Galaxy Digital Holdings LP

Management's Discussion and Analysis

For the Years Ended December 31, 2023 and 2022

March 26, 2024

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Introduction

This Management's Discussion and Analysis ("MD&A"), dated March 26, 2024, relates to the financial condition and results of operations of Galaxy Digital Holdings LP ("GDH LP" or together with its subsidiaries, the "Partnership"), is intended to supplement and complement the Partnership's consolidated financial statements for the year ended December 31, 2023 and should be read in conjunction therewith. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. The 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"). The results presented for the year ended December 31, 2023 are not necessarily indicative of the results that may be expected for any future period.

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

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

Cautionary Note Regarding Forward-Looking Statements

This MD&A contains certain forward-looking information and forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended (the "U.S. Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and "forward-looking information" under Canadian securities laws (collectively referred to herein as "forward-looking statements"). These forward-looking statements relate to future events or the Partnership's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", "seeks" or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. The forward-looking statements contained in this MD&A are based on our current expectations and beliefs concerning future developments and their potential effects on us taking into account information currently available to us. There can be no assurance that future developments affecting us will be those that we have anticipated. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. Our forward-looking statements include, but are not limited to, statements regarding our or our management team's expectations, hopes, beliefs, intentions or strategies regarding the future, including statements regarding preliminary quarter-to-date financial highlights, GalaxyOne, Galaxy Asset Management's strategy to scale, the launch of new exchange-traded funds products and possible jurisdictions for such products, Galaxy Digital Infrastructure Solutions' strategy to scale including Hashrate Under Management targets, mining business targets, power-mix goal and its go-forward strategy, the focus on emerging areas of blockchain infrastructure, the market opportunity and plans with respect to GK8, market and industry outlook, including the adoption and utilization of blockchain technology, decentralized finance technologies, and digital asset protocols, geopolitical events, market-wide liquidity problems and/or instability in the global banking system, prospective regulation or approvals, share repurchases, our ability to complete the reorganization, domestication and related transactions (the "transactions"), banking instability, the impact of qualified opportunity zones on future distributions, reduction in available credit or expectations regarding the industry, company performance and plans, or remediation plans. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks include, but are not limited to: (1) the inability to complete the transactions, due to the failure to obtain shareholder and stock exchange approvals, or otherwise; (2) changes to the proposed structure of the transactions that may be required or appropriate as a result of applicable laws or regulations or as a condition to obtaining shareholder or stock exchange approval of the transactions; (3) the ability to meet and maintain listing standards following the consummation of the transactions; (4) the risk that the transactions disrupt current plans and operations; (5) costs related to the transactions, operations and strategy; (6) changes in applicable laws or regulations; (7) the possibility that the Partnership may be adversely affected by other economic, business, and/or competitive factors; (8) changes or events that impact the cryptocurrency industry, including potential regulation, that are outside of our control; (9) the risk that our business will not grow in line with our expectations or continue on its current trajectory; (10) the possibility that our addressable market is smaller than we have anticipated and/or that we may not gain share of it, which could impact revenue and resources; (11) the risk that revenue or expense estimates may not be met or may be materially less or more than those anticipated; (12) any delay or failure to consummate GK8 mandates or achieve its pipeline; (13) the possibility that Galaxy Asset Management does not achieve its goals with respect to its strategies; (14) the possibility that there is a disruption in mining impacting our ability to achieve expected results, impact of halving in the 2nd quarter or 2024, power-mix goals and strategy, (15) the risk that lending counterparties default; (16) price and trading volume volatility with respect to the Galaxy Digital Holdings Ltd.'s shares and its impact on share repurchases and the cost of such repurchases; (17) regulatory concerns, technological challenges, cyber incidents or exploits on decentralized networks; (18) any impact on our operating results and financial condition due to market-wide liquidity problems and instability in the global banking system; (19) any impact to our operations from global conflict and effect on global economic markets; and (20) those other risks contained in the Annual Information Form ("AIF") for the year ended December 31, 2023 available on the Partnership's profile at www.sedarplus.ca and described in this MD&A.

