



GALAXY
D I G I T A L

Galaxy Digital Holdings Ltd.
Management's Discussion and Analysis

For the Years Ended December 31, 2021 and 2020

March 31, 2022

Introduction

This Management's Discussion and Analysis ("MD&A"), dated March 31, 2022, relates to the financial condition and results of operations of Galaxy Digital Holdings Ltd. ("GDH Ltd." or together with its consolidated subsidiary, the "Company") as of March 31, 2022, and is intended to supplement and complement the Company's consolidated financial statements for the year ended December 31, 2021. The Company's only significant asset is a minority interest in Galaxy Digital Holdings LP ("GDH LP" or the "Partnership"), an operating partnership that is building a diversified financial services and investment management business in the cryptocurrency and blockchain space (See Transaction section). GDH LP has separately filed its consolidated financial statements and MD&A for the year ended December 31, 2021, which are available on the Company's SEDAR profile at www.sedar.com. **The Company's MD&A should be read in conjunction with GDH LP's consolidated financial statements and MD&A. The Company has included GDH LP's MD&A as an appendix to this MD&A.**

This MD&A, when read in conjunction with GDH LP's MD&A, was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations ("NI 51-102"). The consolidated financial statements and MD&A are presented in US dollars, unless otherwise noted and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results presented for the year ended December 31, 2021 are not necessarily indicative of the results that may be expected for any future period.

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

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

Cautionary Note Regarding Forward-Looking Statements

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These forward-looking statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", "seeks" or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. The forward-looking statements contained in this MD&A are based on our current expectations and beliefs concerning future developments and their potential effects on us taking into account information currently available to us. There can be no assurance that future developments affecting us will be those that we have anticipated. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Forward-looking statements are subject to the risk that the industry or the Partnership's businesses do not perform as anticipated, that revenue or expenses estimates may not be met or may be materially less or more than those anticipated, that expected transactions may be modified or not completed at all and those other risks described in this MD&A, the Management's Discussion and Analysis, dated March 31, 2022 of GDH LP, those referenced in this MD&A and contained in the annual information form dated March 31, 2022 ("AIF") of the Company. 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, 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 businesses or our businesses achieving mandates; delays in the delivery of new mining equipment; and changes in applicable law or regulation and adverse regulatory developments. Readers are cautioned that such risk factors, uncertainties and other factors are not exhaustive. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. The forward-looking statements in this MD&A are applicable only as of the date of this MD&A or as of the date specified in the relevant forward-looking statement and the Company does not intend, and does not assume any obligation, to update these

forward-looking statements, except as required by applicable securities laws. Investors are cautioned that forward-looking statements are not guarantees of future performance and are inherently uncertain. Accordingly, investors are cautioned not to put undue reliance on forward-looking statements.

Overview

GDH Ltd., formerly Bradmer Pharmaceuticals Inc. ("Bradmer"), was originally formed and incorporated under the Business Corporations Act (Ontario) on February 10, 2006 by the amalgamation of a private company, Blue Devil Pharmaceuticals Inc., and a predecessor company also named Bradmer Pharmaceuticals Inc. By the end of 2009 and up to the date of the closing of the Arrangement (as defined in the Transaction section below), all significant business activities and operations of Bradmer had been terminated.

Upon the closing of the Arrangement, on July 31, 2018, the Company continued out of the Province of Ontario to become a company existing under the laws of the Cayman Islands. The Company's principal address is 300 Vesey Street, New York, NY 10282.

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

The Partnership is a limited partnership formed under the laws of the Cayman Islands on May 11, 2018. Galaxy Digital Holdings GP LLC ("GDH GP" or the "General Partner"), is a limited liability company incorporated under the laws of the Cayman Islands on July 26, 2018 and serves as the general partner of the Partnership. Galaxy Group Investments LLC ("GGI"), a Delaware limited liability company, which is owned by the Michael Novogratz, the Chief Executive Officer ("CEO") of the Company, is the sole member of the General Partner and the majority owner of the Partnership as of December 31, 2021 (the "reporting date").

As of the date of this filing, the Partnership has 348 employees worldwide.

Transaction

Background

In early 2018, Galaxy LP, the personal investing business of Michael Novogratz, set out to build an institutional-quality merchant banking business in the blockchain, digital asset and cryptocurrency space. As a result, in January 2018, Michael Novogratz contributed his portfolio of digital assets and related investments to Galaxy LP, which had a fair value of approximately \$302 million ("Asset Contribution").

In addition, through a series of transactions and, by way of a plan of arrangement (the "Transaction" or "Arrangement"), Galaxy LP and First Coin Capital Corp. ("First Coin") formed GDH LP and Bradmer Pharmaceuticals Inc. ("Bradmer") changed its name to Galaxy Digital Holdings Ltd ("GDH Ltd"). Subsequently, pursuant to policies of the TSX-V, Bradmer's listing was reactivated under the new ticker GLXY.

GDH Ltd is currently listed on the TSX. Effective August 4, 2021, it successfully exited the TSX Sandbox program. TSX Sandbox is an initiative intended to facilitate listing applications that may not satisfy the original listing requirements of the TSX, but due to facts or situations unique to a particular issuer otherwise warrant a listing on the TSX. The Company graduated having completed a twelve-month period without significant compliance issues after graduation.

Limited Partnership Agreement

GDH LP, GDH GP, GDH Ltd., GDH Intermediate LLC (a wholly owned subsidiary of GDH Ltd. established as a tax-efficient blocker corporation or similar entity for US tax purposes) and each of the Persons admitted as a "Class B Limited Partner" entered into a fourth amended and restated limited partnership agreement (as amended from time to time, the "LPA"). Certain key terms of the LPA include the following:

- *Units* - there are two classes of partnership interests ("Units"): Class A Units, which are held by GDH Ltd., and Class B Units, which are held by GGI and other Class B limited partners.
- *Issuance of Additional Units* - the General Partner will not cause the Partnership to issue any additional Class B Units unless the General Partner determines there is a bona fide business or strategic reason to raise equity capital through the issuance of Class B Units, provided that the aggregate amount of Class B Units that may be issued is less than or equal to 70,000,000 or the GDH Ltd. board of directors approves such issuance.

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

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

Accounting for the Investment by GDH Ltd.

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

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

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

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

Description of Business

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

Trading

Galaxy Digital Trading ("GDT"), provides spot, derivative and financing liquidity to clients, counterparties and venues that transact in cryptocurrencies and other digital assets. GDT has over 750 unique counterparties and acts as an institutional-grade liquidity provider with market expertise and global access to over 100 different cryptocurrencies. GDT engages in a number of activities, on behalf of our customers, who are professional market participants - primarily institutional investment entities, and for its own account. Its offerings include OTC spot liquidity provision, and on-exchange liquidity provision, OTC derivatives options trading, and lending and structured product offerings. GDT also engages in proprietary quantitative, arbitrage and macro trading strategies. GDT is a diversified revenue stream that can have varied and/or little correlation with cryptocurrency and digital asset market prices. The correlation of GDT's results to the values of cryptocurrencies and digital assets can vary significantly, due to its implementation of derivatives and hedging strategies, market-neutral trading activities, and other quantitative strategies. Moreover, GDT's counterparty-facing trading activities, while impacted at times by the underlying values of cryptocurrencies and digital assets, can also result in profitmaking during periods of elevated volatility that would drive prices higher or lower, or conversely, could result in losses. GDT's suite of product offerings expanded in November 2020 due to Galaxy's acquisition of two leading cryptocurrency trading firms: DrawBridge, an innovator in digital asset lending, borrowing, and structured products; and Blue Fire, a proprietary trading firm specializing in providing two-sided liquidity for digital assets. These acquisitions also added veteran trading and lending market talent to GDT's leadership team.

In our role as a liquidity provider, we provide pricing information for over 100 different cryptocurrencies globally across all major cryptocurrency and digital asset markets. Our willingness to make markets, commit capital and take risk across numerous cryptocurrencies and digital assets is crucial to our relationships. We provide liquidity on a principal basis and play a critical role in price discovery, thereby improving the efficiency of cryptocurrency markets for all our clients, counterparties and industry participants. Our clients and counterparties are professional market participants, primarily institutional investment entities.

GDT's trading strategies include principal trading and liquidity provision across the full spectrum of exchange and OTC products. GDT provides liquidity for trading in coins/tokens, options/volatility, and structured products including Bitcoin and other digital asset futures and derivatives. In this capacity, GDT provides liquidity on a principal basis on a variety of centralized exchanges and OTC markets. GDT maintains a list of centralized exchanges that are approved as trading counterparties and platforms, and with whom our team spends extensive time working to electronically integrate for access and information flow.

GDT maintains strong relationships with a large number of spot and futures exchanges, digital asset exchanges and custodians, and fiat banking partners, which enables it to move capital and assets around efficiently in order to provide competitively priced liquidity and achieve cross-market opportunities. GDT has consistently added to its onboarded counterparties list; these new counterparties are becoming increasingly institutional in terms of size and sophistication, including a diverse and strategic group of proprietary trading companies, cryptocurrency and digital asset exchange operators, the largest crypto and venture capital investment funds, digital asset mining companies, coin protocols and foundations, family offices, and high and ultra-high net worth individuals.

Our business grew alongside digital asset markets in 2021, which required additional capital for our trading businesses, counterparty trade settlement, collateral management and lending. GDT's lending business grew with an increased demand for institutional borrowing. As such, GDT increased the amount of digital assets borrowed and lent during 2021 to facilitate the growth of our businesses. As of December 31, 2021, GDT had \$192.7 million of digital assets on loan and \$905.0 million of digital assets borrowed for firmwide activities.

Principal Investments

Galaxy Digital Principal Investments ("GDPI"), manages a diverse portfolio of largely private investments across the digital assets industry. Our venture portfolio invests in traditionally structured companies as well as in those building digital asset networks powered and capitalized by tokens.

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

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

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

Asset Management

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

GDAM operates in two business lines, Galaxy Fund Management ("GFM") and Galaxy Interactive ("Galaxy Interactive"). At this time, management fees generally earned by GDAM in both GFM and Galaxy Interactive range from 0.4% to 2.0% of assets under management, and performance fees or "carry" has been structured to be up to 20%.

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

GFM launched its first fund product in April 2018, the Galaxy Crypto Index Fund LP, and continued to launch passive and active strategies for clients ever since. Throughout 2021, GFM launched numerous single asset, sector specific and venture funds to clients directly, and numerous ETF products with its partners in Canada. Galaxy has also submitted filings with the SEC to bring physically backed ETF products to the U.S. with a premier asset management partner. Additionally, GFM completed the acquisition of Galaxy Vision Hill, a premier investment consultant and asset manager.

Galaxy Interactive makes venture capital investments in the interactive sector, targeting the intersection of content, technology and finance. The investment team categorizes the Galaxy Interactive landscape in three buckets—Content, Social, and Technology/Infrastructure—with a particular emphasis on the application of Web3 to these three areas. Galaxy Interactive currently manages two private venture capital funds, with \$658 million in total assets under management. The first fund, Galaxy EOS VC Fund LP, launched in June 2018 with \$325 million of committed capital. After deploying substantially all of the capital in the first fund, Galaxy Interactive launched a commingled successor fund, Galaxy Interactive Fund I, LP, in April 2021.

As of December 31, 2021, GDAM reported preliminary assets under management ("AUM") of \$2.9 billion. AUM consisted of \$2.2 billion in GDAM's Galaxy Fund Management products, and \$658 million in the Galaxy Interactive venture franchise.

Investment Banking

Galaxy Digital Investment Banking, ("GDIB"), is a leader in financial and strategic advisory services for the digital asset, cryptocurrency and blockchain technology sector. GDIB serves global public and private clients with a full spectrum of

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

Mining

Galaxy Digital Mining ("GDM"), launched in September 2020 and has a strategic focus to provide novel and sophisticated financial tools to North American miners.

GDM, in partnership with third-party data center providers, hosts our proprietary bitcoin mining equipment with the intended goal of helping to secure the Bitcoin network while generating low-cost basis Bitcoin through block rewards and network transaction fees. Since its recent inception, GDM has procured Bitcoin mining machines to be utilized for proprietary operations, miner finance, and resale to North American miners for the following primary business activities:

- i. *Proprietary Operations*: GDM mines on a proprietary basis at a colocation facility in North America. GDM increased forward purchase commitments and now expects to achieve over 2,500 Petahash per second (PH/s) of mining capacity from monthly deliveries by the end of 2022.
- ii. *Miner Finance*: Offer state of the art credit underwriting for selected miners to finance machines.
- iii. *Resale*: Resell purchased machines to other North American miners that require machines, but not financing.

Additionally, GDM, utilizing its deep experience in the sector, seeks to "sell the firm" by partnering with other Galaxy businesses to deliver financial services to miners, including liquidity, hedging, asset leasing and financing, and advisory services.

GDM is also dedicated to managing its carbon footprint by increasing the use of clean energy. As of December 31, 2021, GDM is utilizing electricity with an over 80% sustainable power mix and has a three-year target to maintain an over 80% sustainable power mix.

GDM is currently exclusively engaged in bitcoin mining and as of today has no intentions to mine other cryptocurrencies. As of December 31, 2021, all of GDM's mined bitcoin are held at BitGo, our third-party custodian, and stored and maintained in cold storage wallets. GDM receives regular reports regarding the operations of its accounts.

Risks and Uncertainties

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

Annual Highlights & Results

<i>\$'s in millions</i>	December 31, 2021	December 31, 2020	December 31, 2019
Investment in associate	\$ 841.5	\$ 247.0	\$ 81.0
Total assets	888.8	267.8	81.0
Shareholders' equity	786.3	247.0	81.0

<i>\$'s in millions</i>	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2018
Operating expenses	\$ (0.1)	\$ —	\$ —
Equity income from associate	506.7	103.4	5.8
Impairment on investment in associate	—	—	(138.4)
Tax receivable agreement expense	(2.5)	—	—
Net income (loss) and comprehensive income (loss) for the period	504.0	103.4	(132.5)

- As of December 31, 2021, total assets stood at \$888.8 million (December 31, 2020 - \$267.8 million), an increase of \$621.0 million, primarily a result of the Company's share of income from its investment in associate. As of December 31, 2020, total assets stood at \$267.8 million (2019 - \$81.0 million), a increase of \$186.8 million from December 31, 2019. The increase was primarily a result of the Company's share of income from its investment in associate.
- The Company had no or minimal net operating expenses for the years and period ended December 31, 2021, 2020 and 2021 as the operating expenses incurred during the years and period (\$4.2 million; 2020 - \$1.9 million; 2019 - \$1.3 million) were reimbursed by GDH LP.
- The net comprehensive income for year ended December 31, 2021 was \$139.6 million and \$402.1 million as compared to the net comprehensive income of \$92.1 million and of \$103.4 million in 2020. The current quarter and year income was primarily due to the Company's share of income from its investment in GDH LP. The net comprehensive income for the year ended December 31, 2020 was \$103.4 million to the Company's share of income from its investment in GDH LP.
- As the only significant asset of the Company is its minority interest in GDH LP, the results of the Company will be driven by the results of GDH LP. For additional information on the results of GDH LP, see Annual Highlights and Results, Performance by Reportable Segment, and the Financial Instruments, Digital Assets and Risk sections of GDH LP's MD&A, which is filed as an appendix to the GDH Ltd. MD&A.**
- As indicated in the Liquidity and Capital Resources section, the Company is dependent on financial support from GDH LP, which has the obligation to reimburse the Company for all reasonable operational expenses per the LPA.

Other

Information for the eight quarters has been presented in accordance with IFRS. The results of the Partnership are impacted by the performance of its digital assets and investments.

<i>\$'s in millions</i>	Three months ended December 31, 2021	Three months ended September 30, 2021	Three months ended June 30, 2021	Three months ended March 31, 2021
Net income (loss) and comprehensive income (loss) for the period	\$ 139.6	\$ 109.6	\$ (49.2)	\$ 202.1

<i>\$'s in millions</i>	Three months ended December 31, 2020	Three months ended September 30, 2020	Three months ended June 30, 2020	Three months ended March 31, 2020
Net income (loss) and comprehensive income (loss) for the period	\$ 92.1	\$ 9.5	\$ 8.0	\$ (6.2)

Discussion of Operations and Operational Highlights

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

Corporate Overview

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

On May 5, 2021, Galaxy Digital 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 Delaware. Galaxy Digital'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 will include the following steps:

- Galaxy Digital Inc., a new Delaware holding company, will be established and will become the successor public company of GDH Ltd. ("PubCo"), with all outstanding Galaxy Digital ordinary shares becoming Class A shares of PubCo.
- Mike Novogratz, the CEO and Founder of Galaxy Digital, 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 Digital 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 a U.S. national securities exchange.

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 Digital in the United States.
- Normalization of Galaxy Digital's corporate and capital structure.
- Facilitation of acquisitions.
- Alignment of all stakeholders' interests at the PubCo level.

