industry. Securities and banking regulators have singled out the cryptocurrency industry, conducting more high-profile enforcement actions, issuing highly restrictive guidance, and calling for additional resources. The regulatory environment in the United States has made it more difficult for remaining firms to operate, though several foreign jurisdictions have enacted or begun deliberating more progressive regulatory frameworks, including the United Kingdom, Europe, and Hong Kong . The cryptocurrency regulatory picture is in flux and its shifting nature will impact markets in the coming quarters.

Bitcoin was the best performing asset of 2023 as of April, when compared to a swath of global equity, commodity, and fixed-income indices, while Ether was in the top 3. Bitcoin was up 66% and Ether was up 56% for the year as of April 23, 2023. Despite hawkish language and actions from the Federal Reserve leading to bouts of volatility in asset markets as investors await new consumption, supply, and monetary data, digital assets have rallied in 2023 from the cycle lows seen at the beginning of the year. A banking crisis in the United States provided a narrative boost to Bitcoin, whose transparency and stability were seen as contrasting with the traditional banking system by some investors; while the completion of Ether's Shanghai & Capella upgrades, which finalized "The Merge" by enabling unstaking, was broadly praised by crypto investors.

We expect rising rates, efforts by regional banks to raise capital to shore up their balance sheets, and a deposit flight into larger institutions or higher-yielding products to drive a credit crunch over the next 6 to 9 months. This will lead to a further tightening of financial conditions. Forecasts by Federal Reserve officials suggest higher rates by the end of the year, while markets are pricing in a cut by the end of the year. The divergence between the central bank and market expectations highlight the uncertainty for the rest of the year. The tightening credit conditions could lead to further unexpected outcomes, which in turn spur volatility across financial markets, including crypto.

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 first step in its change from Proof-of-Work mining to Proof-of-Stake validating, "The Merge" and completed the remaining pieces to the upgrade in April 2023. 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 should drive additional developer interest and application design, resulting in growing user adoption of digital assets.

Increasing regulatory clarity from some of the 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, we are 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 rules 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 regulatory clarity and its final passage by the EU Commission is a boon for the digital assets sector on that continent. The United Kingdom has also advanced comprehensive guidance for digital asset companies which 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 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 to $2.4 billion in the first quarter of 2023. 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 first quarter of 2023 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. Furthermore, despite venture-backed startups raising the lowest total amount of capital in 2 years in the first quarter of 2023, early stage deals are up on an absolute and relative basis, a sign that new entrepreneurs are entering the space and savvy investors remain capable of identifying and funding them.

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.

Performance by Reportable Segment

The Partnership manages and reports its activities in the following operating businesses: Global Markets, Asset Management and Digital Infrastructure Solutions. In the first quarter of 2023, the Partnership began managing and reporting activities in these three operating businesses consistent with changes in our operations, from organic growth and recent acquisitions, and our management structure. Prior periods are presented on a comparable basis. In determining the Partnership's segment structure, the Partnership considered the basis on which the chief operating decision-maker, as well as other members of senior management, review the financial and operational performance of the Partnership.Refer to Note 21 of the Partnership's condensed consolidated interim financial statements for further information on reportable segments.

The following table represents income and expenses by each of the reportable segments for the three months ended March 31, 2023:

(in thousands)	Global Markets	Asset Management	Digital Infrastructure Solutions	Corporate and Other	Totals
Income (loss)					
Fee income	$ 2,185	$ 4,902	$ 7,959	$ (621)	$ 14,425
Net realized gain on digital assets	63,893	2,226	—	—	$ 66,119
Net realized gain (loss) on investments	388	(2,366)	—	—	$ (1,978)
Lending and staking income	10,501	8	—	—	$ 10,509
Net derivative gain	55,084	—	—	—	$ 55,084
Income from proprietary mining	—	—	2,417	—	$ 2,417
Other income	37	(67)	48	148	$ 166
	132,088	**4,703**	**10,424**	**(473)**	**146,742**
Operating expenses	**42,210**	**16,187**	**9,314**	**23,402**	**91,113**
Net unrealized loss on digital assets	(1,477)	4,506	—	—	3,029
Net unrealized loss on investments	40,611	38,859	3,243	—	82,713
Net gain on notes payable - derivative	—	—	—	(1,305)	(1,305)
Foreign currency gain	(138)	—	—	—	(138)
	38,996	**43,365**	**3,243**	**(1,305)**	**84,299**
Income (loss) before income taxes	**128,874**	**31,881**	**4,353**	**(25,180)**	**139,928**
Income tax benefit	—	—	—	5,726	5,726
Net income (loss) for the period	**$ 128,874**	**$ 31,881**	**$ 4,353**	**$ (30,906)**	**$ 134,202**
Foreign currency translation adjustment	—	—	—	(452)	(452)
Comprehensive income (loss) for the period	**$ 128,874**	**$ 31,881**	**$ 4,353**	**$ (31,358)**	**$ 133,750**