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

Overview

The Partnership is a limited partnership formed under the laws of the Cayman Islands on May 11, 2018. Galaxy Digital Holdings GP LLC ("GDH GP" or the "General Partner") is a limited liability company incorporated under the laws of the Cayman Islands on July 26, 2018 and serves as the General Partner of the Partnership. Galaxy Group Investments LLC ("GGI"), a Delaware limited liability company owned by Michael Novogratz, is the sole member of GDH GP and continues to be the majority owner of the Partnership as of December 31, 2023. Galaxy Digital Holdings Ltd. ("GDH Ltd." or "Company") has a minority investment in the Partnership and is listed on the Toronto Stock Exchange ("TSX") under the ticker "GLXY".

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

As at December 31, 2023, the Partnership had 434 full-time employees.

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

Limited Partnership Agreement

The key terms of the Limited Partnership Agreement (the "LPA") are consistent with those disclosed in the Partnership's audited financial statements for the year ended December 31, 2023.

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

During the year ended December 31, 2023, the Partnership paid a tax distribution of $22.4 million.

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.sedarplus.ca.

Description of Business

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

- Galaxy Global Markets consists of Trading and Investment Banking, which were standalone businesses prior to the first quarter of 2023.
- Galaxy Asset Management consists of passive, active and venture investment strategies. The business now includes select venture investments that were historically captured as Principal Investments.
- Galaxy Digital Infrastructure Solutions consists of proprietary and hosted bitcoin mining services, the acquired GK8 technology and self-custody capabilities, and validator services.

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

Global Markets

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

GGM currently operates as two discrete businesses – Trading and Investment Banking.

The Partnership's Trading business provides services to more than 270 global active counterparties as of December 31, 2023 and provides liquidity on a principal basis across a variety of centralized and decentralized trading platforms, and over-the-counter ("OTC") markets globally. Through GGM, counterparties can access digital asset spot and derivative trading, bespoke lending and structured products. GGM also engages in proprietary quantitative, arbitrage and macro trading strategies.

Trading includes GalaxyOne[2] a unified technology platform for institutional investors which went live in 2023. GalaxyOne provides its customers with access to products and services across the digital asset ecosystem. There is a small beta user cohort with access to the platform's initial set of capabilities including trading, custody, and reporting. We are continuing to build upon this functionality to further integrate features including, custody, lending, margin, application programming interface ("API") connectivity and derivatives through a regulatory-compliant platform that utilizes robust risk-monitoring tools and transparent reporting.

Our Investment Banking[3] business offers expert financial and strategic advisory services for the digital assets, Web3 and blockchain technology sector. The team provides specialized crypto expertise while offering an expansive suite of financial services to public and private clients globally. In particular, Investment Banking helps clients execute transactions, including M&A transactions and divestitures, provides restructuring advisory services and offers equity and debt capital markets services, including project financing.

Asset Management

Galaxy Asset Management ("GAM")[4] is a global asset management platform providing investors access to the digital asset ecosystem via a diverse suite of institutional-grade investment vehicles that span passive, active and venture strategies.

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[1] "Qualified Individuals" are Eligible Contract Participants (as defined by the Commodities Exchange Act in the United States), knowledgeable employees of the Partnership and accredited investors, who are usually high net worth individuals.

[2] GalaxyOne operates through GalaxyOne Prime LLC, a FinCEN registered money service business, outside of New York state and will operate through GalaxyOne Prime NY LLC, within New York once that entity has launched.

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

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

GAM managed $5.2 billion[5] in assets as of December 31, 2023, a 203% increase year-over-year. $2.1 billion of the $5.2 billion of assets under management ("AUM") represented new engagements managed by GAM to unwind portfolios. Excluding these opportunistic assets, GAM's AUM grew 81% to $3.1 billion in 2023, driven by $1.0 billion of gross inflows and $0.7 billion net market appreciation partially offset by $0.3 billion of gross outflows. The business is strategically focused on scaling its active and venture investment strategies, while leveraging a regional partnership model, with premiere local investment managers around the world, to expand our global product reach.