- **GDH Ltd acquisition of BitGo:**

On March 30, 2022, GDH Ltd. amended and restated the merger agreement governing its previously announced acquisition of BitGo. BitGo is an independent digital assets infrastructure provider. Under the terms of the amended and restated merger agreement, the consideration to BitGo shareholders will consist of 44.8 million newly issued shares of common stock of the successor to GDH Ltd. following its domestication as a Delaware corporation and \$265 million in cash, subject to certain adjustments and deferred purchase considerations. The acquisition is expected to close immediately following the domestication of GDH Ltd. as a Delaware corporation, subject to approval by the Company's shareholders as well as certain other acquisition-related closing conditions and regulatory approvals. The BitGo acquisition will diversify the Company's business, with greater contribution from recurring revenue streams that are significantly less correlated with digital asset prices. The acquisition will also accelerate product innovation and development capabilities by adding over 200 full-time BitGo employees, many of whom focus on engineering, research and development, or work in other technical or infrastructure roles. The Company believes the near term revenue synergy opportunities, paired with BitGo's strong base business and growth trajectory, support the value of the acquisition.

◦

- **GDH Ltd. listing on Toronto Stock Exchange ("TSX"):**

The Company is listed on the TSX and effective August 4, 2021, successfully exited the TSX Sandbox program. TSX Sandbox is an initiative intended to facilitate listing applications that may not satisfy the original listing requirements of the TSX, but due to facts or situations unique to a particular issuer otherwise warrant a listing on the TSX. The Company graduated having completed a twelve-month period without significant compliance issues after graduation.

Corporate updates

- **Director and Officer Updates:**

On March 2, 2022, the Company announced that it had appointed Jane Dietze to its Board of Directors.

During the year the Company announced the following appointments:

- Erin Brown as the Company's Chief Operating Officer
- Michel Daffey as Senior Advisor and Chair of the board of directors (the "Board")
- Alex Ioffe as the Company's Chief Financial Officer
- Jennifer Lee as the Company's Chief People Officer
- Sebastian Benkert as the Company's Chief Marketing Officer
- Eddie Schwartz as the Company's Chief Security Officer
- Felix Cua as the Company's Chief Risk Officer
- Neal Katyal as the Senior Advisor and Chair of the Company's newly-formed Advisory board.

- **Auditor:**

Effective August 13, 2021 (the "Effective Date"), Davidson & Company LLP ("Davidson"), at the request of GDH Ltd, resigned as auditors of both the Company and the Partnership and KPMG LLP ("KPMG") was appointed as auditors of the Company and the Partnership to fill this vacancy.

On August 16, 2021, GDH Ltd. filed a notice of change of auditor, a letter from Davidson and a letter from KPMG on SEDAR which confirmed that: (i) the resignation of Davidson and appointment of KPMG were considered and approved by the Board, (ii) there have been no modified opinions in Davidson's reports for GDH Ltd's two most recently completed fiscal years or for any period subsequent to the most recently completed period for which an audit report was issued and preceding the Effective Date, (iii) there were no reportable events (as defined in NI 51-102) in connection with the audits for the period commencing at the beginning of GDH Ltd's two most recently completed financial years and ending on the Effective Date.

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

- **GDH Ltd. acquisitions:**

Vision Hill Group, Inc.

On May 19, 2021, GDH Ltd. legally acquired Vision Hill Group Inc. and Vision Hill Advisors, LLC (together, "Vision Hill" or "VHG"). Vision Hill is a Delaware limited liability company and is an asset manager in the digital assets space with four distinct business units: a family of crypto hedge fund indices; a crypto asset manager intelligence database called "VisionTrack"; a bespoke consulting business for allocators; and a fund manager for fund of funds. Consideration for the acquisitions included 1,065,295 GDH Ltd. shares plus \$5.5 million of cash, net of company transaction expenses.

Financial Instruments and Other Risk

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts, if applicable. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. As of December 31, 2021, the Company is not exposed to significant credit risk.

Liquidity risk

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

Interest rate risk

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

Foreign exchange risk

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

Digital assets and market risks

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

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

Liquidity and Capital Resources

Financial support

As the Company is a holding company, it is dependent on GDH LP to fund its operating expenses. In accordance with the LPA, GDH LP will reimburse or pay for all reimbursable expenses of GDH Ltd. or its subsidiary, GDH Intermediate LLC. The reimbursable expenses include all expenses reasonably incurred by GDH Ltd. or its subsidiary in the conduct of its business, including fees related to professional advisors, required or advisable licenses and filing, and directors fees. For the year ended December 31, 2021, GDH LP paid or accrued \$4.2 million (2020 - \$1.9 million) for the reimbursable expenses on behalf of GDH Ltd.

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

Private Investment in Public Equity ("PIPE")

On November 12, 2020 (the "Closing"), GDH Ltd. closed a PIPE of \$50 million of aggregate gross proceeds (\$49.3 million net of cash share issuance costs of \$0.7 million). As part of the PIPE, GDH Ltd. issued 19,070,000 shares and 4,767,500 warrants. Each share was accompanied by a warrant to purchase 0.25 of an ordinary share ("security") and each security was issued at a price of C\$3.50. Each warrant is exercisable for a term of two years from the date of issuance at an exercise price of C\$8.25. All securities issued pursuant to the PIPE will be subject to certain selling restrictions set forth in the investment agreements.

The liquidity available to the Partnership for subsequent periods are set out below.

(in thousands)	As of December 31, 2021	As of December 31, 2020
Estimated working capital	\$ 877,111	\$ 96,849
Digital Assets, net	1,848,112	420,603
	<u>\$ 2,089,566</u>	<u>\$ 517,452</u>

Working capital as of December 31, 2021 and December 31, 2020 is calculated as the sum of cash, receivable for digital asset trades, cash posted as collateral, receivables, due from broker, due from exchange, prepaid expenses and other assets; less accounts payable and accrued liabilities, payable for digital asset trades, short-term lease liability, and payables to customers.

Digital assets, net as of December 31, 2021 and December 31, 2020 which 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 and assets that do not belong to Galaxy.

The following table presents the summary of the Partnership's contractual obligations as of December 31, 2021:

Contractual Obligations (in thousands)	Payments Due by Period				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Digital asset loans payable and digital assets sold short	\$ 905,013	905,013	\$ —	\$ —	\$ —
Lease obligations	20,942	3,463	6,962	4,945	5,572
Purchase obligations ¹	38,417	38,417	—	—	—
Other obligations ²	39,812	19,906	19,906	—	—
Total Contractual Obligations	\$ 1,004,184	\$ 966,799	\$ 26,868	\$ 4,945	\$ 5,572

⁽¹⁾ "Purchase obligations" includes the outstanding amount of an agreement for the purchase of blockchain servers.

⁽²⁾ "Other obligations" includes the obligations to six portfolio companies to fund the Partnership's remaining capital commitment and an investment sold short balance as of December 31, 2021.

As of December 31, 2021, the Company did not have any commitment for capital expenditures.

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

Off-balance sheet arrangements

As of December 31, 2021, the Company did not have any off-balance sheet arrangements, other than the financial support mentioned in the Liquidity and Capital Resources section, that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, without limitation, such considerations as liquidity and capital resources that have not been previously been discussed.

Commitments and Contingencies

GDH LP Class B Units

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

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

- Standard Units - 19,068 of the Standard Units vested 100% on December 15, 2020. Once vested, each Standard Unit can be exchanged for one share of GDH Ltd. for no additional consideration. The fair value of the Standard Units

transferred, measured as of the grant date, was \$0.1 million (or approximately \$4.7765 per Standard Unit) based on the 10-day volume weighted average share price of GDH Ltd. from December 2, 2020 through December 15, 2020 ("10-day WA") and on the number of Standard Units expected to vest (100%). The fair value was recognized in 2020.

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

As of December 31, 2021, after accounting for exchanges and forfeitures, there were 228,701,080 (December 31, 2020 - 229,404,568) Class B Units issued, of which 228,110,373 (December 31, 2020 - 222,905,934) were outstanding and exercisable into ordinary shares of GDH Ltd.

Stock Option Plan

The Company has a stock option plan (the "Plan") to grant options, which are exercisable into an equivalent amount of the Company's ordinary shares, to employees, officers, directors and consultants of the Company and its affiliates (inclusive of GDH LP). The number of stock options granted to any person within a one-year period will not exceed 5% and the number granted to those individuals considered consultants or providing investor relations services may not exceed 2% in a one-year period, in each case on a fully diluted basis. Under the Plan, the exercise price of each option may not be less than the market price of the Company's shares at the date of grant. Options granted under the Plan will have a term not to exceed 5 years and be subject to vesting provisions as determined by the Board of Directors of the Company who administer the Plan. On exercise of an option, the holder will receive one ordinary share in the Company and GDH LP will issue one Class A Unit to the Company.

Long Term Incentive Plan

In May 2021, the Board of Directors of the Company approved a Long Term Incentive Plan ("LTIP") to grant stock options, stock appreciation rights, restricted stock, and share units (in the form of restricted share units and/or performance share units) to employees, officers, and consultants of the Company and its affiliates (inclusive of GDH LP) and deferred share units to non-employee directors of the Corporation and non-employee managers of the board of managers of the General Partner, subject to shareholder approval, which was received on June 29, 2021. Under the LTIP Plan, the exercise price of each option may not be less than the market price of GDH Ltd.'s shares at the date of grant. Options granted under the Plan will have a term not to exceed ten years and will be subject to vesting provisions as determined by the board of directors of GDH Ltd., who administer the Plan. On exercise of an option, the holder will receive one ordinary share in GDH Ltd. and GDH LP will issue one Class A Unit to GDH Ltd. The maximum number of shares reserved for issuance under the Plan is fixed at 48,290,478 shares of GDH Ltd. Following the approval of the LTIP, the Company will no longer make grants under the Plan and future grants will be made from the LTIP Plan. The Plan reserve has been rolled over into the LTIP.

Non-Treasury Plan

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

A summary of stock options outstanding as of December 31, 2021 is as follows:

Grant Date	Number Outstanding	Number Exercisable	Exercise Price (C\$)	Expiry Date
Employees and Officers:				
July 31, 2018	5,199,222	2,985,472	3.00	July 23, 2023
July 31, 2018	126,000	94,500	5.00	July 23, 2023
September 10, 2018	103,600	77,700	3.00	July 23, 2023
June 25, 2019	1,699,700	1,197,200	2.15	June 25, 2024
April 9, 2020	3,571,623	1,148,282	1.35 - 1.85	April 9, 2025
June 25, 2020	750,000	750,000	1.39	June 25, 2025
November 16, 2020	150,000	150,000	5.65	June 25, 2025
November 16, 2020	5,698,400	325,900	5.65	November 16, 2025
December 3, 2020	7,437,300	1,812,300	6.21	December 3, 2025
December 8, 2020	552,500	136,250	6.00	December 8, 2025
December 21, 2020	100,000	25,000	8.02	December 21, 2025
May 27, 2021	3,725,000	—	23.12 - 25.00	May 27, 2026
August 17, 2021	300,000	—	22.27 - 35.00	August 17, 2026
September 29, 2021	400,000	—	20.00	September 29, 2026
December 1, 2021	550,000	—	30.76	December 1, 2026
December 8, 2021	50,000	—	25.69	December 8, 2026
Total	30,413,345	8,702,604		

As of March 31, 2022, there were 30,381,795 options outstanding of which 12,153,887 were exercisable.

Restricted Share Units

On May 27, 2021, the Partnership granted 6,191,482 restricted share units that will be settled in shares with a fair value of \$118.1 million (or a weighted average fair value of \$19.0665 per share). The restricted share units vest over three to four years with varying vest schedules.

On May 27, 2021, the Partnership granted 422,016 restricted share units that will be settled in cash. The restricted share units vest over three to four years with varying vest schedules and had a fair value of \$8.0 million at grant date. The outstanding liability related to cash settled units as of December 31, 2021 was \$1.0 million.

On August 17, 2021, the Partnership granted 453,629 restricted share units that will be settled in shares with a fair value of \$7.1 million (or a weighted average fair value of \$15.61 per share). The restricted share units vest over three to four years with varying vest schedules.

On August 17, 2021, the Partnership granted 196,851 restricted share units that will be settled in cash. The restricted share units vest over three to four years with varying vest schedules and had a fair value of \$3.1 million at grant date. The outstanding liability related to cash settled units as of December 31, 2021 was \$0.4 million.

On September 29, 2021, the Partnership granted 389,369 restricted share units that will be settled in shares with a fair value of \$5.9 million (or a weighted average fair value of \$15.03 per share). The restricted share units vest over three to four years with varying vest schedules.

On September 29, 2021, the Partnership granted 108,000 restricted share units that will be settled in cash. The restricted share units vest over three to four years with varying vest schedules and had a fair value of \$1.6 million at grant date. The outstanding liability related to cash settled units as of December 31, 2021 was \$0.1 million.

On December 1, 2021, the Partnership granted 810,000 restricted share units that will be settled in shares with a fair value of \$18.5 million (or a weighted average fair value of \$22.83 per share). The restricted share units vest over three to four years with varying vest schedules.

On December 1, 2021, the Partnership granted 51,445 restricted share units that will be settled in cash. The restricted share units vest over three to four years with varying vest schedules and had a fair value of \$1.2 million at grant date. The outstanding liability related to cash settled units as of December 31, 2021 was not significant.

On December 8, 2021, the Partnership granted 160,000 restricted share units that will be settled in shares with a fair value of \$3.3 million (or a weighted average fair value of \$20.32 per share). The restricted share units vest over three to four years with varying vest schedules.

On December 8, 2021, the Partnership granted 23,500 restricted share units that will be settled in cash. The restricted share units vest over three to four years with varying vest schedules and had a fair value of \$0.5 million at grant date. The outstanding liability related to cash settled units as of December 31, 2021 was not significant.

Grants to Directors

On August 17, 2021, the Partnership granted 33,864 deferred share units as part of annual director compensation that will be settled in shares with a fair value of \$0.5 million (or a weighted average fair value of \$15.61 per share). The deferred share units vest in June 2022, corresponding with the directors term.

Restricted Shares of GDH Ltd.

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

On May 19, 2021, in connection with the Vision Hill business combination (Note 6), the Partnership granted 845,428 restricted shares of GDH Ltd. with a fair value of \$16.2 million (or a weighted average fair value of \$19.1064). The restricted shares vest annually over three years.

Transactions with related parties

Compensation to key management personnel

The Company's related parties include its subsidiary, associates over which it exercises significant influence, and key management personnel. Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers, directors, companies controlled by officers and directors and companies with common directors of the Company. Compensation provided to key management personnel for the years ended December 31, 2021 and 2020 follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Directors fees	\$ 565	\$ 498

Other

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

In addition, the CEO of GDH Ltd. was a member of the advisory board for another company, resulting in GDH Ltd. and that company being related parties. As of December 31, 2021, GDH LP had an investment valued at \$121.3 million (2020 - \$19.6 million.)

In accordance with the LPA, GDH LP will reimburse or pay for all reimbursable expenses of the Company. For the year ended December 31, 2021, GDH LP paid or accrued \$4.2 million (2020 - \$1.9 million) for the reimbursable expenses on behalf of GDH Ltd.

As at December 31, 2021, the Company had \$25.2 million in payable to GDH LP. for reimbursement from warrant and stock option exercises, net of reimbursable expenses.

Change in Accounting Policies including Initial Adoption

There were no changes to the accounting policies for the year ended December 31, 2021.

Share Capital

Common Stock

As of December 31, 2021, after accounting for additional issuances related to exchanges of GDH LP Class B Units during the period, share repurchases, issuance of shares on exercise of options and shares issued for business combinations and the PIPE, there were 101,550,494 ordinary shares issued and outstanding. As of March 31, 2022, there were 101,635,882 ordinary shares issued and outstanding.

Stock Options

As of December 31, 2021 in addition to the stock options disclosed under ‘Commitments and Contingencies’, the Company had the 11,869 stock options with a weighted average exercise price of C\$12.64, which expired on July 21, 2021.

Warrants

As of December 31, 2020, 1,647,556 warrants were outstanding (December 31, 2020: 4,767,500). As of March 31, 2022, 1,623,718 warrants were 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.

Management, with the participation of the CEO and the CFO, assessed the effectiveness of the Company's disclosure controls and procedures as of December 31, 2021. Based upon the results of that evaluation, the CEO and the CFO concluded that the disclosure controls and procedures were effective to provide reasonable assurance that material information relating to the Company is accumulated and communicated to management (particularly during the period in which the Company's annual filings are being prepared) to allow timely decisions regarding required disclosure, and that the information disclosed by the Company in the reports that it files is appropriately recorded, processed, summarized and reported within the time period specified in applicable securities legislation.

Internal Control over Financial Reporting

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

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

For the year-ended, we 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 sufficient internal controls over financial reporting related to financial statement presentation and the selection and application of accounting standards for certain borrowing arrangements, derivative contracts, issued financial instruments, and investments. Moreover, we did not design compensating controls that were precise enough to prevent or detect a material misstatement. We believe this material weakness existed because we had an insufficient number of dedicated resources with the requisite technical accounting skills to analyze and review these arrangements and contracts.
- 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, and the valuation of investments.

- 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.