The table below presents income and expenses by each of the reportable segments for the three months ended March 31, 2022:

(in thousands)	Global Markets	Asset Management	Digital Infrastructure Solutions	Corporate and Other	Totals
Income (loss)					
Fee income	$ 8,011	$ 3,862	$ 1,897	$ —	$ 13,770
Net realized gain (loss) on digital assets	80,847	274,134	—	—	$ 354,981
Net realized gain (loss) on investments	(3,927)	73,365	—	—	$ 69,438
Lending and staking income	14,615	20	—	—	$ 14,635
Net derivative gain (loss)	81,977	—	—	—	$ 81,977
Income from proprietary mining	—	—	6,738	—	$ 6,738
Other income	169	725	1,127	—	$ 2,021
	181,692	**352,106**	**9,762**	**—**	**543,560**
Operating expenses	**44,252**	**16,081**	**5,278**	**45,319**	**110,930**
Net unrealized gain (loss) on digital assets	(166,092)	(334,179)	—	—	(500,271)
Net unrealized gain (loss) on investments	(3,001)	(69,113)	(2,014)	—	(74,128)
Net gain on notes payable - derivative	—	—	—	6,493	6,493
Net gain (loss) on warrant liability	—	—	—	2,521	2,521
Foreign currency gain	2,017	—	—	—	2,017
(Gain) loss attributable to non-controlling interests liability	—	13,411	—	—	13,411
	226,269	**(243,816)**	**—**	**(24,802)**	**(549,957)**
Income (loss) before income taxes	**363,709**	**92,209**	**4,484**	**(70,121)**	**(117,327)**
Income tax expense	—	—	—	(6,119)	(6,119)
Net income (loss) for the period	**$ 363,709**	**$ 92,209**	**$ 4,484**	**$ (64,002)**	**$ (111,208)**
Foreign currency translation adjustment	—	—	—	(468)	(468)
Comprehensive income (loss) for the period	**$ 363,709**	**$ 92,209**	**$ 4,484**	**$ (64,470)**	**$ (111,676)**

Compensation and compensation related expenses, including stock based compensation expenses, in the Partnership's segments reflect, among other factors, the overall performance of the Partnership, as well as the performance of individual businesses. Consequently, net income in one segment may be significantly affected by the performance of other segments.

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. The Global Markets segment includes the performance of OTC trading and of the short term and long term positioning of the Partnership's digital assets.

Three months ended March 31, 2023 and March 31, 2022

Net Realized Gain on Digital Assets

Net realized gain on digital assets of $66.1 million for the three months ended March 31, 2023 was driven primarily by sales of bitcoin and ether. For the three months ended March 31, 2022, the largest contributors to the Net realized gains on digital assets of $0.4 billion were sales of LUNA.

Net Unrealized Gain (Loss) on Digital Assets

For the three months ended March 31, 2023, the Net unrealized loss on digital assets of $3.0 million was primarily driven by bitcoin and ether. For the three months ended March 31, 2022, the net unrealized losses on digital assets of $500.3 million was driven by the reversal of previously recognized unrealized gains due to the sale of LUNA.

Net Realized Gain (Loss) on Investments

For the three months ended March 31, 2023, Net realized loss on investments of $(2.0) million was primarily attributable to the redemption from the Partnership's investment in Galaxy Vision Hill Market Neutral, LP. For the three months ended March 31, 2022, the Net realized gain on investments of $69.4 million was driven by realizations of investment positions, including a redemption from the Pantera ICO Fund and a partial sale of Fireblocks shares.

Net Unrealized Gain (Loss) on Investments

For the three months ended March 31, 2023, Net unrealized gain on investments of $82.7 million was primarily attributable to an increase in the fair value of the Partnership's investments in Mt. Gox Investment Fund LP, Bullish Global, and the Galaxy Liquid Alpha Fund LP. For the three months ended March 31, 2022, the unrealized loss on investments of $(74.1) million was primarily due to reversal of unrealized gains on the exit from the Pantera ICO Fund as well as a decrease in the fair value of Fireblocks.