GAM's passive strategies consist of single- and multi-asset private funds, as well as a suite of regulated spot digital asset exchange-traded funds ("ETFs") through partnerships with leading asset managers in Brazil, Canada, Europe and the United States[6]. The Invesco Galaxy Bitcoin ETF launched in January 2024 for which Galaxy is the execution agent. GAM's active products seek to offer investors diversified, lower volatility and risk-managed access to the current and next generation of liquid digital assets via a long-biased strategy. GAM's venture strategies are organized around two investment themes: Interactive Ventures and Crypto Ventures. Founded in 2018, Galaxy Interactive is GAM's sector-focused venture arm, managing client capital across three funds. The Partnership's venture strategy, Crypto Ventures, invests client capital across two global, multi-manager venture funds and manages a subset of the Partnership's balance sheet venture investments.

GAM utilizes third party Qualified Custodians, as defined by the US Investment Advisers Act of 1940, for third party funds it manages to maintain and safeguard client assets, which are segregated from the assets of the custodians. Where possible, as a further risk mitigation tool, GAM employs a multi-custodial model for fund assets and requires insurance from our custody providers. GAM utilizes Big Four audit firms to audit our funds and utilizes independent, unaffiliated fund administrators for all our funds.

Digital Infrastructure Solutions

Galaxy Digital Infrastructure Solutions ("GDIS") develops, operates and invests in technology that powers the digital assets ecosystem, with a focus on scalability and security. GDIS is gaining scale in proprietary bitcoin mining and hosting services, network validator services, and the development of enterprise-grade self-custody technology.

GDIS is strategically focused on growing its capacity for both proprietary and hosted bitcoin mining across North America. GDIS' current Hashrate Under Management ("HUM")[7] was over 4 exahash as of the end of 2023, and is expected to increase its HUM to over 5 exahash by the end of first quarter of 2024. GDIS aims to continuously mine bitcoin well below its fair market value, grow recurring hosting fees, and focus on energy and software management. The majority of both proprietary and hosted mining occurs at our Helios site, in West Texas. The infrastructure at Helios can support 180 megawatts ("MW"). GDIS received official approval in 2023 from the Electric Reliability Council of Texas ("ERCOT") and Wind Energy Transmission Texas, LLC ("WETT") to scale up to 800MW at the Helios site. The Partnership is committed to managing and improving our environmental and carbon footprint by integrating sustainable practices and increasing the use of sustainable energy across our businesses.

The Partnership is also focused on emerging areas of blockchain infrastructure, including supporting the integrity of protocols and ecosystem projects by operating validator nodes to secure blockchains and by offering self-custody technology solutions to institutions through GK8. Galaxy's self-custody technology solution, comprising the assets of GK8 acquired in February 2023, licenses self-custody software technology that allows customers to generate and store the private keys to their digital assets, as well as to generate multi-signature backup keys in a secure cold storage vault. The market opportunity for GK8's custodial technology continues to expand rapidly alongside growing demand for global, regulated qualified custodians, with target client segments including banks, broker-dealers and trust companies, as well as institutional demand for self-custodied digital assets. The Partnership is focused on expanding institutional access to GK8 products globally and on a product roadmap that prioritizes both unparalleled security and flexible ecosystem interactions.

Risks and Uncertainties

In addition to the risks contained herein, the disclosures in this MD&A are subject to, and should be read in conjunction with, the risk factors outlined in the AIF, filed on GDH Ltd.'s SEDAR+ profile at www.sedarplus.ca.