Certain material weaknesses resulted in presentation changes to the financial statements and related disclosures, which were recorded prior to the issuance of the consolidated financial statements as of and for the year ended December 31, 2021.

Remediation Plan

We continue to execute our plan to remediate the material weaknesses identified in the prior quarter and have enhanced the plan to address the newly identified material weaknesses. The remediation measures will be ongoing, and although not all inclusive, remediation measures include hiring additional accounting and financial reporting personnel and implementing additional policies, procedures, and controls.

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

Other than disclosed above, there have been no significant changes to the Company's ICFR for the year ended December 31, 2021, which have materially affected, or are reasonably likely to materially affect the Company's ICFR.

Additional information relating to the Company, including the AIF, is available on GDH Ltd.'s SEDAR profile at www.sedar.com.

Management's Responsibility for Financial Statements

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

Appendix



GALAXY
D I G I T A L

Galaxy Digital Holdings LP
Management's Discussion and Analysis

For the Years Ended December 31, 2021 and 2020

March 31, 2022

Introduction

This Management's Discussion and Analysis ("MD&A"), dated March 31, 2022, relates to the financial condition and results of operations of Galaxy Digital Holdings LP ("GDH LP" or together with its subsidiaries, the "Partnership") together with its subsidiaries as of March 31, 2022, and is intended to supplement and complement the Partnership's consolidated financial statements for the year ended December 31, 2021 and December 31, 2020 and should be read in conjunction therewith. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations ("NI 51-102"). The consolidated financial statements and MD&A are presented in U.S. dollars, unless otherwise noted and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results presented for the year ended December 31, 2021 and December 31, 2020 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 Holding 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, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These forward-looking statements relate to the future of the industry or the Partnership's future results, business or opportunities. 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.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Partnership's ability to predict or control. Forward-looking statements are subject to the risk that the industry or the Partnership's businesses do not perform as anticipated, that revenue or expenses estimates may not be met or may be materially less or more than those anticipated, that expected transactions may be modified or not completed at all and those other risks described in this MD&A, the Management's Discussion and Analysis of Galaxy Digital Holdings Ltd. ("GDH Ltd." or "Company"), dated March 31, 2022, and those referenced in this MD&A and contained in the Risk Factors section of the Annual Information Form ("AIF") dated March 31, 2022 of GDH Ltd. 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, 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 businesses, or our businesses achieving mandates; delays in the delivery of new mining equipment; and changes in applicable law or regulation and adverse regulatory developments. Readers are cautioned that such risk factors, uncertainties and other factors are not exhaustive. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. The forward-looking statements in this MD&A are applicable only as of the date of this MD&A or as of the date specified in the relevant forward-looking statement and the Partnership does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable securities laws. Investors are cautioned that forward-looking statements are not guarantees of future performance and are inherently uncertain. Accordingly, investors are cautioned not to put undue reliance on forward-looking statements.

Overview

The Partnership is a limited partnership formed under the laws of the Cayman Islands on May 11, 2018. Galaxy Digital Holdings GP LLC ("GDH GP" or the "General Partner"), is a limited liability company incorporated under the laws of the Cayman Islands on July 26, 2018 and serves as the general partner of the Partnership. Galaxy Group Investments LLC ("GGI"), a Delaware limited liability company, which is owned by Michael Novogratz, is the sole member of GDH GP and continues to be the majority owner of the Partnership as of December 31, 2021.

The Partnership's principal address is 300 Vesey Street, New York, NY 10282. The Partnership also has offices in London, England; Hong Kong; Amsterdam, Netherlands; Jersey City, U.S.; Chicago, U.S. and the Cayman Islands (registered office).

As of the date of this filing, the Partnership has 352 full-time employees.

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

Transaction

Background

In early 2018, Galaxy LP, the personal investing business of Michael Novogratz, set out to build an institutional-quality merchant banking business in the blockchain, digital asset and cryptocurrency space. As a result, in January 2018, Michael Novogratz contributed his portfolio of digital assets and related investments to Galaxy LP, which had a fair value of approximately \$302 million ("Asset Contribution").

Through a series of transactions and, by way of a plan of arrangement (the "Transaction" or "Arrangement"), Galaxy LP and First Coin Capital Corp. ("First Coin") formed GDH LP and Bradmer Pharmaceuticals Inc. ("Bradmer") changed its name to Galaxy Digital Holdings Ltd. ("GDH Ltd."). Galaxy LP became a subsidiary of GDH LP. Subsequently, pursuant to policies of the TSX Venture Exchange ("TSX-V"), Bradmer's listing was reactivated under the new ticker GLXY.

GDH Ltd. is currently listed on the TSX. Effective August 4, 2021, it successfully exited the TSX Sandbox program. TSX Sandbox is an initiative intended to facilitate listing applications that may not satisfy the original listing requirements of the TSX, but due to facts or situations unique to a particular issuer otherwise warrant a listing on the TSX. The Company graduated having completed a twelve-month period without significant compliance issues.

Limited Partnership Agreement

GDH LP, GDH GP, GDH Ltd., GDH Intermediate LLC (a wholly owned subsidiary of GDH Ltd. established as a tax-efficient blocker corporation or similar entity for U.S. tax purposes) and each of the Persons admitted as a "Class B Limited Partner" entered into the limited partnership agreement (as amended from time to time, the "LPA"). In June 2020, the boards of the General Partner, the Company and the limited partners of the Partnership approved an amendment to the limited partnership agreement (the "Fourth Amended and Restated LPA"). Certain key terms of the LPA include the following:

- *Units* - there are two classes of partnership interests ("Units"): Class A Units, which are held by GDH Ltd., and Class B Units, which are held by GGI and other Class B limited partners.
- *Issuance of Additional Units* - the General Partner will not cause the Partnership to issue any additional Class B Units unless the General Partner determines there is a bona fide business or strategic reason to raise equity capital through the issuance of Class B Units, provided that the aggregate amount of Class B Units that may be issued is less than or equal to 70,000,000 or the GDH Ltd. board of directors approves such issuance.
- *Allocations of Income, Gain, Loss, Deduction and Credit* - each item of income, gain, loss, deduction and credit will be allocated pro-rata between Class A Units and Class B Units.
- *Issuances and redemptions of common stock of GDH Ltd.* - If GDH Ltd. issues any of its ordinary shares, the General Partner will, only if either (i) the General Partner has consented to such issuance or (ii) the issuance receives approval by the limited partners holding the majority of Units, cause the Partnership to issue to GDH Ltd., in exchange for GDH Ltd. promptly contributing the net cash proceeds of the issuance to the Partnership, a number of Class A Units equal to the number of ordinary shares issued. Upon the redemption, repurchase, or other acquisition of ordinary shares by GDH Ltd., the Partnership will, at substantially the same time as the redemption, repurchase or acquire, redeem or

cancel Class A Units equal to the number of ordinary shares redeemed, repurchased or acquired for an amount equal to the net cash amount paid by the GDH Ltd. for such redemption, repurchase, or other acquisition.

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

The LPA also allows the General Partner, in its sole discretion, to make Tax Distributions. Amounts distributed pursuant to the tax distribution provision will be treated as an advance against, and shall reduce (on a dollar for dollar basis), future amounts that would otherwise be distributable to such limited partners. The LPA provides that the value of any tax distribution made shall not exceed 25% of the Partnership's market capitalization determined at the time the General Partner determines to make such distribution.

In June 2020, the board of the General Partner approved a tax distribution of up to \$2.5 million in respect of taxable income related to tax year 2019 and estimated taxable income related to tax year 2020, which was distributed in 2021. Certain of the recipients of the tax distributions are related parties. During the period ended December 31, 2021, the General Partner made tax distributions of \$45.1 million in respect of taxable income related to tax year 2021 and \$19.9 million in respect of taxable income related to tax year 2020. Certain of the recipients of the tax distributions are related parties.

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

Accounting for the Investment by GDH Ltd.

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

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

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

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

Description of Business

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

Trading

Galaxy Digital Trading ("GDT"), provides spot, derivative and financing liquidity to clients, counterparties and venues that transact in cryptocurrencies and other digital assets. GDT has over 750 unique counterparties and acts as an institutional-grade liquidity provider with market expertise and global access to over 100 different cryptocurrencies. GDT engages in a number of activities, on behalf of our customers, who are professional market participants - primarily institutional investment entities, and for its own account. Its offerings include OTC spot liquidity provision, and on-exchange liquidity provision, OTC derivatives options trading, and lending and structured product offerings. GDT also engages in proprietary quantitative, arbitrage and macro trading strategies. GDT is a diversified revenue stream that can have varied and/or little correlation with cryptocurrency and digital asset market prices. The correlation of GDT's results to the values of cryptocurrencies and digital assets can vary significantly, due to its implementation of derivatives and hedging strategies, market-neutral trading activities, and other quantitative strategies. Moreover, GDT's counterparty-facing trading activities, while impacted at times by the underlying values of cryptocurrencies and digital assets, can also result in profitmaking during periods of elevated volatility that would drive prices higher or lower, or conversely, could result in losses. GDT's suite of product offerings expanded in November 2020 due to Galaxy's acquisition of two leading cryptocurrency trading firms: DrawBridge, an innovator in digital asset lending, borrowing, and structured products; and Blue Fire, a proprietary trading firm specializing in providing two-sided liquidity for digital assets. These acquisitions also added veteran trading and lending market talent to GDT's leadership team.

In our role as a liquidity provider, we provide pricing information for over 100 different cryptocurrencies globally across all major cryptocurrency and digital asset markets. Our willingness to make markets, commit capital and take risk across numerous cryptocurrencies and digital assets is crucial to our relationships. We provide liquidity on a principal basis and play a critical role in price discovery, thereby improving the efficiency of cryptocurrency markets for all our clients, counterparties and industry participants. Our clients and counterparties are professional market participants, primarily institutional investment entities.

GDT's trading strategies include principal trading and liquidity provision across the full spectrum of exchange and OTC products. GDT provides liquidity for trading in coins/tokens, options/volatility, and structured products including Bitcoin and other digital asset futures and derivatives. In this capacity, GDT provides liquidity on a principal basis on a variety of centralized exchanges and OTC markets. GDT maintains a list of centralized exchanges that are approved as trading counterparties and platforms, and with whom our team spends extensive time working to electronically integrate for access and information flow.

GDT maintains strong relationships with a large number of spot and futures exchanges, digital asset exchanges and custodians, and fiat banking partners, which enables it to move capital and assets around efficiently in order to provide competitively priced liquidity and achieve cross-market opportunities. GDT has consistently added to its onboarded counterparties list; these new counterparties are becoming increasingly institutional in terms of size and sophistication, including a diverse and strategic group of proprietary trading companies, cryptocurrency and digital asset exchange operators, the largest crypto and venture capital investment funds, digital asset mining companies, coin protocols and foundations, family offices, and high and ultra-high net worth individuals.

Our business grew alongside digital asset markets in 2021, which required additional capital for our trading businesses, counterparty trade settlement, collateral management and lending. GDT's lending business grew with an increased demand for institutional borrowing. As such, GDT increased the amount of digital assets borrowed and lent during 2021 to facilitate the growth of our businesses. As of December 31, 2021, GDT had \$192.7 million of digital assets on loan and \$905.0 million of digital assets borrowed for firmwide activities.

Asset Management

Galaxy Digital Asset Management ("GDAM") manages capital on behalf of third parties in exchange for management fees and performance-based compensation. GDAM creates products that provide clients with seamless access to digital assets investments through both passive and active fund strategies, solving custodial, technical and regulatory obstacles. GDAM's differentiating factors are its long-tenured professionals with institutional experience managing third party capital across a variety of traditional asset classes, an acute focus on risk management and compliance, strong relationships with key counterparties and a deep connectivity throughout the blockchain and cryptocurrency ecosystem. We have a track record of bringing differentiated products to market in a timely manner to address the evolving needs within the ecosystem. GDAM

leverages partnerships with prominent asset management industry players including CI, CAIS, Bloomberg, Morgan Stanley, and Invesco to accelerate product development, speed-to-market, distribution, and reach a global scale.

GDAM operates in two business lines, Galaxy Fund Management (“GFM”) and Galaxy Interactive (“Galaxy Interactive”). At this time, management fees generally earned by GDAM in both GFM and Galaxy Interactive range from 0.4% to 2.0% of assets under management, and performance fees or “carry” has been structured to be up to 20%.

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

GFM launched its first fund product in April 2018, the Galaxy Crypto Index Fund LP, and continued to launch passive and active strategies for clients ever since. Throughout 2021, GFM launched numerous single asset, sector specific and venture funds to clients directly, and numerous ETF products with its partners in Canada. Galaxy has also submitted filings with the SEC to bring physically backed ETF products to the U.S. with a premier asset management partner. Additionally, GFM completed the acquisition of Galaxy Vision Hill, a premier investment consultant and asset manager.

Galaxy Interactive makes venture capital investments in the interactive sector, targeting the intersection of content, technology and finance. The investment team categorizes the Galaxy Interactive landscape in three buckets—Content, Social, and Technology/Infrastructure—with a particular emphasis on the application of Web3 to these three areas. Galaxy Interactive currently manages two private venture capital funds, with \$658 million in total assets under management. The first fund, Galaxy EOS VC Fund LP, launched in June 2018 with \$325 million of committed capital. After deploying substantially all of the capital in the first fund, Galaxy Interactive launched a commingled successor fund, Galaxy Interactive Fund I, LP, in April 2021.

As of December 31, 2021, GDAM reported preliminary assets under management (“AUM”) of \$2.9 billion. AUM consisted of \$2.2 billion in GDAM's Galaxy Fund Management products, and \$658 million in the Galaxy Interactive venture franchise.

Investment Banking

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

Mining

Galaxy Digital Mining (“GDM”), launched in September 2020 and has a strategic focus to provide novel and sophisticated financial tools to North American miners.

GDM, in partnership with third-party data center providers, hosts our proprietary bitcoin mining equipment with the intended goal of helping to secure the Bitcoin network while generating low-cost basis Bitcoin through block rewards and network transaction fees. Since its recent inception, GDM has procured Bitcoin mining machines to be utilized for proprietary operations, miner finance, and resale to North American miners for the following primary business activities:

- i. *Proprietary Operations:* GDM mines on a proprietary basis at a colocation facility in North America. GDM increased forward purchase commitments and now expects to achieve over 2,500 Petahash per second (PH/s) of mining capacity from monthly deliveries by the end of 2022.
- ii. *Miner Finance:* Offer state of the art credit underwriting for selected miners to finance machines.

- iii. *Resale*: Resell purchased machines to other North American miners that require machines, but not financing.

Additionally, GDM, utilizing its deep experience in the sector, seeks to “sell the firm” by partnering with other Galaxy businesses to deliver financial services to miners, including liquidity, hedging, asset leasing and financing, and advisory services.

GDM is also dedicated to managing its carbon footprint by increasing the use of clean energy. As of December 31, 2021, GDM is utilizing electricity with an over 80% sustainable power mix and has a three-year target to maintain an over 80% sustainable power mix.

GDM is currently exclusively engaged in bitcoin mining and as of today has no intentions to mine other cryptocurrencies. As of December 31, 2021, all of GDM’s mined bitcoin are held at BitGo, our third- party custodian, and stored and maintained in cold storage wallets. GDM receives regular reports regarding the operations of its accounts.

Principal Investments

Galaxy Digital Principal Investments ("GDPI"), manages a diverse portfolio of largely private investments across the digital assets industry. Our venture portfolio invests in traditionally structured companies as well as in those building digital asset networks powered and capitalized by tokens.

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

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

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

Risks and Uncertainties

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

Annual Highlights & Results

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

(in millions)	December 31, 2021	December 31, 2020	December 31, 2019
Digital assets	\$ 2,420.8	\$ 931.5	\$ 86.0
Digital assets posted as collateral	71.4	15.6	8.2
Total	2,492.2	947.1	94.2
Investments	1,069.8	260.4	158.2
Total assets	5,096.5	1,562.6	402.8
Total liabilities, excluding non-controlling interests liability	2,336.7	478.4	47.7
Total equity	2,598.4	798.2	347.8

(in millions)	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019
Net realized gain (loss) on digital assets	\$ 1,014.3	\$ 271.1	\$ 72.0
Net realized gain (loss) on investments	231.4	10.8	37.9
Net derivative gain (loss)	10.8	5.7	12.4
Total income (loss)	1,365.6	304.2	132.3
Operating expenses	(364.6)	(79.9)	(82.2)
Net unrealized gain (loss) on digital assets	451.5	239.7	(12.0)
Net unrealized gain (loss) on investments	547.0	90.6	(12.5)
Net comprehensive income (loss) for the year	\$ 1,714.6	\$ 385.5	\$ 26.0

Change in Financial Statements Presentation

Please note that Non-controlling interests were reclassified from “Equity” to “Liabilities” within the Partnership's consolidated statements of financial position. Similarly, gains and losses attributed to the Non-controlling interests were reclassified from “Net Income attribution” to “Expenses” within the Partnership's consolidated statements of comprehensive income. Because Non-controlling interests comprise assets from third-party investors in funds that we consolidate (based on an accounting control determination), the corresponding gains and losses attributed to these Non-controlling interests are not attributable to the Partnership. As such, we historically excluded these amounts from selected financial data presented in the MD&A, since these gains and losses were not part of our results of operations. Following the reclassification, we will continue to exclude these amounts from selected financial data in the MD&A because their nature did not change, and these gains and losses continue to not be a part of our results of operations.