The table below presents the fair value of each asset class by reporting segment as of March 31, 2023:

(in thousands)	**Global Markets**	**Asset Management**	**Digital Infrastructure Solutions**	**Corporate and Other**	**Totals**
Digital assets	854,051	$ —	$ —	$ —	$ 854,051
Digital assets receivables	17,197	10,502	—	—	27,699
Digital assets posted as collateral	88,353	—	—	—	88,353
Investments:					
Pre-network launch	—	6,508	—	—	6,508
Convertible Notes	266	15,383	5,743	—	21,392
Preferred Stock	48,828	233,956	3,928	—	286,712
Common Stock	68,892	16,788	—	—	85,680
LP/LLC Interests	47,389	233,432	—	—	280,821
Warrants/Trust Units/Trust Shares	8,667	2,605	—	—	11,272
Total	**$ 1,133,643**	**$ 519,174**	**$ 9,671**	**$ —**	**$ 1,662,488**

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

(in thousands)	**Global Markets**	**Asset Management**	**Digital Infrastructure Solutions**	**Corporate and Other**	**Totals**
Digital assets	566,690	$ —	$ —	$ —	$ 566,690
Digital assets receivables	10,713	6,864	—	—	17,577
Digital assets posted as collateral	25,138	—	—	—	25,138
Investments:					
Pre-network launch	—	5,500	—	—	5,500
Convertible Notes	259	10,064	2,326	—	12,649
Preferred Stock	46,338	208,021	4,102	—	258,461
Common Stock	45,047	16,601	—	—	61,648
LP/LLC Interests	33,024	222,775	—	—	255,799
Warrants/Trust Units	—	1,065	—	—	1,065
Total	**$ 727,209**	**$ 470,890**	**$ 6,428**	**$ —**	**$ 1,204,527**

Financial Instruments, Digital Assets and Risk

The fair values of all financial instruments and digital assets are measured using 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 March 31, 2023 and December 31, 2022:

(in thousands)	**As of March 31, 2023**				**As of December 31, 2022**			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Digital assets	$ —	$ 854,051	$ —	$ 854,051	$ —	$ 566,690	$ —	$ 566,690
Digital assets receivable	—	3,145	24,554	27,699	—	1,523	16,054	17,577
Digital assets posted as collateral	—	88,353	—	88,353	—	25,138	—	25,138
Derivative assets	—	89,625	—	89,625	—	17,719	—	17,719
Common stock	20,898	1,894	62,888	85,680	11,259	—	50,389	61,648
Convertible notes	—	—	21,392	21,392	—	—	12,649	12,649
LP/LLC interests	—	—	280,821	280,821	—	1,300	254,499	255,799
Pre-network launch	—	—	6,508	6,508	—	—	5,500	5,500
Preferred stock	—	—	286,712	286,712	—	—	258,461	258,461
Warrants/Trust units/ Trust shares	—	—	11,272	11,272	—	—	1,065	1,065
Total	$ 20,898	$ 1,037,068	$ 694,147	$ 1,752,113	$ 11,259	$ 612,370	$ 598,617	$ 1,222,246

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments sold short	$ —	$ —	$ —	$ —	$ 91	$ —	$ —	$ 91
Derivative liabilities	—	81,325	—	81,325	—	16,568	—	16,568
Warrant liability	—	—	—	—	—	—	—	—
Embedded derivative - Notes payable	—	—	2,173	2,173	—	—	868	868
Total	$ —	$ 81,325	$ 2,173	$ 83,498	91	16,568	868	17,527

Level 3 Continuity

The following table represents a reconciliation of Level 3 assets and liabilities for the period ended March 31, 2023:

Assets (in thousands)	Fair value at December 31, 2022	Purchases	Sales/ Distributions	Net Realized Gain (Loss) on Digital Assets and Investments	Net Unrealized Gain/(Loss) on Digital Assets and Investments	Transfers in /(out) of Level 3	Fair Value at March 31, 2023
Digital assets	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Digital assets receivables	16,054	200	—	—	9,670	(1,370)	24,554
Common stock	50,389	1,845	—	—	10,654	—	62,888
Convertible notes	12,649	—	—	—	8,743	—	21,392
LP/LLC interests	254,499	1,750	(12,301)	(1,547)	38,420	—	280,821
Pre-network launch	5,500	—	(200)	—	1,208	—	6,508
Preferred stock	258,461	23,000	(2,405)	(750)	8,406	—	286,712
Warrants/Trust units/ Trust shares	1,065	2	(2)	—	10,207	—	11,272
Total Digital Assets, Digital Assets Receivables and Investments	**$ 598,617**	**$ 26,797**	**$ (14,908)**	**$ (2,297)**	**$ 87,308**	**$ (1,370)**	**$ 694,147**

Liabilities	Fair value at December 31, 2022	Conversions	Revaluation	Fair Value at March 31, 2023
Embedded derivative - Notes payable	868	—	1,305	2,173

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 $1.4 million for the period ended March 31, 2023. The transfers out of Level 3 for digital assets receivables were due to vesting of digital assets as expected.