[5] AUM data is unaudited. AUM is inclusive of sub-advised funds, committed capital closed-end vehicles, seed investments by affiliates, affiliated and unaffiliated separately managed accounts, and fund of fund products. Changes in AUM are generally the result of performance, contributions, withdrawals, liquidations, and opportunistic mandate wins. AUM for committed capital closed-end vehicles that have completed their investment period is reported as NAV plus unfunded commitments. AUM for close-end vehicles is reported as of the most recent quarter available for the applicable period. AUM for affiliated separately managed accounts, the balance sheet venture investments, is reported as NAV as of the most recently available estimate for the applicable period.

[6] The U. S. spot crypto ETF was approved by the SEC in the first quarter of 2024. European product anticipated in the first half of 2024.

[7] Hashrate Under Management is defined as the total combined hashrate of active proprietary and hosted mining capacity managed by Galaxy.

Annual Highlights & Results

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

(in millions)	December 31, 2023	December 31, 2022	December 31, 2021
Digital assets	$ 1,119.9	$ 566.7	$ 2,420.8
Digital assets posted as collateral	316.1	25.1	71.4
Total	1,436.0	591.8	2,492.2
Investments	735.1	595.1	1,069.8
Loans receivable[1]	491.9	213.6	382.8
Property and equipment	260.0	208.5	58.2
Total assets	3,675.2	2,346.1	5,096.5
Total liabilities, excluding non-controlling interests liability	1,885.5	907.4	2,336.7
Total equity	1,789.8	1,438.8	2,598.4

[1] Includes digital asset and fiat loans.

	Year ended		
(in millions)	December 31, 2023	December 31, 2022	December 31, 2021
Fee revenue	$ 51.3	$ 35.6	$ 18.8
Net realized gain on digital assets	311.8	55.1	1,014.3
Net realized gain on investments	13.4	42.0	231.4
Lending and staking revenue	52.2	36.8	73.1
Net derivative gain	151.6	191.5	10.8
Total income	613.9	419.5	1,365.6
Operating expenses	(376.4)	(496.9)	(364.6)
Net unrealized gain (loss) on digital assets	2.0	(659.2)	451.5
Net unrealized gain (loss) on investments	84.4	(496.2)	547.0
Comprehensive income (loss) for the period	296.0	(1,023.3)	1,714.6

- As of December 31, 2023, digital assets, including digital assets posted as collateral, was $1.4 billion, an increase of $844.2 million from December 31, 2022. This increase was primarily due to an increase in digital assets collateral payable of $496.5 million and digital assets borrowed of $227.7 million, as well as an increase in fair value of the underlying digital assets. The Partnership's largest digital asset holding as of both December 31, 2023 and December 31, 2022 was BTC. Over the same period, the price of BTC increased 155.4%.
- Investments increased $140.0 million during the year to $735.1 million as of December 31, 2023. The change was primarily due to improved market conditions resulting in $124.1 million of net unrealized gains on investments still held as of the end of the year. The primary drivers of these unrealized gains were the Partnership's investments in Mt. Gox Investment Fund LP due to the increased value of the underlying bitcoin, Galaxy's repurchase of its FTX bankruptcy claims, and the Partnership's seed investment in its actively managed sponsored fund Galaxy Liquid Alpha Fund, LP. The $195.7 million of new investment purchases during the year were offset to a large extent by sales of and distributions from investments.
- Total liabilities increased by $1.0 billion during the period to $1.9 billion as of December 31, 2023 primarily due to increases in collateral payable of $449.9 million, digital assets loans payable of $227.7 million and derivative liabilities of $144.1 million. Increases in digital assets loans payable and collateral payable were driven by increases in borrowing and lending activities, as well as an increase in the fair value of the underlying digital assets.
- Total equity increased by $351.0 million during the period to $1.8 billion as of December 31, 2023 primarily driven by $296.0 million of comprehensive income.
- Operating expenses decreased for the year ended December 31, 2023 as compared to the year ended December 31, 2022, primarily due to a decrease in general and administrative expenses, which was driven by a $33.3 million

reversal of impairment expense on mining equipment during 2023 as compared to $33.3 million of impairment charges recognized on mining equipment in 2022, as well as recognized $37.8 million of FTX related losses on cash held on the platform at the time of bankruptcy and $10.1 million of credit losses incurred during 2022. Refer to Expenses for detail on drivers of each operating expense.