The revised presentation on the consolidated financial statements resulted in the following changes in this presentation. Descriptions of the selected financial data line items were revised as a result of the reclassifications. There were no changes to the underlying numbers.

Consolidated Statements of Financial Position

Original Line Description	Revised Line Description
Total liabilities	Total liabilities excluding non-controlling interests liability
Total Equity excluding non-controlling interests	Total Equity

Consolidated Statements of Comprehensive Income

Original Line Description	Revised Line Description
Net comprehensive income (loss) excluding non-controlling interests	Net comprehensive income (loss)

Please refer to Significant Accounting Policies (Note 3) on the Partnership's consolidated financial statements for further information regarding annual reclassifications. Detailed quarterly revisions presented in a table below. The key change recasting Non-controlling interests to Non-Controlling interests liability was described above, all other revisions were not considered material.

Line items in the revised consolidated statements of comprehensive income

(in millions)	Three months ended December 31, 2021	Three months ended September 30, 2021	Three months ended June 30, 2021	Three months ended March 31, 2021			
	Reported	Revised	Reported	Revised	Reported	Revised	
Net realized gain (loss) on digital assets	\$ 315.6	\$ 149.7	\$ 130.5	\$ (161.1)	\$ (162.5)	\$ 666.7	\$ 730.7
Net derivative gain (loss)	(94.6)	12.8	32.1	117.0	118.5	18.9	(45.2)
Net unrealized gain (loss) on digital assets	228.9	379.5	355.2	(496.3)	(495.6)	362.9	362.9
Net unrealized gain (loss) on investments	145.8	144.3	177.9	172.8	165.1	60.3	58.3
(Gain) loss attributable to non-controlling interests liability	(32.6)	—	(89.7)	—	173.6	—	(248.6)
Net income (loss) attributed to: Non-controlling interests	—	81.1	—	(173.6)	—	248.6	—
Net income	521.3	598.2	517.8	(349.4)	(182.9)	1,108.6	858.0
Net income (loss) excluding non-controlling interests	521.3	517.1	517.8	(175.8)	(182.9)	860.0	858.0
Net comprehensive income for the period	521.3	598.2	517.9	(349.4)	(182.9)	1,108.9	858.2
Net comprehensive income (loss) excluding non-controlling interests	521.3	517.1	517.9	(175.8)	(182.9)	860.2	858.2

Line items in the revised consolidated statements of financial position

(in millions)	December 31, 2021	September 30, 2021		June 30, 2021		March 31, 2021	
		Reported	Revised	Reported	Revised	Reported	Revised
Investments (current)	\$ —	\$ —	\$ —	\$ 613.0	\$ —	\$ 351.6	\$ —
Investments (non-current)	1,069.8	779.9	803.8	—	603.3	—	349.6
Goodwill (current)	—	—	—	24.6	—	15.5	—
Goodwill (non-current)	24.6	24.6	24.6	—	24.6	—	15.5
Digital assets receivables (current)	53.0	215.9	200.7	72.4	75.5	149.3	149.3
Digital assets receivables (non-current)	18.7	18.4	10.1	18.9	16.5	28.2	28.2
Non-controlling interests liability	161.5	—	479.4	—	355.0	—	490.1
Non-controlling interests (equity)	—	470.8	—	355.0	—	490.1	—
Total assets	5,096.5	3,986.7	3,987.0	3,156.3	3,147.3	3,179.4	3,177.4
Total liabilities	2,498.2	1,488.6	1,968.0	1,303.9	1,658.9	1,011.3	1,501.4
Total liabilities excluding non-controlling interests	2,336.7	1,488.6	1,488.6	1,303.9	1,303.9	1,011.3	1,011.3
Total equity	2,598.4	2,498.0	2,019.0	1,852.4	1,488.4	2,168.1	1,676.0
Total liabilities and equity	5,096.5	3,986.7	3,987.0	3,156.3	3,147.3	3,179.4	3,177.4

Year over year comparison

- As of December 31, 2021, digital assets, including digital assets posted as collateral, was \$2.5 billion, an increase of \$1.5 billion from December 31, 2020. This increase was primarily due to the increase in the price of digital assets held by the Partnership due to incremental digital asset investment, trading and lending / borrowing activities. As of December 31, 2021, the Partnership borrowed \$905.0 million of cryptocurrencies to facilitate business operations, an

increase of \$597.5 million over the prior year end. A portion of these cryptocurrencies are included in the December 31, 2021 digital asset balance. Additionally, the expansion of the lending business led to an increase of \$411.9 million of cryptocurrency collateral posted by clients versus the prior year end (\$444.5 million in cryptocurrencies posted as collateral by clients was included in digital assets as of December 31, 2021). Consolidation of certain funds managed by the partnership had an offsetting impact. The digital asset balance held in the consolidated funds managed by the Partnership decreased by \$98.1 million to \$288.5 million as of December 31, 2021. Two of the three fund families consolidated as of December 31, 2020 were deconsolidated as of December 31, 2021. As of December 31, 2020, digital assets, including digital assets posted as collateral, stood at \$947.1 million, an increase of \$852.9 million from December 31, 2019. This increase was primarily due to the increase in the fair value of the digital assets during the year, as the prices of digital assets held by the Partnership increased, as well as an increase in the holdings of certain digital assets due to contributions from non-controlling interests.

- Investments increased \$810 million during the year to \$1.1 billion as of December 31, 2021. The change was primarily due to the increase in value of existing investments in Fireblocks Ltd., Candy Digital, Inc. and Block.one (see "Select Holdings" in the Financial Instruments, Digital Assets and Risk section) and \$340.5 million of new capital deployed by the Principal Investments team during the year. Investments increased \$102.2 million to \$260.4 million as of December 31, 2020. The change was primarily due to the increase in value of investments in GrayScale Bitcoin Cash Trust, Grayscale Ethereum Trust, and BlockFi, Inc. and \$39.3 million of new capital deployed by the Principal Investments team during the year, which were partially offset by unrealized losses in NuCypher, Templum, Inc. and Ripple Labs, Inc.
- Total liabilities excluding non-controlling interests liability increased by \$1.9 billion during the year to \$2.3 billion as of December 31, 2021 primarily due to an increase in the Partnership's digital assets loans, the issuance of \$500 million of exchangeable notes and compensation and compensation related liabilities as headcount increased period over period. Total liabilities excluding non-controlling interests liability increased by \$430.8 million during the prior year to \$478.4 million as of December 31, 2020 primarily due to the increase in digital assets loans payable, accounts payable and accrued liabilities (due to redemptions payable to controlling interests) and the warrant liability that arose as part of the Private Investment in Public Equity (PIPE) raised by GDH Ltd.
- Total equity increased by \$1.8 billion during the year to \$2.6 billion as of December 31, 2021 driven by \$1.7 billion of Net comprehensive income. Total equity increased by \$450.4 million during the year to \$798.2 million as of December 31, 2020 primarily due to \$385.5 million of Net comprehensive income.
- Operating expenses increased for the year ended December 31, 2021 as compared to December 31, 2020 reflecting the following:
 - Higher equity based compensation, compensation and compensation related expenses due to an increase in headcount of 209%, from 91 employees as of December 31, 2020 to 281 employees as of December 31, 2021,
 - Higher general and administrative and professional fees primarily due to increased business activity during the year, and
 - Higher interest expense due to the increase in loans payable.

Operating expenses were lower for the year ended December 31, 2020 as compared to December 31, 2019 primarily due to lower equity based compensation, partially offset by higher interest expense as a result of the increase in loans payable during the year.

- For the year ended December 31, 2021, Net comprehensive income was \$1.7 billion, as compared to Net comprehensive income of \$385.5 million for the year ended December 31, 2020. Income for the year ended December 31, 2021 was largely a result of realized and unrealized gains on digital assets and on investments, partially offset by operating expenses. For the year ended December 31, 2020, Net comprehensive income was \$385.5 million, as compared to Net comprehensive income of \$26.0 million for the year ended December 31, 2019. The year ended December 31, 2020 income was largely a result of realized and unrealized gains on digital assets and on investments, partially offset by the year to date operating expenses. The Net comprehensive income for the year ended December 31, 2019 was largely a result of realized gains on digital assets, partially offset by the year to date operating expenses.
- The U.S. dollar is the presentation currency and functional currency of the major operating subsidiaries for all periods presented above. There have been no changes to the accounting principles applied for all periods presented, except as disclosed in Change in Accounting Policies including Initial Adoption, if applicable.

Quarterly Highlights and Results

Information for the prior quarters has been presented in accordance with IFRS. The results of the Partnership, since its formation, have been impacted by the realized and unrealized gain (loss) on its holdings of digital assets and investments.

(in millions)	Three months ended December 31, 2021	Three months ended September 30, 2021	Three months ended June 30, 2021	Three months ended March 31, 2021	Three months ended December 31, 2020	Three months ended September 30, 2020	Three months ended June 30, 2020	Three months ended March 31, 2020
Net realized gain (loss) on digital assets	\$ 315.6	\$ 130.5	\$ (162.5)	\$ 730.7	\$ 250.3	\$ 10.5	\$ 48.5	\$ (38.2)
Net realized gain (loss) on investments	\$ 6.3	32.6	41.4	151.1	(0.6)	15.8	(4.6)	0.2
Income (loss)	\$ 277.8	216.5	21.5	849.7	256.8	28.7	49.1	(30.5)
Operating expenses	\$ (33.9)	(151.2)	(49.2)	(130.2)	(33.1)	(17.0)	(14.8)	(15.0)
Net unrealized gain (loss) on digital assets	\$ 228.9	355.2	(495.6)	362.9	212.8	16.2	(2.2)	12.9
Net unrealized gain (loss) on investments	\$ 145.8	177.9	165.1	58.3	61.9	17.0	7.0	4.7
Net comprehensive income (loss) for the period	\$ 521.3	517.9	(182.9)	858.2	335.6	41.5	35.3	(26.9)

For the three months ended December 31, 2021, net comprehensive income excluding Income attributable to non-controlling interests liability was \$521.3 million, as compared to net comprehensive income excluding non-controlling interests liability of \$335.6 million for the three months ended December 31, 2020. The current quarter income was largely a result of realized and unrealized gains on digital assets and on investments, partially offset by operating expenses. The net comprehensive income excluding non-controlling interests liability for the three months ended December 31, 2020 was largely a result of realized and unrealized gains on digital assets and on investments, partially offset by operating expenses.

Discussion of Operations & Operational Highlights

Corporate Overview

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

On May 5, 2021, Galaxy Digital 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 Delaware. Galaxy Digital'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 will include the following steps:

- Galaxy Digital Inc., a new Delaware holding company, will be established and will become the successor public company of GDH Ltd. ("PubCo"), with all outstanding Galaxy Digital ordinary shares becoming Class A shares of PubCo.
- Mike Novogratz, the CEO and Founder of Galaxy Digital, 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 Digital 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 a U.S. national securities exchange.

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 Digital in the United States.
- Normalization of Galaxy Digital's corporate and capital structure.
- Facilitation of acquisitions.
- Alignment of all stakeholders' interests at the PubCo level.

- **GDH Ltd acquisition of BitGo:**

On March 30, 2022, GDH Ltd. amended and restated the merger agreement governing its previously announced acquisition of BitGo. BitGo is an independent digital assets infrastructure provider. Under the terms of the amended and restated merger agreement, the consideration to BitGo shareholders will consist of 44.8 million newly issued shares of common stock of the successor to GDH Ltd. following its domestication as a Delaware corporation and \$265 million in cash, subject to certain adjustments and deferred purchase considerations. The acquisition is expected to close immediately following the domestication of GDH Ltd. as a Delaware corporation, subject to approval by the Company's shareholders as well as certain other acquisition-related closing conditions and regulatory approvals. The BitGo acquisition will diversify the Company's business, with greater contribution from recurring revenue streams that are significantly less correlated with digital asset prices. The acquisition will also accelerate product innovation and development capabilities by adding over 200 full-time BitGo employees, many of whom focus on engineering, research and development, or work in other technical or infrastructure roles. The Company believes the near term revenue synergy opportunities, paired with BitGo's strong base business and growth trajectory, support the value of the acquisition.

- **Exchangeable notes:**

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

- **GDH Ltd. listing on Toronto Stock Exchange ("TSX"):**

The Company is listed on the TSX and effective August 4, 2021, successfully exited the TSX Sandbox program. TSX Sandbox is an initiative intended to facilitate listing applications that may not satisfy the original listing requirements of the TSX, but due to facts or situations unique to a particular issuer otherwise warrant a listing on the TSX. The Company graduated having completed a twelve-month period without significant compliance issues after graduation.

- **Director and Officer Updates:**

On March 2, 2022, the Company announced that it had appointed Jane Dietze to its Board of Directors.

During the year the Company announced the following appointments:

- Erin Brown as the Company's Chief Operating Officer
- Michel Daffey as Senior Advisor and Chair of the board of directors (the "Board")
- Alex Ioffe as the Company's Chief Financial Officer
- Jennifer Lee as the Company's Chief People Officer
- Sebastian Benkert as the Company's Chief Marketing Officer
- Eddie Schwartz as the Company's Chief Security Officer
- Felix Cua as the Company's Chief Risk Officer
- Neal Katyal as the Senior Advisor and Chair of the Company's newly-formed Advisory board.

- **Auditor:**

Effective August 13, 2021 (the "Effective Date"), Davidson & Company LLP ("Davidson"), at the request of GDH Ltd, resigned as auditors of both the Company and the Partnership and KPMG LLP ("KPMG") was appointed as auditors of the Company and the Partnership to fill this vacancy.

On August 16, 2021, GDH Ltd. filed a notice of change of auditor, a letter from Davidson and a letter from KPMG on SEDAR which confirmed that: (i) the resignation of Davidson and appointment of KPMG were considered and approved by the Board, (ii) there have been no modified opinions in Davidson's reports for GDH Ltd's two most recently completed fiscal years or for any period subsequent to the most recently completed period for which an audit report was issued and preceding the Effective Date, (iii) there were no reportable events (as defined in NI 51-102) in connection with the audits for the period commencing at the beginning of GDH Ltd's two most recently completed financial years and ending on the Effective Date.

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

- **GDH Ltd. acquisition:**

On May 19, 2021, GDH Ltd. legally acquired Vision Hill Group Inc. and Vision Hill Advisors, LLC (together, "Vision Hill" or "VHG"). Vision Hill is a Delaware limited liability company and is an asset manager in the digital assets space with four distinct business units: a family of crypto hedge fund indices; a crypto asset manager intelligence database called "VisionTrack"; a bespoke consulting business for allocators; and a fund manager for fund of funds. Consideration for the acquisitions included 1,065,295 GDH Ltd. shares plus \$5.5 million of cash, net of company transaction expenses.

Operational highlights

Galaxy Digital Trading ("GDT") results reflected a strong year, with continued growth in client count, and revenue from counterparty trading and lending.

- For the year ended December 31, 2021, cumulative client-facing trading and lending, which consists of electronic and derivatives liquidity provisioning, our quantitative execution strategies, and our counterparty lending, accounted for an approximately 10% contribution to total GDT net revenues (consisting of net realized gains, net unrealized gains, and net interest income).
- GDT's counterparty loan and yield portfolio grew 550%+ year over year to approximately \$735 million, and the Company grew cumulative gross counterparty loan originations year over year to approximately \$5 billion.
- GDT onboarded 61 new counterparties to our trading platform, bringing our total trading counterparties to over 750, and continues to provide liquidity in over 100 cryptocurrencies.

Galaxy Digital Asset Management ("GDAM") reported preliminary AUM of \$2.9 billion as of December 31, 2021, a 255% increase year-to-date. AUM consisted of \$2.2 billion in GDAM's Galaxy Fund Management products, and \$658 million in the Galaxy Interactive venture franchise.

Notable product launches this year included:

- The CI Galaxy Bitcoin ETF (Ticker: BTCX), and the Galaxy Ethereum Funds, which track the newly launched Bloomberg Galaxy Ethereum Index (Ticker: ETH), the third in the Bloomberg-Galaxy family of indices.
- Galaxy Vision Hill Venture Fund of Funds I and the second Galaxy Interactive Fund. In October 2021, Galaxy Interactive, already the largest franchise dedicated to the interactive sector, finalized an incremental raise of \$325 million of committed capital for its second fund, with participation from over 70 new LPs, including institutional investors, endowments, strategic investors, and family offices.
- DeFi Index Fund, a passively managed fund that seeks to track the performance of the newly-launched Bloomberg Galaxy DeFi Index (ticker: DEFI).
- The Galaxy Solana Funds, passively managed funds that seek to track the performance of the newly-launched Bloomberg Galaxy Solana Index (Ticker: SOL); the launch of two passively managed ETFs focused on digital assets and blockchain (Tickers: SATO and BLKC) through a partnership with Invesco; and the launch of the GVH Market Neutral Fund of Funds, the third fund in the suite of Galaxy Vision Hill ("GVH") products.