The following table represents a reconciliation of Level 3 assets and liabilities for the year ended December 31, 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
Convertible notes	$ 9,768	$ 2,000	$ —	$ —	$ 1,542	$ (661)	$ 12,649
Common stock	$ 215,185	$ 250	$ (2,910)	$ 2,153	$ (131,676)	$ (32,613)	$ 50,389
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 (in thousands)	Fair value at December 31, 2020	Conversions	Issuance	Revaluation	Fair Value at December 31, 2021
Warrant liability	$ 20,488	$ (166)	$ —	$ (20,322)	$ —
Embedded derivative - Notes payable	$ 58,866	$ —	$ —	$ (57,998)	$ 868

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

Quantitative Information for certain Level 3 Assets and Liabilities

Financial Instrument	Fair Value at March 31, 2023 (in thousands)	Significant Unobservable Inputs	Range
Digital assets receivables	$24,554	Marketability discount	1.9% - 81.9%
Common Stock	$62,888	Marketability discount	14.9% - 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 (1)	$21,392	Recovery rate	0% - 100%
		Scenario probability (1):	
		No deal closure and dissolution	98%
		Deal closure and partial default	—%
		Deal closure and full recovery	2%
		Market adjustment discount	20%
		EV/Revenue multiple	2.0x
LP/LLC interests [2]	$280,821	Marketability discount	10%
		Control discount	10%
		Market adjustment discount	1.2% - 69.3%
		Time to liquidity (years)	5.0
		Annualized equity volatility	90.0%
		Risk free rate	3.2%
		Expected dividend payout	—%
Preferred stock	$286,712	Market adjustment discount	15.0% - 65.0%
		Marketability discount	40%
		Time to liquidity event (years)	3.0 - 5.0
		Annualized equity volatility	90%
		Risk free rate	0.2% - 4.1%
		Expected dividend payout ratio	—%
		Enterprise value to revenue multiple	1.4x - 3.5x
		Discount rate	17.9%
		Exit multiple	4.0x
Warrants/Trust Units	$11,272	Marketability discount	56.6%
		Time to liquidity event (years)	2.8
		Annualized equity volatility	90.0%
		Risk free rate	4.6%
		Expected dividend payout ratio	0.0%
Embedded derivative - notes payable	$2,173	Volatility	61.0%
		Time-Step	0.004 years
		Risk free rate	3.7%

[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.

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%
		Time to liquidity event (years)	5.0
		Annualized equity volatility	90.0%
		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	$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	17.0%
		Exit multiple	4.0x
Warrants / Trust units	$1,065	Marketability discount	64%
Embedded derivative - notes payable	$868	Volatility	58.0%
		Time-step	0.004 years
		Risk free rate	4.10%

[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.

For the three months ended March 31, 2023 and the year ended December 31, 2022, the latest available reported net asset values of the underlying funds were used to fair value the Level 3 limited partnership/ limited liability company interests.

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

Valuation Techniques

The following tables summarize the valuation techniques and significant inputs used in the fair value measurement of the Partnership's digital assets and investments as of March 31, 2023 and December 31, 2022, respectively.

Category	Valuation Methods & Techniques	Key Inputs
Digital assets	• 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 • Black-Scholes option pricing model • Backsolve method in an option pricing model framework • Prior transactions method	• Public closing prices of subject securities • Estimated price of underlying private security • Selected volatility, Expected time to exit, Risk free rate, Expected dividend payout ratio • Prior prices of subject trust shares

Industry

As of March 31, 2023 and December 31, 2022, details of the industry composition of the Partnership's equity, debt, digital assets and pre-launch network investments are as follows:

Industry	March 31, 2023		December 31, 2022	
	Percentage	**# of Investments**	**Percentage**	**# of Investments**
Digital assets and Pre-Launch network investments	56 %	127	49 %	180
Finance	24	57	28	51
Services: Business	4	21	4	20
High tech industries	13	48	15	50
Software	2	14	2	11
Finance technology	1	7	1	7
Media: Diversified and production	1	5	1	6
Mining	0	0	<1	1
Total	100 %	279	100 %	326

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 asset management 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 GAM

The portfolio companies and investment count reported as Key Performance Indicators ("KPIs") within the asset management segment operational highlights ("GAM KPIs") was over 300 investments across more than 220 portfolio companies as of March 31, 2023. The GAM KPI count for asset management differs from the above count of investments on balance sheet primarily due to the inclusion of the Partnership's indirect investments held by non-consolidated sponsored investment funds.

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 reporting 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 March 31, 2023, the Partnership had material holdings of bitcoin. The Partnership's largest digital asset holdings by fair value were as follows (in thousands):

(in thousands)		**March 31, 2023**
Bitcoin	$	357,088
Ether		156,101
USDT		150,165
USDC		141,005
Other		49,692
Digital assets	**$**	**854,051**

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

Investments

As of March 31, 2023 and December 31, 2022, the Partnership had no individually material equity investment positions to disclose. As of March 31, 2023, 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	60,708
Galaxy EOS VC Fund LP	LP/LLC Interests	24,800	43,174
Mt. Gox Investment Fund LP	LP/LLC Interests	39,360	37,813
Galaxy Interactive Fund I, LP	LP/LLC Interests	28,073	36,446
Bullish Global	Preferred Stock	20,000	32,592
Candy Digital, Inc.	Common Stock	14,897	29,272
block.One	Common Stock	9,232	29,194
Galaxy Liquid Alpha Fund, LP	LP/LLC Interests	21,695	25,148
Ramp Network Inc.	Preferred Stock	8,682	22,871
Galaxy Institutional Ethereum Fund	LP/LLC Interests	15,123	17,609
Other	Other	311,420	357,558
		$ 497,761	$ 692,385

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

As of December 31, 2022, 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	4,479	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 across 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*

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 Institutional Ethereum Fund *- a private fund designed to provide institutional-quality exposure to Ethereum by investing directly in ETH.*

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.*

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

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.*

<u>Period ended March 31, 2023</u>

The $14.2 million increase in Mt Gox Investment Fund LP was driven by the price increase of the BTC held against claims in the bankruptcy process.

The $10.5 million and $6.9 million increases for Bullish and block.one, respectively, were driven by the price increase of digital assets during the quarter significantly increasing Bullish's net asset value. As block.one is the majority holder of Bullish shares, this also increased the net asset value of block.one.

The $8.9 million increase in Galaxy Liquid Alpha Fund was primarily driven by the increase in digital asset prices.

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

As of March 31, 2023:		**Fair Value (in thousands)**
> $1 billion market cap	$	830,695
<= $1 billion market cap		23,356
Net	$	854,051

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

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 off 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 digital assets 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 prepaid assets, 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 requiring the posting of collateral, if deemed necessary. As of March 31, 2023 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 March 31, 2023, 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 March 31, 2023, approximately $420.8 million of the Company's digital assets are held on exchange (December 31, 2022 - $131.1 million). Two exchanges individually held more than 10% as of March 31, 2023 (December 31, 2022 - One), holding approximately 17% and 14%, respectively, 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 derivative-related 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 asset management 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 also all have fixed rates however in some cases can also be settled in digital assets at the option of the borrower. As of March 31, 2023, 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 March 31, 2023, 97.3% (December 31, 2022 - 97.0%) of the Partnership's digital assets portfolio was in liquid, actively traded cryptocurrency markets which can be monetized at reasonable prices in short order.

Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry, or the financial services industry generally, or concerns or rumors about any such events or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. For example, in March 2023, Silvergate Capital Corp. announced it would wind down operations and liquidate Silvergate Bank. Soon after, the FDIC was appointed receiver of Silicon Valley Bank and Signature Bank. In connection with these issues and issues with other financial institutions, the prices of fiat-backed stablecoins, including USDC, were temporarily impacted and may be similarly impacted again in the future. Further, if the instability in the global banking system continues or worsens, there could be additional negative ramifications, such as additional all market-wide liquidity problems or impacted access to deposits and investments for customers of affected banks and certain banking partners, and our business, operating results and financial condition could be adversely affected.

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 March 31, 2023, 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 various investment strategies within the parameters of the Partnership's investment guidelines.