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

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

		Three months ended							
$'s in millions		December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Net realized gain (loss) on digital assets	$	293.1	$ (67.6)	$ 20.2	$ 66.1	$ (73.5)	$ 4.7	$ (231.1)	$ 355.0
Net realized gain (loss) on investments	$	(55.3)	22.4	48.3	(2.0)	(22.1)	(8.8)	3.5	69.4
Net derivative gain	$	71.2	15.7	9.6	55.1	11.7	17.8	80.0	82.0
Income (loss)	$	355.5	3.0	108.7	146.7	(37.5)	32.7	(119.2)	543.6
Operating expenses	$	(99.0)	(101.1)	(85.2)	(91.1)	(130.6)	(126.1)	(129.3)	(110.9)
Net unrealized gain (loss) on digital assets	$	(22.5)	26.2	(4.8)	3.0	5.0	69.4	(233.4)	(500.3)
Net unrealized gain (loss) on investments	$	93.0	(25.4)	(65.9)	82.7	(123.9)	(39.3)	(258.9)	(74.1)
Comprehensive income (loss)	$	301.5	(93.3)	(46.0)	133.8	(288.8)	(68.1)	(554.7)	(111.7)

For the year ended December 31, 2023, comprehensive income was $296.0 million, as compared to comprehensive loss for the year ended December 31, 2022 of $(1.0) billion. The income for the year ended December 31, 2023 was driven primarily by net realized gains on digital assets of $311.8 million, net derivative gain of $151.6 million and net unrealized gains on investments of $84.4 million; offset by operating expenses of $376.4 million, primarily compensation related expenses of $210.7 million. Lending and staking revenue of $52.2 million, fee revenue of $51.3 million, revenue from proprietary mining of $33.1 million, and net unrealized gains on digital assets of $2.0 million also made meaningful contributions to comprehensive income. As one of the primary observable benchmarks for valuation in the space, prices for digital assets increased significantly during the year. Bitcoin increased by 155.4%, from approximately $16,548 to $42,265 per coin and Ethereum increased by 91%, from approximately $1,197 to $2,281 per coin. The comprehensive loss for the year ended December 31, 2022 was primarily due to net unrealized losses on digital assets of $659.2 million and investments of $496.2 million and operating expenses of $496.9 million, partially offset by realized gains on digital assets of $55.1 million, realized gains on investments of $42.0 million and net derivative gain of $191.5 million.

Financial Outlook

Disclaimers and Additional Information

This section below contains certain pre-released first quarter 2024 financial information (the "pre-released financial information"). The pre-released financial information contained in this MD&A is preliminary and represents the most current information available to management. The Partnership's actual consolidated financial statements for such period may result in material changes to the pre-released financial information summarized in this MD&A (including by any one financial metric, or all of the financial metrics) as a result of the completion of normal quarter end accounting procedures and adjustments or due to other risks contained in the Annual Information Form for the year ended December 31, 2023. Although the Partnership believes the expectations reflected in this MD&A are based upon reasonable assumptions, the Partnership can give no assurance that actual results will not differ materially from these expectations.

Preliminary Quarter-to-Date Financial Highlights, through Friday, February 29, 2024[8]

- Income before tax was approximately $300 million, through February 29, 2024 bringing Partners' Capital to over $2.1 billion.
- GAM AUM increased to $10.1 billion as of February 29, 2024
- The GalaxyOne client platform is servicing approximately 75 institutional clients with more than $1 billion in assets as of March 25, 2024.