Additional updates:

- In March 2021, Morgan Stanley began offering its wealth management clients access to bitcoin funds, including the Galaxy Bitcoin Fund LP, and the Galaxy Institutional Bitcoin Fund LP.
- In May 2021, Galaxy Digital acquired Vision Hill, a premier investment consultant and asset manager in the digital asset sector, to create Galaxy Vision Hill. This adds multi-manager, fund of fund offerings to the Company's institutional asset management platform through the Galaxy Vision Hill product suite.
- GDAM announced a long-term strategic partnership with Invesco, a \$1.6 trillion asset manager, to develop a comprehensive suite of U.S.-listed, physically backed, digital asset ETFs and equities ETFs.
- GDAM also partnered with Alerian, a pioneering index provider focused on building innovative index-based investment strategies, to launch eight indices to-date cumulatively within the Alerian Galaxy Global Blockchain Indexes and Alerian Galaxy Global Cryptocurrency-Focused Blockchain Indexes.

Galaxy Digital Investment Banking ("GDIB") served as advisor on eight M&A transactions and fundraising activities throughout the year, and is actively executing on several active mandates for leading companies in the blockchain and cryptocurrency ecosystem.

Representative transactions completed within the year include:

- GDIB was instrumental in the Partnership's acquisition of Vision Hill, Inc., which was announced during the second quarter.
- Served as digital assets advisor for Iris Energy, a leading Bitcoin mining company, for its November 2021 Nasdaq IPO.
- Acted as the exclusive advisor and sole placement agent on a \$50 million capital raise for CoreWeave, a specialized cloud provider for both proprietary and client use cases across the digital asset, machine learning, and VFX rendering spaces in October 2021.
- Served as sell-side advisor to BRD, a leading crypto wallet that had nearly 10 million global customers at the time of acquisition, on its announced sale to Coinbase in November 2021.
- Served as exclusive Financial Advisor to Blockdaemon, a leading blockchain infrastructure company for node management and staking on its acquisition of Anyblock Analytics, which closed in November 2021.
- Served as a placement agent on a bridge financing convertible debt transaction for a payments infrastructure provider in December 2021.

Galaxy Digital Mining ("GDM") established its own proprietary bitcoin mining operation, hosting its machines at a third-party data center in the United States and continued to expand both its proprietary bitcoin mining operation and mining finance ("MiFi") offerings to support the full breadth of the bitcoin mining ecosystem, while maintaining an over 80% sustainable energy mix for all mining operations.

- Proprietary mining operations continued to mine bitcoin at a marginal cost that is 80%+ lower than fair market value.
- GDM increased forward purchase commitments withing the quarter and now expects to achieve over 2,500 Petahash per second (PH/s) of mining capacity for both proprietary and miner-finance operations, from monthly deliveries by the end of 2022.

- As a continuation of GDM's public dedication to managing its carbon footprint and increasing the use of clean energy, as of December 31, 2021, over 80% of GDM's energy use continues to come from sustainable sources.

Principal Investments: The Company now holds 122 investments across 86 portfolio companies as of December 31, 2021. During the year, GDIB made investments in a number of companies which we believe can be category-defining including, Pyth, Figment, Ramp, Tokemak, Aleo, Chaos Labs, Sealance, and Skolem among others.

Industry Performance and Outlook

The following table reflects the performance of the cryptocurrency market capitalization, Bitcoin and Ether for the period from January 9, 2018 to December 31, 2021 (amounts expressed in US\$):

	As of January 9, 2018	As of December 31, 2019	As of December 31, 2020	As of June 30, 2021	As of September 30, 2021	As of December 31, 2021	% Change 2021	% Change from January 9, 2018 to December 31, 2021
Cryptocurrency Market Capitalization (millions) ⁽¹⁾	\$739,209	\$190,906	\$765,313	\$260,321	\$1,924,854	\$2,206,758	188.3%	198.5%
Bitcoin Price ⁽²⁾	\$14,595	\$7,194	\$29,002	\$9,138	\$43,791	\$46,306	59.7%	217.3%
Ether Price ⁽²⁾	\$1,300	\$130	\$738	\$226	\$3,002	\$3,683	399.1%	183.3%

⁽¹⁾ Represents coinmarketcap.com quoted price as of 12:00 AM UTC for total market capitalization; January 9, 2018 is presented as that is the date of the Asset Contribution. Capitalization numbers are presented in millions of U.S. dollars.

⁽²⁾ Represents coinmarketcap.com quoted price as of 12:00 AM UTC for Bitcoin and Ether; January 9, 2018 pricing is presented as that is the date of the Asset Contribution.

Market Overview

The digital asset markets reached new all-time highs in Q4 2021, before receding at the end of the quarter. The broader cryptocurrency market capitalization reached an all-time high of \$3 trillion on November 8, 2021, and Bitcoin and Ether both reached new all-time highs on November 10, 2021, with bitcoin reaching \$69,000 and ether exceeding \$4,850. Rising adoption of cryptocurrencies, including institutional investment, increasing popularity of non-fungible tokens (NFT), increasing regulatory clarity, and the launch of a US-based bitcoin ETF tied to CME futures contributed to the Q4 gains.

At the same time, inflation began to appear in the US and around the world. After hitting its lowest point since 2015 at 0.1% in May 2020, year over year CPI grew to 5.4% by July 2021 and 6.8% by December 2021. At the end of January 2022, the CPI was 7.5% year over year, the highest reading for the index in more than 40 years. In December, elevated inflation led central banks worldwide to begin signaling monetary tightening policies were forthcoming, specifically raising key benchmark interest rates and winding down or halting asset purchases. In March 2022, the U.S. Federal Reserve raised the interest rates and may continue to do so more aggressively, if needed to curb inflation. An environment with rising interest rates makes investors more conservative, both because the cost of capital increases and yield-generating investments like fixed income products, which are seen as more conservative investments, become more profitable. Equity indices declined as monetary tightening policies became more inevitable. As of March 7, 2022, the Nasdaq Composite was down 20.3% from its November 19, 2021 all-time high and the S&P 500 was down 13% from its January 3, 2022 all-time high. The prospect of rising rates has also hit cryptocurrency markets, with the total market capitalization of the cryptocurrency ecosystem down more than 40% from its November 8, 2021 all-time high.

Following the Russian Federation's invasion of Ukraine and ensuing sanctions imposed on Russia by a broad international coalition of nations, commodity prices have risen significantly, which are likely to put additional upwards pressure on inflation measures. The imposition of strict sanctions, which include freezing Russia's foreign-held central bank forex assets and de-platforming Russian banks from international payment networks, has increased focus on Bitcoin and digital assets as non-sovereign monies with certain credibly neutral properties. While the massive expansion of central bank balance sheets and money supplies highlighted Bitcoin's unchanging and fixed-supply monetary policy in 2020, the increasing politicization of global monetary networks in 2022 has increased focus on Bitcoin's other fundamental properties that make it a credibly neutral and uncensorable monetary system. The growing understanding of these non-supply-based features of the asset could lead to

growing adoption in 2022. However, Bitcoin and other digital assets remain quite volatile, leading many institutional investors to classify the asset class as risky, resulting in a high correlation between digital assets and equities. With risk assets poised for a challenging year in the face of rising rates, increasing commodity prices, and shifts in consumer demand, cryptocurrency prices too face short-term headwinds.

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. Many of the larger incumbent digital asset protocols have introduced upgrades to scalability and usability amidst rising competitive pressures from new protocols. Even Bitcoin, the oldest and most valuable digital asset network, successfully enacted a network-wide upgrade in November, a rarity for the conservatively developed network. Meanwhile, Ethereum has activated a substantial network upgrade in August, with the expectation of an even more dramatic migration in the near future. New tools, infrastructure, and protocol upgrades may drive additional developer interest and application design, resulting in growing user adoption of digital assets.

Increasing regulatory clarity from domestic and global regulatory bodies has made it easier for individuals and institutional investors to participate in the digital assets ecosystem. Further clarity on the classification and treatment of assets, know-your-customer and anti-money laundering procedures, and rules on auditing, taxation, custody, and transacting is providing a framework for current and prospective participants in the broader digital asset industry. The Partnership expects additional regulatory clarity to emerge in 2022 with the United States government formally working to develop national policies for the asset class.

The digital assets industry began in 2009 when Satoshi Nakamoto launched the Bitcoin network. Over the years, an entire ecosystem of digital assets and associated infrastructure has blossomed around Bitcoin. Until recently, the industry lacked the market infrastructure typically associated with modern finance—particularly institutional custody, clearing and lending—rendering it primarily a retail phenomenon. In recent years, the industry has matured significantly, enabling the entrance of major institutional and corporate investors. The Partnership expects that additional incumbent financial services firms will offer institutional services in the sector in the future. The entrance of additional financial incumbents into the space, along with the maturation of digital asset startups will continue to facilitate the wide availability of institutional-grade custody, clearing, and lending services.

In the fourth quarter of 2021, we continued to see institutional inflows into Bitcoin. Decentralized finance applications built on Ethereum grew in both active users and value transacted, with new cross-chain and second layer implementations beginning to see developer interest. For the first time, nation-states have taken a meaningful positive stance on the asset class, with El Salvador making Bitcoin legal tender in the country. The use of non-fungible tokens (NFT) to represent digital collectibles, mostly carried on Ethereum, has expanded into the mainstream economy, creating a new wave of interest in public blockchains.

The above advances are expected to lead to wider adoption of digital assets. 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 strategy may benefit the most from these advances as one of the key factors to their success is the volume and value of digital assets traded.

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

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), but still remains subject to global risk appetites as positioning decisions are considered in conjunction with investors' broader portfolios. The broader digital assets market has significant and even growing upside potential, with new opportunities emerging in payments, finance, art, collectibles, finance, and the metaverse. Nonetheless, shifting risk sentiment will continue to impact the digital assets markets in the near term.

Performance by Reportable Segment

Income and expenses by each of the reportable segments for the year ended December 31, 2021 is as follows:

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Income (loss)							
Advisory and management fees	\$ 254	\$ —	\$ 11,390	\$ 4,092	\$ —	\$ —	\$ 15,736
Net realized gain (loss) on digital assets	711,731	59,440	243,089	—	—	—	1,014,260
Net realized gain (loss) on investments	—	231,388	—	—	—	—	231,388
Interest income	72,343	706	—	—	—	2	73,051
Net derivative gain (loss)	(14,239)	25,000	—	—	—	—	10,761
Net income from digital asset mining	—	—	—	—	10,922	—	\$ 10,922
Leasing income from mining equipment	—	—	—	—	3,781	—	\$ 3,781
Other income (loss)	3,148	2,383	78	58	15	—	5,682
	773,237	318,917	254,557	4,150	14,718	2	1,365,581
Operating expenses	175,270	17,279	28,161	4,094	6,100	133,664	364,568
Net unrealized gain (loss) on digital assets	382,289	117,281	(47,315)	—	(790)	—	451,465
Net unrealized gain (loss) on investments	2,050	536,341	8,606	—	—	—	546,997
Net unrealized gain (loss) on notes payable - derivative	—	—	—	—	—	12,132	12,132
Net unrealized gain (loss) on warrant liability	—	—	—	—	—	(45,644)	(45,644)
Foreign currency gain (loss)	2,950	(358)	—	—	—	(2)	2,590
(Gain) loss attributable to non-controlling interests liability	—	—	(197,376)	—	—	—	(197,376)
	387,289	653,264	(236,085)	—	(790)	(33,514)	770,164
Income tax expense	—	—	—	—	—	(56,900)	(56,900)
Net income (loss) for the year	\$ 985,256	\$ 954,902	\$ (9,689)	\$ 56	\$ 7,828	\$ (224,076)	\$ 1,714,277
Foreign currency translation adjustment	—	—	—	—	—	367	367
Net comprehensive income (loss) for the year	\$ 985,256	\$ 954,902	\$ (9,689)	\$ 56	\$ 7,828	\$ (223,709)	\$ 1,714,644

Income and expenses by each of the reportable segments for the year ended December 31, 2020 is as follows:

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Income (loss)							
Advisory and management fees	\$ 25	\$ —	\$ 5,279	\$ 4,311	\$ —	\$ —	\$ 9,615
Net realized gain (loss) on digital assets	258,766	4,567	7,775	—	—	—	271,108
Net realized gain (loss) on investments	—	10,796	—	—	—	—	10,796
Interest income	5,542	542	10	38	—	—	6,132
Net derivative gain (loss)	5,699	—	—	—	—	—	5,699
Other income (loss)	864	22	(45)	(31)	—	—	810
	270,896	15,927	13,019	4,318	—	—	304,160
Operating expenses	35,925	2,382	15,242	3,066	617	22,642	79,874
Net unrealized gain (loss) on digital assets	11,382	81,209	147,129	—	—	—	239,720
Net unrealized gain (loss) on investments	—	90,587	—	—	—	—	90,587
Net gain (loss) on warrant liability	—	—	—	—	(14,318)	—	—
Foreign currency gain (loss)	(1,388)	—	—	—	—	—	(1,388)
(Gain) loss attributable to non-controlling interests liability	—	—	(153,385)	—	—	—	(153,385)
	9,994	171,796	(6,256)	—	(617)	(14,318)	161,216
Net income (loss) for the year	\$ 244,965	\$ 185,341	\$ (8,479)	\$ 1,252	\$ (617)	\$ (36,960)	\$ 385,502
Foreign currency translation adjustment	—	—	—	—	—	17	17
Net comprehensive income (loss) for the year	\$ 244,965	\$ 185,341	\$ (8,479)	\$ 1,252	\$ (617)	\$ (36,943)	\$ 385,519

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. Conversely, a significant increase in the price or value of digital assets sold short by the Partnership may adversely affect the Partnership's results of operations. This is evidenced by the \$1.0 billion of net realized gain and \$451.5 million of unrealized gains on digital assets for the year ended December 31, 2021, and \$271.1 million of net realized gain and \$239.7 million of unrealized gains on digital assets for the year ended December 31, 2020. The trading segment primarily includes the performance of the over the counter (OTC) trading and of the short term and long term positioning of the Partnership's digital assets.

Net Realized Gain (Loss) on Digital Assets

Net realized gain on digital assets for the year ended December 31, 2021 and December 31, 2020 were \$1.0 billion and \$271.1 million, respectively. The largest contributors to the net realized gain on digital assets were gains on sales of Luna, Bitcoin and Ether for the year ended December 31, 2021 and gains on sales of Bitcoin and Ether for the year ended December 31, 2020.

Net Unrealized Gain (Loss) on Digital Assets

Net unrealized gain on digital assets for the year ended December 31, 2021 and December 31, 2020 were \$451.5 million and \$239.7 million, respectively. The net unrealized gain on digital assets was primarily driven by Luna for the year ended December 31, 2021 and Bitcoin for the year ended December 31, 2020.

Net Realized Gain (Loss) on Investments

For the year ended December 31, 2021, the largest contributor to the realized gains on investments of \$231.4 million was the realized gains on the sale of BlockFi, Inc. For the year ended December 31, 2020, the largest contributor to the net realized gain on investments of \$10.8 million were the realized gains on the partial sale of BlockFi, Inc. and sale of Silvergate shares partially offset by the realized loss on the sale of Hut 8 Mining Corp. shares and BIGG Digital Assets Inc shares.

Net Unrealized Gain (Loss) on Investments

For the year ended December 31, 2021, the unrealized gain on investments of \$547.0 million was due primarily to the unrealized gain on investments in Fireblocks Ltd. and Candy Digital, Inc. For the year ended December 31, 2020, the largest contributors to the realized gain on investments of \$90.6 million was due primarily to the unrealized gain on the GrayScale Bitcoin Cash Trust, Grayscale Ethereum Trust, and BlockFi, Inc investments, which were partially offset by unrealized losses in NuCypher, Templum, Inc. and Ripple Labs, Inc.