As of March 31, 2023, management's estimate of the effect on equity of a +/- 20% change in the market prices of the Partnership's investments and investments sold short, with all other variables held constant, was +/- $138.5 million (December 31, 2022 - $119.0 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 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 must sign the transactions with a data code derived from entering the private key into a hashing algorithm; this 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 adverse effects on the Partnership.

The cryptocurrency exchanges on which the Partnership may trade are relatively new and, in many cases, largely unregulated. They, 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 March 31, 2023, management's estimate of the effect on equity of a +/- 20% change in the market prices of the Partnership's digital assets, with all other variables held constant, was +/-$170.8 million (December 31, 2022 - $113.3 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)	Three months ended March 31, 2023	Three months ended March 31, 2022
Compensation and compensation related	30,621	40,548
Equity based compensation	23,270	22,762
General and administrative	15,135	17,948
Professional fees	9,817	9,591
Interest	5,539	12,807
Notes interest expense	6,731	7,274
Totals	$ 91,113	$ 110,930

Three months ended March 31, 2023 compared to March 31, 2022

Compensation and compensation related expense for the three months ended March 31, 2023 decreased compared to the three months ended March 31, 2022 primarily due to a lower bonus accrual in the current period.

Equity based compensation expense for the three months ended March 31, 2023 increased slightly compared to the three months ended March 31, 2022 primarily due to grants made to employees in the prior year.

General and administrative costs for the three months ended March 31, 2023 were lower compared to the three months ended March 31, 2022 primarily due to a reversal of impairment recognized on mining equipment, offset by increased mining costs and increased depreciation and amortization.

Professional fees for the three months ended March 31, 2023 remained relatively flat compared to the three months ended March 31, 2022.

Interest expense for the three months ended March 31, 2023 was lower compared to the three months ended March 31, 2022 primarily due to decreased borrowing volumes.

Notes interest expense for the three months ended March 31, 2023 was lower compared to the three months ended March 31, 2022 due to a lower average outstanding balance compared to prior period.

Liquidity and Capital Resources

The following table represents liquidity available to the Partnership:

(in thousands)	As of March 31, 2023	As of December 31, 2022
Estimated working capital	$ 349,616	$ 453,125
Digital assets, net	413,997	415,352
	$ 763,613	$ 868,477

Working capital as of March 31, 2023 and December 31, 2022 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, payable for digital asset trades, short-term lease liability and payables to customers. As of March 31, 2023, the Company held $102.2 million of cash at brokers (December 31, 2022 - $65.2 million) and $120.5 million of cash at exchanges (December 31, 2022 - $58.7 million).

Digital Assets, net as of March 31, 2023 and December 31, 2022 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 March 31, 2023		As of December 31, 2022	
Assets				
Digital assets	$	854,051	$	566,690
Digital asset loans receivable, net of allowance		45,143		49,971
Digital assets receivable, current		20,296		12,423
Digital assets receivable, noncurrent		7,403		5,154
Assets posted as collateral [(1)]		88,353		25,138
		1,015,246		659,376
Liabilities				
Digital asset loans payable		299,785		170,566
Collateral payable[(1)]		301,464		73,458
		601,249		244,024
Digital assets, net	**$**	**413,997**	**$**	**415,352**
Stablecoins, net	$	208,929	$	281,048
Digital assets, net excl. stablecoins	**$**	**205,068**	**$**	**134,304**

[(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 March 31, 2023, the Partnership had total equity of $1.6 billion (December 31, 2022 - $1.4 billion). The increase in equity during the period ended March 31, 2023 was primarily due to the net comprehensive income for the period.

(in thousands)	**March 31, 2023**		**December 31, 2022**	
Total assets	$	2,923,114	$	2,346,143
Total liabilities		1,326,606		907,351
Partners' Capital		1,596,508		1,438,792

As of March 31, 2023, the Partnership had cash of $399.9 million (December 31, 2022 - $542.1 million) and $414.0 million (December 31, 2022 - $415.4 million) of digital assets, net. Management believes that the Partnership has sufficient financial resources to maintain its operations and activities for the upcoming year.

In December 2021, the Partnership contributed approximately $523.0 million into wholly-owned subsidiaries through which the Partnership is operating Bitcoin mining activities and exploring ways to operate other qualified cryptocurrency and blockchain-related activities in qualified opportunity zones. The qualified opportunity zone program was established by Congress under the Tax Cuts and Jobs Act of 2017 to encourage long-term investments in low-income urban and rural communities nationwide, and through which taxpayers may defer eligible capital gains provided they meet the program's requirements. In December 2026, the Partnership will be required to recognize capital gains on 90% of the contributed amount for U.S. Federal tax purposes, which will be allocated to its partners in accordance with their ownership interests at that time. As such depending on facts and circumstances at that time, the Partnership may be required to make additional tax distributions to its partners, including GDH Ltd.