Discussion of Operations & Operational Highlights

- **Ordinary share repurchase:**

  On May 26, 2023, GDH Ltd. announced that the TSX approved the Company's plan to commence a normal course issuer bid to purchase up to 10,056,193 ordinary shares (10% of the Company's public float as of May 19, 2023). As of December 31, 2023, GDH Ltd. repurchased a total of 1,248,900 ordinary shares for a total cost of $4.3 million under the plan. All the repurchased shares of GDH Ltd. and the equivalent number of Class A Units in the Partnership were cancelled.

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

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

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

  The purpose and business reasons for the Reorganization include:

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

[8] This preliminary, unaudited year-to-date financial information is as of February 29, 2024. Financial results exclude completion of the full quarterly valuation process of our investment portfolio. This data is subject to change as management completes its quarterly close procedures.

- **Operational highlights**

Galaxy Global Markets (“GGM”)

  - The Partnership's trading business within GGM ended the year with more than 270 active counterparties[9] and raised the total number of onboarded counterparties to 1,052 as compared to 939 total onboarded counterparties as of December 2022.
  - The average loan book size for the year was $542 million[10] as compared to $505 million for 2022.
  - Counterparty loan originations were $661 million for the year as compared to $704 million for 2022.
  - The Partnership's investment banking business within GGM closed four deals in 2023, serving as the exclusive financial advisor to Securitize in its acquisition of Onramp Invest and advising Pantera on the sale of its stake in European digital assets exchange, Bitstamp, to Ripple Labs. The team also advised blockchain and AI-enabled competitive online gaming platform Gamercraft, on its seed financing round, and an undisclosed seller on a secondary sale of interest in bitcoin custodial services provider and lender, Unchained Capital.

Galaxy Asset Management (“GAM”)

  - GAM reported AUM of approximately $5.2 billion as of December 31, 2023 as compared to $1.7 billion as of December 31, 2022. AUM as of year end consisted of $1.6 billion in passive strategies, $2.2 billion in active strategies and $1.4 billion in venture strategies; as compared to $538 million in passive strategies, $94 million in active strategies and $1.1 billion in venture strategies as of December 31, 2022.
  - GAM entered into a mandate to unwind certain Trust assets within FTX's portfolio in the fourth quarter. GAM will manage the assets and any sales required by the mandate to maximize value for creditors. Associated AUM will decrease over time as the portfolio is monetized.
  - As of year end, GAM held investments in 222 portfolio companies across our venture platform, directly through the Partnership and indirectly held in the non-consolidated sponsored investment funds compared to 227 as of December 31, 2022. The year-over-year decrease in portfolio companies was driven by strategic exits.
  - Subsequent to quarter end, on January 11, 2024, GAM, in partnership with Invesco, announced the launch of the Invesco Galaxy Bitcoin ETF.

Galaxy Digital Infrastructure Solutions (“GDIS”)

  - Galaxy's average marginal cost to mine[11], net of curtailment credits, was approximately $15,500 per BTC during the quarter and less than $8,000 for the year. Galaxy's external hosting expenses and power costs, net of curtailment credits, were $20.5 million for the year ended December 31, 2023. Galaxy's acquisition of the Helios facility in December 2022, was the primary driver of 2023 mining revenue and expenses.
  - Galaxy ended the year with approximately 4.1 exahash per second in HUM, representing an over 115% increase compared to prior year end. Approximately 46% of HUM was derived from proprietary mining operations and the remainder from hosting mining operations.
  - Galaxy mined 333 and 1,077 proprietary bitcoins during the quarter and year ended December 31, 2023, respectively.

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[9] Active trading counterparties represent counterparties with whom we have traded within the past 12 months and who are still onboarded with Galaxy's trading business.

[10] Represents average market value of all open items; un-funded arrangements to finance delayed trading/settlement (for example over weekends), as well as uncommitted credit facilities in the quarter.

[11] Average marginal cost to mine refers to the marginal cost of production for each bitcoin generated during the period. The calculation excludes depreciation, mark-to-market on power contracts and corporate overhead.