A breakdown of selected asset class by reporting segment as of December 31, 2021 is as follows:

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

A breakdown of selected asset class by reporting segment as of December 31, 2020 is as follows:

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Corporate and Other	Totals
Digital assets	\$ 544,796	\$ 100,730	\$ 285,954	\$ —	\$ —	\$ 931,480
Digital assets posted as collateral	15,625	—	—	—	—	15,625
Investments:						
Pre-Launch Network	—	500	—	—	—	500
Convertible Notes	—	4,501	—	—	—	4,501
Preferred Stock	—	86,258	—	—	—	86,258
Common Stock	—	29,970	—	—	—	29,970
LP/LLC Interests	—	84,311	—	—	—	84,311
Warrants/Trust Units	30,654	24,189	—	—	—	54,843
	\$ 600,407	\$ 340,851	\$ 285,954	\$ —	\$ —	\$ 1,227,212

Financial Instruments, Digital Assets and Risk

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

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

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

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

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

(in thousands)	As of December 31, 2021				As of December 31, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Digital assets	\$ —	\$ 2,416,633	\$ 4,144	\$ 2,420,777	\$ —	\$ 925,166	\$ 6,314	\$ 931,480
Digital assets receivable	—	10,036	61,621	71,657	—	—	19,724	19,724
Digital assets posted as collateral	—	71,400	—	71,400	—	15,625	—	15,625
Derivative assets	—	45,669	—	45,669	—	39,025	—	39,025
Common stock	56,109	—	215,185	271,294	19,572	10,398	—	29,970
Convertible notes	—	—	9,768	9,768	—	2,650	1,851	4,501
LP/LLC interests	—	—	383,279	383,279	—	10,450	73,861	84,311
Pre-Launch network	—	—	6,393	6,393	—	500	—	500
Preferred stock	—	—	382,182	382,182	—	52,873	33,385	86,258
Warrants/Trust units/ Trust shares	7,963	—	8,897	16,860	61	9	54,773	54,843
	<u>\$ 64,072</u>	<u>\$ 2,543,738</u>	<u>\$ 1,071,469</u>	<u>\$ 3,679,279</u>	<u>\$ 19,633</u>	<u>\$ 1,056,696</u>	<u>\$ 189,908</u>	<u>\$ 1,266,237</u>
Liabilities								
Digital assets sold short	—	—	—	—	—	5,278	—	5,278
Investments sold short	11,630	—	—	11,630	4,384	—	—	4,384
Derivative liabilities	—	25,567	—	25,567	—	23,103	—	23,103
Warrant liability	—	—	20,488	20,488	—	—	20,781	20,781
Embedded derivative - Notes payable	—	—	58,866	58,866	—	—	—	—
	<u>\$ 11,630</u>	<u>\$ 25,567</u>	<u>\$ 79,354</u>	<u>\$ 116,551</u>	<u>\$ 4,384</u>	<u>\$ 28,381</u>	<u>\$ 20,781</u>	<u>\$ 53,546</u>

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

Valuation of Assets / Liabilities that use Level 2 Inputs ("Level 2 Assets / Liabilities"). Consists of the Partnership's digital assets posted as collateral and digital assets sold short, where quoted prices in active markets are available. For the digital

assets, the fair value is determined by the volume-weighted average of prices across principal exchanges as of 12:00 AM UTC, per coinmarketcap.com*.

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

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

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

The Partnership’s warrant liability and exchangeable notes were also classified as a Level 3 financial liability. The Black-Scholes model was used to determine the fair value of the associated derivatives.

The Partnership’s pre-launch network investments are generally carried at the total contributions made to date, unless impaired, as there are no other conditions indicating a change in value and therefore cost approximates fair value.

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

Other

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

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

Level 3 Continuity

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

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

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

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

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

(in thousands)	Fair value at December 31, 2019	Contributions	Purchases	Sales/ Distributions	Net Realized Gain (Loss) on Digital Assets and Investments	Net Unrealized Gain/(Loss) on Digital Assets and Investments	Transfers in/(out) of Level 3	Fair Value at December 31, 2020
Digital assets	\$ 189	\$ —	\$ 250	\$ (618)	\$ 537	\$ 4,925	\$ 1,031	\$ 6,314
Digital assets receivables	—	—	4,700	(808)	468	14,864	500	19,724
Convertible notes	4,552	—	733	—	—	(1,266)	(2,168)	1,851
LP/LLC interests	16,772	—	18,528	(591)	—	24,703	14,449	73,861
Preferred stock	17,416	—	—	—	—	(5,786)	21,755	33,385
Warrants/Trust units/ Trust shares	534	—	8,981	—	—	45,302	(44)	54,773
Total Digital assets, Digital assets receivables and Investments	\$ 39,463	\$ —	\$ 33,192	\$ (2,017)	\$ 1,005	\$ 82,742	\$ 35,523	\$ 189,908

Liabilities (in thousands)	Fair value at December 31, 2019	Issuance	Revaluation	Fair Value at December 31, 2020
Warrant liability	\$ —	\$ 6,463	\$ 14,318	\$ 20,781

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

Quantitative Information for certain Level 3 Assets and Liabilities

Financial Instrument	Fair Value at December 31, 2021 (in thousands)	Significant Unobservable Inputs	Range
Digital assets	\$4,144	Marketability discount	14.4% - 58.2%
Digital assets receivables	\$61,621	Marketability discount	15.7% - 61.2%
Convertible notes	\$9,768	Recovery rate	0.0% - 100.0%
		Scenario probability (1):	
		No deal closure and dissolution	90%
		Deal closure and partial default	5%
		Deal closure and full recovery	5%
LP/LLC interests (2)	\$383,279	Lack of control discount	10.0%
		Marketability discount	10%
		Time to assumed payoff (years)	0.5
Preferred stock (3)	\$382,182	Control discount	10%
		Marketability discount	20.0% - 25.0%
		Time to liquidity event (years)	2.75 - 5.0
		Annualized equity volatility	90%
		Risk free rate	0.17% - 1.26%
		Expected dividend payout ratio	—
		Enterprise value to revenue multiple	6.25x - 7.0x
Common Stock	\$215,185	Marketability discount	15.3% - 25.1%
		Time to liquidity event (years)	0.3 - 5.0
		Annualized equity volatility	50% - 120%
		Risk free rate	0.12% - 0.79%
		Expected dividend payout ratio	—
Warrants / Trust Units	\$8,897	Adjusted book value	
Warrant liability	\$20,488	Volatility	120%
		Time to expiration (years)	0.87
		Risk free rate	0.69%
		Expected dividend payout ratio	—
		Dilution factor	0.5%
Embedded derivative - notes payable	\$58,866	Volatility	47.9%
		Time-Step	0.004 years
		Risk free rate	1.25%

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

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

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

Financial Instrument	Fair Value at December 31, 2020 (in thousands)	Significant Unobservable Inputs	Range
Digital assets	\$6,314	Marketability discount	25% - 54.8%
Digital assets receivables	\$19,724	Marketability discount	20.1% - 73.4%
Convertible Notes	\$1,851	Recovery rate	65% - 100%
		Scenario probability (1):	
		No deal closure and dissolution	25%
		Deal closure and partial default	67.5%
		Deal closure and full recovery	7.5%
LP/LLC interests (3)	\$73,861	Risk-free rate	0.13%
		Marketability discount	25%
		Time to assumed payoff (years)	2
		Scenario probability (2):	
		Downside	25%
		Upside	25%
		Best	50%
Preferred stock (4)	\$33,385	Control discount	5%
		Marketability discount	15%
		Time to liquidity event (years)	3.25 - 5
		Annualized equity volatility	90%
		Risk free rate	0.19% - 2.06%
		Expected dividend payout ratio	—
		Enterprise value to revenue multiple	8x
Warrants/Trust units	\$54,773	Volatility	110% - 150%
		Exercise price	C\$4.50 - C\$24.68
		Underlying share price	C\$3.49 - C\$24.68
		Time to liquidity event (years)	0.01 - 0.58
		Risk free rate	0.08% - 0.09%
		Expected dividend payout ratio	—
		Marketability discount	5.7% - 43.2%
Warrant liability	\$20,781	Volatility	85%
		Time to expiration (years)	1.87 - 2.0
		Risk free rate	0.17% - 0.25%
		Expected dividend payout ratio	—
		Dilution factor	1.5%

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

⁽²⁾ Relates to the probability of the outcomes relating to an investment.

⁽³⁾ The remaining fair value relates to additional investment which utilize net asset values provided by funds.

⁽⁴⁾ The remaining fair value relates to an investment which utilizes a pre-money valuation of the Company.

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

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

Valuation Techniques

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

Category	Valuation Methods & Techniques	Key Inputs
Cryptocurrency	<ul style="list-style-type: none"> • Black-Scholes option pricing discount for lack of liquidity model 	<ul style="list-style-type: none"> • Volume-weighted average of trading prices • Selected volatilities of subject cryptocurrencies • Vesting period
Pre-Network	<ul style="list-style-type: none"> • Prior transactions method 	<ul style="list-style-type: none"> • Prior prices of subject pre-ICO cryptocurrencies
Convertible notes	<ul style="list-style-type: none"> • Prior transactions method • Probability-weighted expected return model 	<ul style="list-style-type: none"> • Prior prices of subject convertible note • Scenario probabilities • Recovery rates
Preferred stock	<ul style="list-style-type: none"> • Prior transactions method • Comparable transactions method • Backsolve method in an option pricing model framework • Equity allocation using option pricing model framework • Guideline public company method • Adjusted book value • Discounted cash flows 	<ul style="list-style-type: none"> • Prior prices of subject preferred stock • Current trading prices of certain cryptocurrencies • Selected discounts for lack of control • Selected discounts for lack of marketability • Enterprise value-to-revenue multiple • Net assets of subject company • Discount rate • Terminal value
Common stock	<ul style="list-style-type: none"> • Prior transactions method • Public closing price 	<ul style="list-style-type: none"> • Prior prices of subject common stock • Public closing prices of subject securities
LP/LLC interests	<ul style="list-style-type: none"> • Prior transactions method • Comparable transactions method • Net asset value provided by fund • Discounted cash flow analysis • Adjusted net assets method 	<ul style="list-style-type: none"> • Prior prices of subject LP/LLC interests • Net asset value provided by fund • Trading prices of certain cryptocurrencies • Scenario probabilities • Vesting period • Volatility
Warrants/Trust Units/ Trust Shares	<ul style="list-style-type: none"> • Public closing price • Black-Scholes model • Prior transactions method 	<ul style="list-style-type: none"> • Public closing prices of subject securities • Selected volatility of underlying trust units • Prior prices of subject trust shares

Industry

During the 2021, the Partnership invested an additional \$340.5 million of capital in its portfolio. The team monitors the portfolio's concentration on an ongoing basis. As of December 31, 2021 and December 31, 2020, details of the industry composition of the Partnership's investments, other than cryptocurrency and pre-ICO investments, are as follow:

Industry	December 31, 2021		December 31, 2020	
	Percentage	# of Investments	Percentage	# of Investments
Other (Digital assets and Pre-Launch network investments) ¹	69 %	124	76 %	115
Finance	17	33	17	19
High tech industries	9	29	3	10
Services: Business	5	11	3	11
Finance technology	<1	2	<1	4
Media: Diversified and production	<1	1	<1	1
Software	<1	4	—	—
Utilities: Electric	0	0	<1	1
Total	100 %	204	100 %	161

¹In the table above, multiple portfolio Partnership investments across the capital structure are considered one investment.

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

Reconciliation of IFRS Portfolio Companies and Investments to GDPI Portfolio Companies and Investments

Portfolio Companies and Investment counts reported as KPIs within the Principal Investment segment ("GDPI KPIs") was 122 investments across 86 portfolio companies as of December 31, 2021. The GDPI KPI count for Principal Investments differs from the above count of Portfolio Companies and Investments on balance sheet due to the following reasons:

GDPI KPI count excludes:

- **Cryptocurrencies** – while we allocate balance sheet to invest in cryptocurrencies, we do not consider cryptocurrencies to be GDPI portfolio companies
- **First Coin Investment** – we hold one investment in a company that was acquired due to our reverse-merger with First Coin Investment. We do not consider this a GDPI Portfolio Company as our management was not responsible for the acquisition of this specific company
- **100% Hedged investments** – we do not consider balance sheet investments which we have fully hedged against to be GDPI portfolio companies
- **Multiple different-structured investments in one company** – we consider investments with different structuring to be only one, not multiple, GDPI portfolio companies
- **Publicly-traded equity investments used for short-term trading purposes** – at times we invest in publicly-traded equities for short-term trading purposes, but as we do not intend to hold these positions long term, we do not consider these balance sheet investments as GDPI portfolio companies
- **Seed Investments in new Galaxy-sponsored Asset Management funds:** GDPI provides seed investments in new funds launched by our Asset Management business, but we do not consider these positions GDPI portfolio companies

GDPI KPI count includes:

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

Material Investment Positions

The Partnership considers a variety of quantitative and qualitative factors in determining if any one investment is considered a material investment position as of each report date. Factors considered include, but are not limited to, the proportion of each investment to total assets; whether any one investment is materially larger than other portfolio investments; the concentration of the portfolio and any associated risks; the liquidity of each investment, or lack thereof; the impact of such an investment on the Partnership's assets or operations; and the existence or absence of other factors that could cause one to conclude that the investment was significant to the Partnership notwithstanding its absolute size.

Investments

As of December 31, 2021 and December 31, 2020, the Partnership had no material investment positions to disclose.

Digital Assets

As of December 31, 2021, the Partnership had a material net holding in Bitcoin of approximately \$463.8 million (December 31, 2020 - \$443.6 million), Ether of approximately \$391.3 million (December 31, 2020: \$65.8 million), and Terra of approximately \$407.6 million (December 31, 2020: \$0), excluding non-controlling interests. The increase in the value of holdings was primarily driven by the increase in price.

Select Holdings

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

Investment Name	Investment Type ⁽¹⁾	Cost (in thousands)	Fair Value (in thousands)
Fireblocks, Ltd.	Preferred Stock	\$ 4,732	\$ 147,999
Candy Digital, Inc.	Common Stock	1,897	121,278
Pantera ICO Fund LP	LP/LLC Interests	17,407	85,203
Mt. Gox Investment Fund LP	LP/LLC Interests	47,436	61,826
Galaxy Interactive Fund I, LP	LP/LLC Interests	22,073	50,959
Monex Group Inc.	Common Stock	48,216	43,425
Galaxy EOS VC Fund LP	LP/LLC Interests	23,159	39,892
block.One	Common Stock	9,989	38,418
Bullish Global	Preferred Stock	20,000	37,551
Cryptology Asset Group P.L.C.	Common Stock	878	34,800
Bitfury Group Limited	Preferred Stock	9,000	33,454
HASHR8 Inc.	Preferred Stock	1,100	29,763
Pantera Venture Fund, L.P.	LP/LLC Interests	4,260	29,172
Ripple Labs, Inc.	Preferred Stock	21,341	27,544
Galaxy Institutional Bitcoin Fund LP	LP/LLC Interests	23,228	23,228
Xapo Holdings Limited	Preferred Stock	13,800	19,876
Ramp Network Inc.	Preferred Stock	8,432	19,263
Blockchain Capital IV, LP	LP/LLC Interests	—	19,007
Galaxy Vision Hill Multi-Strat	LP/LLC Interests	15,000	17,186
Bitgo Holdings, Inc.	Preferred Stock	7,500	15,810
Skolem Technologies Ltd.	Preferred Stock	11,500	11,500
Galaxy Vision Hill Market Neutral	LP/LLC Interests	10,000	10,186
AlphaPoint Corporation	Preferred Stock	7,550	10,106
Grayscale Bitcoin Trust	Warrants/Trust Units	11,109	7,963
ParaFi	LP/LLC Interests	400	7,171
Core Scientific	Convertible Notes	5,047	7,023
BAKKT Holdings, LLC	Common Stock	5,000	6,962
Northern Data AG	Common Stock	5,551	6,892
Galaxy Bitcoin Fund LP	LP/LLC Interests	6,542	6,542
Pantera Venture Fund II, L.P.	LP/LLC Interests	990	5,368
Riot Blockchain Inc. (RIOT)	Common Stock	7,557	5,317
Bitfarms (BITF)	Common Stock	7,119	5,185
Parsley Health, Inc.	Preferred Stock	4,000	5,107
Nebula Crypto, LLC	LP/LLC Interests	5,000	5,000
		<u>\$ 386,813</u>	<u>\$ 995,976</u>

⁽¹⁾ The cost and fair value of the investments disclosed may combine the positions in multiple investment types. If the Partnership has written down an investment's fair value to \$nil, the investment has been excluded from the disclosure.

As of December 31, 2020, the largest investments by fair value were as follows:

Investment Name ⁽¹⁾	Investment Type	Cost (in thousands)	Fair Value (in thousands)
Mt. Gox Investment Fund LP	LP/LLC Interests	\$ 9,360	\$ 22,832
BlockFi, Inc.	Preferred Stock	2,883	20,406
Cryptology Asset Group P.L.C.	Common Stock	878	19,572
Galaxy EOS VC Fund LP	LP/LLC Interests	18,199	18,779
Pantera ICO Fund LP	LP/LLC Interests	17,407	15,296
Ripple Labs, Inc. ⁽²⁾	LP/LLC Interests	23,805	13,961
Xapo Holdings Limited	Preferred Stock	13,800	12,788
Block.one	Common Stock	9,989	10,001
Bitfury Group Limited	Preferred Stock	9,000	9,000
Bitgo Holdings, Inc.	Preferred Stock	7,500	7,500
Bakkt Holdings, LLC	LP/LLC Interests	5,000	5,550
Pantera Venture Fund, L.P.	LP/LLC Interests	4,260	4,504
Parsley Health, Inc.	Preferred Stock	4,000	4,315
AlphaPoint Corporation	Preferred Stock	7,500	4,151
Blockchain Capital IV, LP	LP/LLC Interests	2,625	4,050
Fireblocks, Ltd.	Preferred Stock	2,650	3,696
Hut 8 Mining Corp.	Warrants	—	3,592
Symbiont.io, Inc.	Preferred Stock	3,500	3,500
		<u>\$ 142,356</u>	<u>\$ 183,493</u>

⁽¹⁾ The table above excludes two investments in digital asset funds of \$51.2 million (cost: \$9.0 million) as of December 31, 2020. The investments are part of an arbitrage strategy and are deemed economically hedged.