The Partnership expects to generate incremental cash in the ordinary course through revenues earned in each of its businesses. The Global Markets 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. In addition, Global Markets 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 Asset Management business continues to earn fees for managing third party capital. The Asset Management business has also 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 Digital Infrastructure Solutions business primarily earns current income from its proprietary bitcoin mining.

As of March 31, 2023 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 March 31, 2023:

(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	$ 299,785	$ 299,785	$ —	$ —	$ —
Lease obligations	$ 20,889	6,534	6,853	5,144	2,358
Notes payable	$ 448,929	3,929	—	445,000	—
Other obligations[(1)]	$ 85,014	700	81,914	—	2,400
Total Contractual Obligations	**$ 854,617**	**$ 310,948**	**$ 88,767**	**$ 450,144**	**$ 4,758**

[(1)]"Other obligations" includes obligations to fund capital commitments to 8 portfolio companies.

Transactions with Related Parties

Compensation of Key Management Personnel

Key management personnel include nine individuals (March 31, 2022 - twelve individuals), consisting of officers and directors, who are considered to have decision making authority. The following table represents compensation provided to key management personnel for the three months ended March 31, 2023 and 2022:

(in thousands)	**Three months ended March 31, 2023**	**Three months ended March 31, 2022**
Base compensation and accrued bonuses[(1)]	$ 1,474	$ 6,739
Benefits	143	123
Equity based compensation	7,681	7,254
Total	**$ 9,298**	**$ 14,116**

[(1)] As of March 31, 2023, the amount includes approximately $0.7 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 $0.3 million for the three months ended March 31, 2023 (March 31, 2022 - $0.2 million).

Distributions

There was no tax-related distribution paid during the quarters ended March 31, 2023 or March 31, 2022. In April 2023, the General Partner approved a pro rata tax-related distribution of $22.4 million. A majority of the recipients of the distributions are related parties.

Sublease

Galaxy Investment Partners LLC, which has leased office space located on the 8th floor of 107 Grand Street, New York, New York 10013, subleased to Galaxy Digital Services 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 24) and has an associated lease liability of $1.1 million as of March 31, 2023 (December 31, 2022 - $1.3 million).

Transactions with GDH Ltd.

In accordance with the LPA (Note 5), the Partnership will reimburse or pay for all reasonably incurred expenses in the conduct of the Company's business. For the period ended March 31, 2023, the Partnership paid or accrued $0.7 million (March 31, 2022 - $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 (amended and restated on May 8, 2023, 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 at GDHI LLC’s sole and absolute discretion. As of March 31, 2023, GDHI LLC had advanced $57.5 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 March 31, 2023, the interest payable on the Promissory Note was $0.9 million. The Promissory Note may be recalled in whole or in part by GDHI LLC at any time during the term of the note. Otherwise, it 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 March 31, 2023, the Partnership had $55.8 million (December 31, 2021 - $25.2 million receivable) in payables to GDH Ltd. representing the aforementioned Promissory Note partially offset by receivables for stock option exercises and restricted share units vesting.

Other

The Partnership's CEO serves as co-chairman of the board of another company, resulting in the Partnership and that company being related parties. As at March 31, 2023, the Partnership had an investment in the company valued at $29.3 million (December 31, 2022 - $16.2 million).

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 three months ended March 31, 2023, the total amount of advisory fees received from the sub-advisory arrangements was $0.2 million (March 31, 2022- $0.4 million).

The CEO of the Company, through an entity which he controls, owns a private aircraft that the Partnership uses for business purposes in the ordinary course of operations, on terms that are advantageous to the Partnership. The CEO paid for the purchase of this aircraft with his personal funds and has borne all operating, personnel and maintenance costs associated with its operation and use. During the three months ended March 31, 2023, the Partnership incurred $0.4 million (March 31, 2022: $0.5 million) for such use negotiated on an arms-length basis in compliance with our aviation matters policy adopted in August 2022.