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, 2023 (amounts expressed in US$):

	As of January 9, 2018 [(2)]	As of December 31, 2019	As of December 31, 2020	As of December 31, 2021	As of December 31, 2022	As of December 31, 2023	% Change 2023	% Change from January 9, 2018 to December 31, 2023
Cryptocurrency market capitalization (millions)[(1)]	$739,209	$190,906	$765,313	$2,206,758	$793,602	$1,647,895	107.6%	122.9%
Bitcoin price[(3)]	$14,595	$7,194	$29,002	$46,306	$16,548	$42,265	155.4%	189.6%
Ether price[(3)]	$1,300	$130	$738	$3,683	$1,197	$2,281	90.6%	75.5%

(1) Represents market capitalization data from coinmarketcap.com.

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

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

Market Overview

Bitcoin was among the best performing assets of 2023, when compared to a swath of global equity, commodity, and fixed-income indices. Bitcoin was up 155.4% and Ether was up 90.6% for the year as of December 31, 2023 (each were up an incremental 64% as of March 15, 2024). Despite bouts of volatility in asset markets, digital assets rallied in 2023 from the lows seen at the beginning of the year. The lead up to the launch of spot-based Bitcoin ETFs in early 2024, outcomes of certain litigation matters, resolution of bankruptcies, and a banking crisis in the United States provided a narrative boost to bitcoin, whose transparency and stability were seen as contrasting with the traditional banking system by some investors. Completion of Ethereum's Shanghai & Capella upgrades, finalizing "The Merge" by enabling staking and unstaking, and the Dencun upgrade were well received by crypto investors. Subsequent to year end, bitcoin was trading at all-time highs, with Ether not too far behind.

This rebound followed a tumultuous 2022 which featured monetary tightening from many of the world's central banks to address high inflation. Bitcoin and Ether were each down 76% and 75%, respectively, for the year ended December 2022 from their all-time highs in November of 2021. The downturn exerted pressure on crypto-native protocols and companies, exposing unsustainable designs and business models. Several centralized crypto lending firms became undercollateralized and eventually insolvent, leading to losses for investors and customers of these businesses. The founder and former CEO of FTX was found guilty on federal charges of fraud, conspiracy, and money laundering in November of 2023. The insolvency and bankruptcy of FTX in November 2022, one of the world's largest digital asset trading platforms at the time, caused meaningful declines in digital asset prices, sending bitcoin and Ether to new annual lows. The unwinding of the crypto credit ecosystem led to deleveraging and a low liquidity environment, placing additional downward pressure on digital asset prices. The collapse of FTX, along with several other major cryptocurrency firms, led U.S. regulators and policymakers to take a more critical approach to the crypto industry. The regulatory environment in the United States has made it challenging for remaining crypto firms to operate. In contrast several foreign jurisdictions have enacted or begun deliberating more progressive regulatory frameworks, including the United Kingdom, Europe, and Hong Kong. Currently, the cryptocurrency regulatory picture is evolving and will impact digital assets markets in the coming quarters.

The Federal Reserve's Federal Funds Rate remains over 5% after steadily rising throughout 2022 and the first half of 2023. Consumer Price Index ("CPI") inflation remains high, which has tempered expectations as to the timing of eventual rate cuts and lead to market uncertainty over the near-term future for risk assets. In addition, geopolitical tensions could lead to further unexpected outcomes, which in turn spur volatility across financial markets, including crypto.

The 2024 launch of bitcoin ETFs in the United States is a milestone for crypto markets. In less than two months, these bitcoin ETFs accumulated over $7 billion of net inflows from investors, causing appreciation of the underlying asset, BTC. Other digital assets, which tend to be somewhat correlated to BTC, have also gained in value. The ETFs make bitcoin exposure more accessible to investors. In particular, wealth managers and financial advisors are now able to allocate end-client capital to bitcoin. The U.S. wealth management industry encompasses $48 trillion in AUM, according to data from Galaxy Research. As of the end of February 2024, no major U.S. banks or broker/dealer affiliated wealth management platforms have yet added support for the bitcoin ETFs, although several have announced plans to review making this product available to their clients. As mainstream platforms add access to bitcoin ETFs, new pools of investors will have the chance to decide whether a bitcoin allocation is additive to their portfolios.