⁽²⁾ Also includes an indirect investment through a special purpose vehicle formed for the purpose of investing in Ripple Labs, Inc.

AlphaPoint Corporation – a financial technology company that provides institutions with enterprise-grade, blockchain-based asset digitization and exchange platforms.

Bakkt Holdings, LLC – a subsidiary of Intercontinental Exchange (ICE) which is building an open, seamless global network to enable consumers and institutions to buy, sell, store and spend digital assets in a safe, efficient manner.

Bitfury Group Limited – a Bitcoin mining technology developer and mining asset owner and operator.

Bitgo Holdings, Inc. – a company that specializes in providing institutional cryptocurrency services, including security compliance and custodial solutions.

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

BlockFi, Inc. – cryptocurrency financial institution that lends U.S. dollars against bitcoin and other cryptocurrency collateral, as well as accepting deposits of cryptocurrencies which pay interest to the depositor

Blockchain Capital IV, LP – an investment firm whose strategy is to investment in privately held, early stage companies, particularly those involved in the development of blockchain based technologies and in related industries.

Bullish Global – 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

Compass Mining (fka HASR8 inc) - a Bitcoin-first company aiming to support the decentralized growth of hashrate and strengthen network security.

Core Scientific - North American Blockchain infrastructure provider and miner.

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

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

Galaxy Bitcoin Fund, LP - Private fund designed to give exposure to Bitcoin

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 Bitcoin Fund LP - private fund designed to provide institutional-quality exposure to Bitcoin.

Galaxy Interactive Fund I, LP – sector-focused VC fund dedicated to the interactive entertainment ecosystem

Galaxy Vision Hill Multi-Strat - multi-strategy fund of funds investing in established crypto hedge funds.

Galaxy Vision Hill Market Neutral - multi-manager fund focused on low beta, low correlation strategies with minimal directionality versus the broader digital asset market.

Gelato Digital OU - on-chain network for asynchronous and conditional state transition transaction execution.

Grayscale Bitcoin Trust - a trust that provides a secure structure for investors to gain exposure to BTC.

Hut 8 Mining Corp. – cryptocurrency mining and blockchain infrastructure company focused on mining bitcoin.

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

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

Northern Data AG - a company that develops and operates infrastructure solutions in the field of high-performance computing.

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

Pantera Venture Fund, L.P. – an investment firm exclusively focused on blockchain technology and digital assets. Pantera's Venture Fund makes early-stage investments in the blockchain and digital assets ecosystem.

ParaFi - an asset manager focused on investments in decentralized finance tokens and the equity of those protocol teams and arbitrage opportunities around Stablecoins.

Parsley Health, Inc. – a membership based wellness practice company which provides a digital-first user experiences.

Ramp Network Inc. - a fiat on-ramp for cryptocurrencies offering secure and fast ways to exchange fiat currencies for crypto.

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

Skolem Technologies Ltd. - a company that provides data and trade execution services for decentralized financial markets.

Symbiont.io, Inc. - a financial technology company delivering enterprise blockchain solutions.

Xapo Holdings Limited – a digital assets custody provider offering digital assets wallets, cold storage solutions, and Bitcoin based debit cards.

Year ended December 31, 2021

The \$142.2 million increase in the fair value of Fireblocks, Ltd. during the year ended December 31, 2021 was due to the higher valuation obtained by the company in its latest funding round completed in December 2021.

The \$119.45 million increase in the fair value of Candy Digital, Inc. during the year ended December 31, 2021 was due to the higher valuation obtained by the company in its latest funding round completed in September 2021.

The \$69.9 million increase in the fair value of Pantera ICO Fund LP during the year ended December 31, 2021 was due to underlying performance of the fund.

The \$28.9 million increase in the fair value of Galaxy Interactive Fund I, LP during the year ended December 31, 2021 was due to the underlying performance of the fund.

The \$28.7 million increase in the fair value of Compass Mining during the year ended December 31, 2021 was due to the positive financial performance of the underlying company.

The \$28.4 million increase in the fair value of Block.One during the year ended December 31, 2021 was due to the higher valuation obtained by the company in its latest round of financing completed in October 2021.

The \$24.7 million increase in the fair value of Pantera Venture Fund, L.P. during the year ended December 31, 2021 was due to the underlying performance of the fund.

The \$24.5 million increase in the fair value of Bitfury Group Limited during the year ended December 31, 2021 was due to the positive financial performance of the underlying company.

Year ended December 31, 2020

The \$14.0 million increase in the fair value of BlockFi, Inc. during the year ended December 31, 2020 was due to the higher valuation obtained by the company in its latest funding round in 2020.

The \$10.6 million increase in the fair value of Cryptology Asset Group P.L.C. during the year ended December 31, 2020 was due to the listing of its common stock on the Frankfurt Stock Exchange on October 21, 2020 and the appreciation in its stock price as of December 31, 2020.

The \$3.1 million increase in the fair value of the Hut 8 Mining Corp. warrants during the year ended December 31, 2020 was due to the appreciation in its underlying stock price during the fourth quarter.

The \$13.5 million increase in the fair value of Mt. Gox Investment Fund LP during the year ended December 31, 2020 was due primarily to the increase in the price of Bitcoin during the fourth quarter.

The \$13.0 million increase in the fair value of Pantera ICO Fund LP during the year ended December 31, 2020 was due to the underlying performance of the fund.

The \$15.2 million decrease in the fair value of Ripple Labs, Inc. during the year ended December 31, 2020 was due to the potential impact of an action filed by a regulatory body during the fourth quarter.

The \$8.4 million increase in the fair value of Xapo Holdings Limited during the year ended December 31, 2020 was due primarily to the increase in the price of Bitcoin during the recent quarter.

A breakdown of the fair value of Digital assets by market cap is as follows:

As of December 31, 2021:

	Fair Value (in thousands)
> \$1 billion market cap	\$ 2,297,526
<= \$1 billion market cap	123,251
Net	<u>\$ 2,420,777</u>

As of December 31, 2020:

	Fair Value (in thousands)
> \$1 billion market cap	\$ 915,345
<= \$1 billion market cap	16,135
Net	<u>\$ 931,480</u>

Above table reflects the fair value of the Partnership's cryptocurrencies by the aforementioned respective capitalizations. Above capitalizations are obtained from coinmarketcap.com.

The Partnership has been able to actively manage 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 partnerships counterparties require multiple approvals in accordance with our whitelisting policy. As such, the Partnership settles with counterparties or entities without the risk of losing funds due to deposit address attacks or errors.

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

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

Institutional grade custodians are used by the Partnership to secure digital assets for its fund products. A material percentage of which are custodied among Bakkt Trust Company, LLC ("Bakkt Warehouse"), Gemini Trust Company, LLC, Fidelity Digital Assets, LLC, and Coinbase Custody Trust Company, LLC. The Partnership maintains internal controls to ensure that accounts held with each custodian are appropriately authorized and access restricted. As a part of regular operations, designated individuals of the Partnership review and monitor custodied balances against internal fund records, verifying the accuracy of each holding. Additionally, the Partnership performs due-diligence procedures including regular reviews over each custodian issued SOC report(s) covering the applicable period.

Bakkt, an Atlanta headquartered entity, is a New York State Department of Financial Services (NYDFS) regulated qualified custodian and has business continuity operations at ICE locations in Chicago, New York, and London. Terms and conditions for account services and offerings are predefined and agreed upon by both the Partnership and the custodian per the Bakkt Trust Warehouse Agreement. All Bakkt wallets require multi-signature authorization by 2 of 3 keys to approve each withdrawal transaction. The Warehouse provides both online ("Warm Wallets") and offline ("Cold Wallets") custody solutions, and its systems algorithmically balance between both mechanisms to minimize the inherent risks of online custody. Private keys are stored on hardened systems in cold storage as well as on FIPS 140-2 level 3 HSMs. Additionally, private keys are never transferred across any open or unencrypted communication channels. Bakkt's warm and cold wallets are covered by a \$125 million insurance policy from a leading global syndicate. The Partnership currently has an investment interest in Bakkt Holdings, LLC in the form of Class B Voting Units. Bakkt is SOC 1 Type I compliant as of April 22, 2021, and SOC 1 Type II compliant as of the period October 15, 2020 to April 22, 2021.

Gemini, a New York headquartered cryptocurrency exchange and custodian, is a New York trust company regulated by the New York State Department of Financial Services (NYDFS); therefore, Gemini is subject to capital reserve requirements, cybersecurity requirements, and banking compliance standards set forth by the NYDFS and the New York Banking Law. Cold

wallet private keys are stored in geographically distributed HSMs and require multi-signature authorization (M-of-N) for transfer of funds. Gemini is SOC 1 Type II and SOC 2 Type II compliant.

Fidelity Digital Assets, a wholly owned subsidiary of FMR LLC and New York State-chartered, limited liability trust company, provides an enterprise grade platform for securing and servicing digital assets on behalf of their customers. Private keys are stored using HSMs and are not visible to any human at any stage of the keys' lifecycle. Fidelity is SOC 1 Type II compliant .

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

Crypto Asset Trading Platforms

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

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

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

Risk

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

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into, causing the other party to incur a financial loss. The Partnership's cash, receivables, receivable for digital asset trades, and loans (including digital asset loans) receivable are exposed to credit risk. The Partnership limits its credit risk by placing its cash with high credit quality financial institutions and with cryptocurrency exchanges on which the Partnership has performed internal due diligence procedures. The Partnership deems these procedures necessary as some exchanges are unregulated and not subject to regulatory oversight. Furthermore, crypto-exchanges engage in the practice of commingling their clients' assets in exchange wallets. When crypto-assets are commingled, transactions are not recorded on the applicable blockchain ledger but are only recorded by the exchange. Therefore, there is risk around the occurrence of transactions or the existence of period end balances represented by exchanges. As at December 31, 2021, the Partnership held approximately \$13.4 million (December 31, 2020 - \$12.4 million) in cash and \$1.3 billion (December 31, 2020 - \$265.7 million) in digital

assets at exchanges or custodians that do not have system or organization control reporting available. The Partnership's due diligence procedures around exchanges include, but are not limited to, internal control procedures around on-boarding new exchanges which includes review of the exchanges anti-money laundering ("AML") and know-your-client ("KYC") policies by the Partnership's chief compliance officer, obtaining a security ratings report by an independent third-party on certain exchanges, constant review of market information specifically regarding the exchanges security and solvency risk, setting balance limits for each exchange account based on risk exposure thresholds and preparing daily asset management reports to ensure limits are being followed and having a fail-over plan to move cash and digital assets held on an exchange in instances where risk exposure significantly changes. The Partnership limits its credit risk with respect to its receivables, receivables for digital asset trades, digital assets loans receivable and digital assets receivables by transacting with credit worthy counterparties that are believed to have sufficient capital to meet their obligations as they come due and, with regards to OTC and Master Loan Agreement (MLA) counterparties for the trading business, on which the Partnership has satisfactorily performed the relevant AML and KYC procedures and required the posting of collateral if deemed necessary. As of December 31, 2021 and subsequently, the Partnership does not expect a material loss on any of its loans. As of each reporting period, the Partnership assesses if there may be expected credit losses requiring recognition of a loss allowance. While the Partnership intends to only transact with counterparties or exchanges that it believes to be creditworthy, there can be no assurance that a counterparty will not default and that the Partnership will not sustain a material loss on a transaction as a result.

Derivative-related credit risk

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

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

Interest Rate Risk

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

Liquidity Risk

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as they come due, as well as the risk of not being able to liquidate assets at reasonable prices. The Partnership manages liquidity risk by maintaining sufficient cash balances to enable settlement of its liabilities. Accounts payable and accrued liabilities, other than accrued compensation, and payables for digital asset trades generally have maturities of 30 days or less or are due on demand, or in the case of digital assets loan payable, on 5 to 20 business days' notice or at the end of the set term unless renewed. The Partnership intends to manage its short-term liquidity needs through its available cash balance and cash inflows from its ongoing business activities. In addition, as of December 31, 2021, 69.6% (December 31, 2020 - 74.3%) of the Partnership's net portfolio was in liquid, actively traded cryptocurrency which can be monetized at reasonable prices in short order.

Foreign Currency Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. To the extent these financial instruments are unhedged or not adequately hedged, the value of the Partnership's financial instruments may fluctuate with exchange rates as well as with price changes in various local markets and

currencies. The value of the financial assets may therefore be unfavorably affected by fluctuations in currency rates and exchange control regulations. For the year ended December 31, 2021, the Partnership minimized exposure to digital assets transactions completed in foreign currencies by entering into foreign currency swaps, which are not significant.

Market Risk

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

As of December 31, 2021, management's estimate of the effect on equity investments due to a +/- 20% change in the market prices of the Partnership's investments and investments sold short, with all other variables held constant, is +/- \$214.0 million (December 31, 2020 - \$52.1 million).

Digital Asset Risk

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

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

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

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

The cryptocurrency exchanges on which the Partnership may trade on are relatively new and, in many cases, largely unregulated, and therefore may be more exposed to fraud and failure than regulated exchanges for other assets.

Any financial, security, or operational difficulties experienced by such exchanges may result in an inability of the Partnership to recover money or digital assets being held on the exchange. Further, the Partnership may be unable to recover digital assets awaiting transmission into or out of the Partnership, all of which could adversely affect an investment of the Partnership. Additionally, to the extent that the digital asset exchanges representing a substantial portion of the volume in digital asset trading are involved in fraud or experience security failures or other operational issues, such digital asset exchanges' failures may result in loss or less favorable prices of digital assets, or may adversely affect the Partnership, its operations and its investments.

As of December 31, 2021, management's estimate of the effect on equity to a +/- 20% change in the market prices of the Partnership's net digital assets, including digital assets posted as collateral and on exchange, with all other variables held constant, is +/- \$484.2 million (December 31, 2020 - \$186.3 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 an individual that possesses both the unique public key and private key or keys relating to the "digital wallet" in which the cryptocurrency is held. To the extent a private key is lost, destroyed or otherwise compromised and no backup is accessible the Partnership may be unable to access the cryptocurrency.

Irrevocability of transactions

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

Hard fork and air drop risks

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

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

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

Regulatory oversight risk

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

Off-balance sheet arrangements

Investment and Loan Commitments

The Partnership may provide for commitments to portfolio companies for investments in existing or new assets. As of December 31, 2021, the Partnership was obligated to six investment funds to fund up to \$35.4 million, of which \$3.4 million was funded as of the date of this MD&A. The Partnership maintains sufficient cash on hand to fund such commitments as they come due.

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

Master Loan Agreements

During the year ended December 31, 2021, the Partnership entered into master loan agreements with lenders and counterparties to borrow select cryptocurrencies at annual rates of interest ranging from 0% to 17%. For most of the loans, there is no set term of repayment and the Partnership can prepay the loans without penalty. In addition, the lenders can generally demand the repayment of the loans at any time by providing between five to twenty business days notice. The Partnership is generally

required to post collateral between 0% to 100% of the loan value in either US dollars or in select cryptocurrencies.

Master Loan Agreements (in thousands)	December 31, 2021	December 31, 2020
Digital assets borrowed	\$ 843,872	\$ 213,177
Digital assets sold short ⁽¹⁾	—	(5,278)
	\$ 843,872	\$ 207,899

¹ The digital assets sold short balance above reflects the net traded balance of the cryptocurrency borrow.

² For cryptocurrencies borrowed but not used as of the end of a period, the Partnership has no net exposure.

As of December 31, 2021, there was no balance for digital assets sold short balance under the Master Loan Agreements. As of December 31, 2020, the total digital assets sold short balance was \$5.3 million.

Other

As of December 31, 2021, the Partnership did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Partnership including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Expenses

The Partnership's operating expenses were as follows:

(in thousands)	Year ended December 31, 2021	Year ended December 31, 2020
Equity based compensation	\$ 70,891	\$ 11,851
Compensation and compensation related	114,426	34,164
General and administrative	35,214	15,127
Professional fees	53,329	7,664
Profit share arrangement expense	16,568	—
Interest	70,155	9,729
Notes interest expense	1,769	—
Insurance	1,517	1,090
Director fees	699	249
Totals	\$ 364,568	\$ 79,874

Year ended December 31, 2021 compared to December 31, 2020

Equity based compensation was \$70.9 million in 2021 compared to \$11.9 million in 2020 largely due to grants made to new employees in 2021. Certain officers and employees of the Partnership are awarded equity based awards (Partnership compensatory Class B Units awards and stock options). Each quarter and year, the fair value of such awards are accrued and charged to operations on a staged (or graded) vesting basis, based on the respective vesting schedules.

Compensation and compensation related expense for the year ended December 31, 2021 increased compared to December 31, 2020 due to higher headcount and bonus accrual in 2021. This total is inclusive of base compensation and accrued cash bonuses, placement fees, payroll taxes, benefits, consultants and temporary staff.