In addition, we have from time to time made use of the CEO’s private boat to host corporate meetings and for other business purposes in the ordinary course of the Partnerships’ operations, on terms that are advantageous to us. The CEO paid for the purchase of this boat with his personal funds and has borne most of the operating, personnel and maintenance costs associated with its operation and use, while the Partnership paid for the cost of any food and beverage consumption and a portion of operating fees. During the three months ended March 31, 2023, the Partnership incurred $0.06 million in relation to this boat. During the three months ended March 31, 2022, the Partnership did not reimburse the CEO for its use of this boat.

In connection with the receipt of surety bonds for the purpose of a subsidiary of the Partnership’s state money transmission licenses, GGI agreed to act as indemnitor, along with the Partnership, at the request of the insurers. The Partnership was liable to GGI for fees of $0.35 million for the indemnity through March 31, 2023, which was calculated as 1% of the aggregate notional amount of the surety bonds held on behalf of the subsidiary. The Partnership will continue to incur fees due to GGI of 1% for the duration of these outstanding surety bonds which are renewed annually.

Prior to joining the Company’s board in September 2021, the current chairman of the Company’s board entered into a consulting agreement with the Partnership in April 2021. Under the terms of the consulting agreement, the chairman was engaged to provide professional services to the Partnership for a period of three years beginning on September 1, 2021. In 2021, the chairman received 1,500,000 RSUs and 500,000 options under the LTIP in connection with the consulting agreement. The equity based compensation related to this grant for the quarter ended March 31, 2023 was $2.3 million (March 31, 2022: $4.2 million).

In February 2023, the Partnership entered into a consulting agreement with a board member of the Company. The Partnership paid $0.2 million under this agreement during the quarter ended March 31, 2023.

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 $9.4 million as of March 31, 2023 (December 31, 2022 - $8.5 million).

Critical accounting estimates and Accounting Policies, including Initial Adoption

There were no changes to the critical accounting estimates the three months ended March 31, 2023. Refer to Note 3 on the Partnership's condensed consolidated interim financial statements for new accounting policies.

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 period ended March 31, 2023, represent 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 March 31, 2023 and December 31, 2022, the Partnership has two classes of ownership interests, namely Class A Units and Class B Units. As of May 8, 2023, there were 105,623,341 Class A Units outstanding and 215,943,700 Class B Units issued of which 215,913,248 were outstanding and exercisable into ordinary shares of GDH Ltd. As of March 31, 2023, there were 104,216,660 Class A Units and 215,913,248 Class B Units outstanding.

Equity Based Compensation Awards and Other

As of May 8, 2023 and March 31, 2023, 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 March 31, 2023, 28,950,424 options granted under the GDH Ltd. stock option plan and LTIP were outstanding, of which 14,228,561 were exercisable. As of May 8, 2023, there were 27,508,773 options outstanding, of which 8,152,610 were exercisable.

As of March 31, 2023, there were 13,518,648 restricted units outstanding (December 31, 2022- 11,462,917). As of May 8, 2023 there were 13,303,092 restricted share units outstanding.

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.

In accordance with the requirements of National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, the Chief Executive Officer and Chief Financial Officer acknowledge responsibility for the design and operation of disclosure controls and procedures and internal control financial reporting, and the requirement to evaluate the effectiveness of these controls on an annual basis.

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 IFRS.

We previously identified material weaknesses in our internal control over financial reporting. 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

We continue to execute our plan to remediate the material weaknesses identified. 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 by the end of fiscal year 2023. At this time, we do not anticipate significant costs will be incurred in connection with implementing our remediation plan; however, these remediation measures may be time consuming, and may place additional demands on our 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.

Material Weakness Related to Precision of Review

We have implemented, and continue to implement, controls with respect to the development and review of database queries and the review of spreadsheets and data used in our accounting and financial reporting processes. Management has added resources to bolster the finance department, standardized review control requirements, and reinforced the importance of precision in the performance of controls. We plan to continue to introduce automation in the accounting and financial reporting processes to enhance Galaxy's control environment and help ensure the completeness, accuracy and appropriateness of data elements used in control execution.

Material Weakness Related to Journal Entry Review

As previously disclosed, we have implemented 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.

Material Weakness Related to Segregation of Duties

We have implemented systemic segregation of access to execute transactions where technically feasible. We are also currently in the process of developing and implementing an automated control to detect transactions that lack appropriate segregation of duties.

Changes in Internal Control Over Financial Reporting

Aside from the remediation efforts outlined above, there have been no significant changes to the Partnership's ICFR for the period ended March 31, 2023, 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 condensed consolidated interim financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of (i) valuation of 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 condensed consolidated interim 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.