General and administrative costs for the year ended December 31, 2021 were higher compared to the year ended December 31, 2020 primarily due to one-time disposal costs associated with the exit of premises prior to the end of the lease term and impairment of the related right of use asset as well as increased technology costs and marketing expenses.

Professional fees for the year ended December 31, 2021 increased compared to December 31, 2020 primarily due to an increase in legal, audit and transaction fees associated with the Partnership's Reorganization.

Interest expense for the year ended December 31, 2021 increased compared to December 31, 2020 due to increased borrowing of digital assets primarily for either (i) lending to counterparties at a higher rate to earn a spread or (ii) for trade positioning.

Liquidity and Capital Resources

The liquidity available to the Partnership for subsequent periods are set out below.

(in thousands)	As of December 31, 2021	As of December 31, 2020
Estimated working capital	\$ 877,111	\$ 96,849
Digital Assets, net	1,212,455	420,603
	<u>\$ 2,089,566</u>	<u>\$ 517,452</u>

Working capital as of December 31, 2021 and December 31, 2020 is calculated as the sum of cash, receivable for digital asset trades, cash posted as collateral, receivables, due from broker, due from exchange, prepaid expenses and other assets; less accounts payable and accrued liabilities, payable for digital asset trades, short-term lease liability, and payables to customers.

Digital assets, net as of December 31, 2021 and December 31, 2020 which 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 and assets that do not belong to Galaxy.

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

As of December 31, 2021, the Partnership had total equity of \$2.6 billion. As of December 31, 2020, the Partnership had total equity of \$798.2 million. The increase in equity during the year ended December 31, 2021 was primarily due to the net comprehensive income for the year.

(in thousands)	December 31, 2021	December 31, 2020
Total assets	\$ 5,096,538	\$ 1,562,612
Total liabilities, excluding non-controlling interests liability	2,336,651	478,445
Non-controlling interests liability	161,536	285,956
Partners' Capital	<u>\$ 2,598,351</u>	<u>\$ 798,211</u>

Additionally, as of December 31, 2021, the Partnership had cash of \$811.1 million and \$1.2 billion of Digital Assets, Net. As of December 31, 2020, the Partnership had cash of \$135.8 million and \$420.6 million of Digital Assets, Net. Management believes that the Partnership has sufficient financial resources to maintain its operations and activities for the upcoming year.

On December 9, 2021 (the "Closing"), GDH LP closed a \$500.0 million exchangeable note offering. The Partnership intends to use the net proceeds from the exchangeable notes offering to accelerate growth initiatives across the businesses and to address the multitude of opportunities against the backdrop of rapid growth and maturation of the industry.

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

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 if an exit price is advantageous to the Partnership. The Partnership may also seek additional sources of financing in the future, including but not limited to, issuing equity or convertible notes or seeking other financing in the form of a debt facility.

The following table presents the summary of the Partnership's contractual obligations as of December 31, 2021:

Contractual Obligations (in thousands)	Payments Due by Period				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Digital asset loans payable and digital assets sold short	\$ 905,013	905,013	\$ —	\$ —	\$ —
Lease obligations	20,942	3,463	6,962	4,945	5,572
Purchase obligations ⁽¹⁾	38,417	38,417	—	—	—
Other obligations ⁽²⁾	39,812	19,906	19,906	—	—
Total Contractual Obligations	\$ 1,004,184	\$ 966,799	\$ 26,868	\$ 4,945	\$ 5,572

⁽¹⁾ "Purchase obligations" includes the outstanding amount of an agreement for the purchase of blockchain servers.

⁽²⁾ "Other obligations" includes the obligations to six portfolio companies to fund the Partnership's remaining capital commitment and an investment sold short balance as of December 31, 2021.

Transactions with Related Parties

Compensation of Key Management Personnel

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

(in thousands)	Year ended December 31, 2021	Year ended December 31, 2020
Base compensation and accrued bonuses ⁽¹⁾	\$ 21,089	\$ 6,901
Benefits	410	295
Equity based compensation	30,710	10,524
Total	\$ 52,209	\$ 17,720

¹For the years ended December 31, 2021 and 2020, amounts include approximately \$17.2 million and \$3.6 million, respectively, of accrued bonuses within accounts payable and accrued liabilities.

Distributions

During the year ended, December 31, 2021 the Partnership made tax distributions of \$65.0 million (December 31, 2020 - \$1.6 million), of which \$0.0 million (December 31, 2020 - \$0.2 million) is included in other accrued liabilities at year end, to individuals and a company considered to be related parties.

Sublease

Galaxy Investment Partners LLC ("GIP"), which has leased the office space located on the 7th and 8th floors of 107 Grand Street, New York, New York 10013, has subleased to Galaxy Digital Services ("GDS") to occupy the 8th floor on the same terms as the master lease. In addition, effective August 1, 2019, GIP also subleased a portion of the 7th floor to GDS. During the year ended December 31, 2021, the Partnership exited the premises prior to the conclusion of the lease term. The Partnership will make payments on the lease through June 2023 and has an associated lease liability of \$2.5 million as of December 31, 2021 (December 31, 2020: \$4.5 million)

Other

For a period of one year starting on January 1, 2021 (the "earnout period"), related to the acquisition of Blue Fire Capital ("BFC"), certain management personnel are entitled to receive a percentage of BFC's net profit, payable sixty days after the earnout period, if certain financial metrics are achieved. During the year ended December 31, 2021, the Partnership incurred \$11.6 million of profit share expense related to the aforementioned management personnel, all of which remain in accounts payable at year end.

The Partnership's CEO serves as co-chairman of the board for another company, resulting in the Partnership and that company being related party. As at December 31, 2021, the Partnership had an investment in the company valued at \$121.3 million (December 31, 2020 - \$19.6 million).

In accordance with the LPA, the Partnership will reimburse or pay for all reimbursable expenses of GDH Ltd. For the years ended December 31, 2021 and 2020, the Partnership paid or accrued \$4.2 million and \$1.9 million, respectively, on behalf of GDH Ltd., which has been included in general and administrative expenses.

As at December 31, 2021, the Partnership had \$25.2 million in receivables from GDH Ltd. for reimbursement from warrant and stock option exercises, net of reimbursable expenses.

The Partnership has a sub-advisory arrangement with a beneficial owner of GDH Ltd. which invests in certain funds managed by the Partnership. Such sub-advisory arrangements have been entered into with, or advised by, Galaxy Digital Asset Management in its capacity as an investment advisor registered under the Advisers Act, and any fee arrangements, if applicable, have been on an arms-length basis. For the year ended December 31, 2021, the total amount of advisory fees received from the sub-advisory arrangement was \$1.0 million (December 31, 2020: \$0 million).

Investments in Galaxy Funds

Our directors and executive officers are generally permitted to invest their own capital (or capital of estate planning vehicles controlled by them or their immediate family members) directly in our funds and affiliated entities. In general, such investments are not subject to management fees, and in certain instances may not be subject to performance fees. The cash invested by our directors and executive officers and their investment vehicles aggregated to \$30.8 million as of December 31, 2021 (December 31, 2020 - \$6.7 million).

Critical accounting estimates and Accounting Policies

Critical accounting estimates

Use of estimates and judgments

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

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

Significant judgments in applying accounting policies

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

Digital assets

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

Income from digital asset mining

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

Determination of lease type

As part of its mining business, the Partnership enters into lease agreements with counterparties as a lessor. On entering into these arrangements, the Partnership assesses whether the lease is a finance lease or an operating lease. As part of this determination, the Partnership makes a number of estimates associated with the lease, the counterparty, and the fair value of the

underlying assets. The accounting for an operating lease is significantly different from that of a finance lease. As such, this determination has a significant impact on the way the leased assets are presented within the Partnership's consolidated financial statements.

Valuation techniques

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

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

Functional currency

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

Business combination

The determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Partnership to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits. The acquisition of Vision Hill Group Inc. was determined to be acquisition of business.

Level of control and influence over investments and funds

Classification of investments requires judgment on whether the Partnership controls, has joint control or significant influence over the strategic financial and operating decisions relating to the activity of the investee. In assessing the level of control or influence that the Partnership has over an investment, management considers ownership percentages, board representation as well as other relevant provisions in shareholder agreements. As of December 31, 2021 and 2020, the Partnership had greater than 20% ownership in certain of its underlying investments and board representation in other investments. The Partnership elected the FVTPL option for investments for which it was concluded that it had significant influence under IAS 28.

Classification of the funds formed by the Partnership requires judgement on the degree of control and influence over these funds. Key to the assessment of control is determining whether the Partnership, as manager of these funds, is acting as principal or agent. Management considers key factors such as power, returns and its ability to use its power to affect the amount of returns, to determine which funds it controls and consolidates and those which it has significant influence and requires equity accounting. As at December 31, 2021, after completing an analysis under IFRS 10, the Partnership has determined it has control of Galaxy Crypto Index Fund, L.P., Galaxy Crypto Index Master Fund, L.P., Galaxy Ethereum Fund L.P., Galaxy Institutional Ethereum Master Fund, L.P., Galaxy Institutional Ethereum Fund, L.P., Galaxy Bitcoin Liquidity Fund, LP, Galaxy DeFi Index Fund, Galaxy Institutional Solana Fund, LP and Galaxy Institutional Solana Master Fund, LP (Note 19). Galaxy Institutional Bitcoin Master Fund, L.P., Galaxy Institutional Bitcoin Fund, L.P., Galaxy Bitcoin Fund, L.P., and Vision Hill Fund I, L.P. were de-consolidated on December 31, 2021 due to loss of control.

Deferred income taxes

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

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

The allocation of taxable income to partners may vary substantially from net income reported in these consolidated financial statements.

Key sources of estimation uncertainty

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

Digital assets and investments - valuation

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

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

Embedded derivatives - valuation

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

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

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

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

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

Estimated useful lives of property and equipment

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

Valuation of equity based compensation

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

Valuation of warrant liability

The warrants issued in connection with the Private Investment in Public Equity ("PIPE") (Note 18) are recorded as a derivative financial liability as these warrants are exercisable in Canadian dollars, differing from the Partnership's functional currency. The Partnership measures the initial warrant liability and subsequent revaluations of the warrant liability by reference to the fair value of the warrants at the date at which they were issued and subsequently revalues them at each reporting date. Estimating fair value for these warrants requires management to determine the most appropriate valuation model. The Partnership uses the Black-Scholes Option Pricing Model to determine the fair value of its warrant liability. This estimate also requires management to make significant judgments and to make assumptions about the most appropriate inputs to the valuation model including the expected life of the warrants, fair value per unit, volatility and dividend yield. If different input assumptions are used, the changes can materially affect the fair value estimate.

Valuation and economic recoverability of goodwill and intangible assets

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

Income taxes

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

Change in Accounting Policies including Initial Adoption

There were no changes to the accounting policies for the year ended December 31, 2021.

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 consolidated financial statements for the year ended December 31, 2021, represents the financial position of the Partnership and does not include all of the assets, liabilities, income and expenses of the partners. Income taxes are the responsibility of the partners and not GDH LP.

As of December 31, 2021 and March 31, 2022, the Partnership has two classes of ownership interests, namely Class A Units and Class B Units. As of December 31, 2021, there were 101,550,494 Class A Units and 228,110,373 Class B Units outstanding. As of March 31, 2022, there were 101,635,882 Class A Units and 228,671,080 Class B Units outstanding.

Equity Based Compensation Awards and Other

As of December 31, 2021, 14,950,324 Class B Unit awards were outstanding, net of exchanges and forfeitures, of which, 14,310,447 Class B Units were exercisable. As of March 31, 2022, 14,890,203 Class B Units awards were outstanding, net of exchanges and forfeitures, of which 14,299,496 Class B Units were exercisable.

As of December 31, 2021, 30,413,345 options granted under the GDH Ltd. stock option plan and Long Term Incentive Plan ("LTIP") were outstanding, of which 8,702,604 were exercisable. Out of the options granted, 5,310,468 were an inducement grant that were not considered a use of the stock option plan pool, but are granted in accordance with the terms of the plan. As of March 31, 2022, 30,381,795 options granted under the GDH Ltd. stock option plan and LTIP were outstanding, of which 12,153,887 were exercisable.

As of March 31, 2022, 7,833,659 restricted stock units and director stock units granted under the LTIP were outstanding.

As of December 31, 2021, 1,647,556 warrants issued by GDH Ltd. in connection with the PIPE were outstanding. As of March 31, 2022, 1,623,718 warrants were outstanding.

Restricted Share Units

On May 27, 2021, the Partnership granted 6,191,482 restricted share units that will be settled in shares with a fair value of \$118.1 million (or a weighted average fair value of \$19.0665 per share). The restricted share units vest over three to four years with varying vest schedules.

On May 27, 2021, the Partnership granted 422,016 restricted share units that will be settled in cash. The restricted share units vest over three to four years with varying vest schedules and had a fair value of \$8.0 million at grant date. The outstanding liability related to cash settled units as of December 31, 2021 was \$1.0 million.

On August 17, 2021, the Partnership granted 453,629 restricted share units that will be settled in shares with a fair value of \$7.1 million (or a weighted average fair value of \$15.61 per share). The restricted share units vest over three to four years with varying vest schedules.

On August 17, 2021, the Partnership granted 196,851 restricted share units that will be settled in cash. The restricted share units vest over three to four years with varying vest schedules and had a fair value of \$3.1 million at grant date. The outstanding liability related to cash settled units as of December 31, 2021 was \$0.4 million.

On September 29, 2021, the Partnership granted 389,369 restricted share units that will be settled in shares with a fair value of \$5.9 million (or a weighted average fair value of \$15.03 per share). The restricted share units vest over three to four years with varying vest schedules.

On September 29, 2021, the Partnership granted 108,000 restricted share units that will be settled in cash. The restricted share units vest over three to four years with varying vest schedules and had a fair value of \$1.6 million at grant date. The outstanding liability related to cash settled units as of December 31, 2021 was \$0.1 million.

On December 1, 2021, the Partnership granted 810,000 restricted share units that will be settled in shares with a fair value of \$18.5 million (or a weighted average fair value of \$22.83 per share). The restricted share units vest over three to four years with varying vest schedules.

On December 1, 2021, the Partnership granted 51,445 restricted share units that will be settled in cash. The restricted share units vest over three to four years with varying vest schedules and had a fair value of \$1.2 million at grant date. The outstanding liability related to cash settled units as of December 31, 2021 was not significant.

On December 8, 2021, the Partnership granted 160,000 restricted share units that will be settled in shares with a fair value of \$3.3 million (or a weighted average fair value of \$20.32 per share). The restricted share units vest over three to four years with varying vest schedules.

On December 8, 2021, the Partnership granted 23,500 restricted share units that will be settled in cash. The restricted share units vest over three to four years with varying vest schedules and had a fair value of \$0.5 million at grant date. The outstanding liability related to cash settled units as of December 31, 2021 was not significant.

Grants to Directors

On August 17, 2021, the Partnership granted 33,864 deferred share units as part of annual director compensation that will be settled in shares with a fair value of \$0.5 million (or a weighted average fair value of \$15.61 per share). The deferred share units vest in June 2022, corresponding with the directors term.

Restricted Shares of GDH Ltd.

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

On May 19, 2021, in connection with the Vision Hill business combination (Note 6), the Partnership granted 845,428 restricted shares of GDH Ltd. with a fair value of \$16.2 million (or a weighted average fair value of \$19.1064). The restricted shares vest annually over three years.

Disclosure Controls and Procedures

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

Management, with the participation of the CEO and the CFO, assessed the effectiveness of the Partnership's disclosure controls and procedures as of December 31, 2021. Based upon the results of that evaluation, the CEO and the CFO concluded that the disclosure controls and procedures were effective to provide reasonable assurance that material information relating to the Partnership is accumulated and communicated to management (particularly during the period in which the Partnership's annual filings are being prepared) to allow timely decisions regarding required disclosure, and that the information disclosed by the Partnership in the reports that it files is appropriately recorded, processed, summarized and reported within the time period specified in applicable securities legislation.

Internal Control over Financial Reporting

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

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

For the year-ended, we 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 sufficient internal controls over financial reporting related to financial statement presentation and the selection and application of accounting standards for certain borrowing arrangements, derivative contracts, issued financial instruments, and investments. Moreover, we did not design compensating controls that were precise enough to prevent or detect a material misstatement. We believe this material weakness existed because we had an insufficient number of dedicated resources with the requisite technical accounting skills to analyze and review these arrangements and contracts.
- 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, and the valuation of investments.

- 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.

Certain material weaknesses resulted in presentation changes to the financial statements and related disclosures, which were recorded prior to the issuance of the consolidated financial statements as of and for the year ended December 31, 2021.

Remediation Plan

We continue to execute our plan to remediate the material weaknesses identified in the prior quarter and have enhanced the plan to address the newly identified material weaknesses. The remediation measures will be ongoing, and although not all inclusive, remediation measures include hiring additional accounting and financial reporting personnel and implementing additional policies, procedures, and controls.

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

Other than disclosed above, there have been no significant changes to the Partnership's ICFR for the year ended December 31, 2021, which have materially affected, or are reasonably likely to materially affect the Company's ICFR.

Management's Responsibility for Financial Statements

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