Industry Outlook and Recent Events

Across the digital assets ecosystem, innovations are driving new use cases and growing adoption. The development of Inscriptions on Bitcoin has unleashed tokenization on the world's oldest and most valuable blockchain network[12]. This has generated enthusiasm for bringing other blockchain use cases to Bitcoin, particularly through the deployment of new types of layer 2 networks ("rollups") which move transaction activity to sidechains to ease congestion and free up capacity on the mainchain. On Ethereum, rollups are already increasing usage, with the combined transaction count of Ethereum's layer 2 ("L2") ecosystem exceeding the number of transactions on the main blockchain as of early 2024[13]. Forthcoming upgrades are expected to make it easier and less expensive for L2 networks to transact on Ethereum, thereby reducing costs for users and further supporting the growth of the on-chain ecosystem[14]. Other networks, such as Solana, take different approaches to blockchain design. Growing usage on Solana and other developing blockchains is leading to increased efficiency across a range of use cases.

New use cases are developing along with the expanded and improved platform technology. Tokenization efforts are gaining momentum, with more and more value stored and transferred in stablecoins[15]. "Real world assets" are being tokenized, including treasuries and private credit, bringing real-world yield onto public blockchains and into DeFi[16]. The acceleration of artificial intelligence applications is leading to currently nascent but potentially exciting overlaps with blockchains. As an example, demand for processing power coupled with decentralized blockchains' abilities to coordinate buyers and sellers of computing capacity across the globe. Decentralized finance continues to mature, and while the *total value locked* in DeFi has not reached its prior all-time highs, it has more than doubled since October 2023 due to both increased utilization and the appreciation of underlying collateral assets[17].

Increasing regulatory clarity from some of the global regulatory bodies has made it easier for individuals and institutional investors to participate in the digital assets ecosystem around the world. The United States remains a challenging regulatory environment for digital asset companies, with banking, compliance and securities regulators tightening their respective guidance and expanding enforcement actions. In the wake of FTX's collapse, we believe that the increased scrutiny on digital asset markets by policymakers makes it more likely that new rules will be implemented by U.S. regulators. New regulation seeking to reduce the use of cryptocurrencies for illicit finance may be enacted, which could force adjustments within the industry; although the likelihood of comprehensive legislation being implemented in the near term remains somewhat muted, in light of the two houses of Congress being controlled by different parties. Advancement of the European Union's Markets in Crypto-Assets (MiCA) regulation through the European Council represents the vanguard of regulatory clarity for digital assets, and its final passage by the European Union Commission should be a boon for digital assets infrastructure on the continent. MiCA regulation is expected to go into effect in 2024. The United Kingdom has also advanced comprehensive guidance for digital asset companies which will allow them to operate under existing frameworks, and jurisdictions in the Middle East, Hong Kong, and Southeast Asia have advanced comprehensive and clarifying regulation that improves the operating environment for crypto firms.

The SEC initiated lawsuits against Coinbase and Binance in June 2023 alleging, among other things, that such firms were operating as unregistered securities exchanges in the United States, and identifying a number of digital assets that the SEC alleges to be unregistered securities. Both Coinbase and Binance have denied the allegations. In addition, in November 2023, the SEC filed a complaint against Kraken and brought similar charges against Kraken, alleging that it operated as an unregistered securities exchange, brokerage and clearing agency. The outcome of these lawsuits, and any judicial determination

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[12] Bitcoin accounted for 49% of the asset class's market capitalization, as calculated by dividing market capitalization of bitcoin, as published by CoinGecko, by total market capitalization as of March 15, 2024. Ether, the second most valuable blockchain network by market capitalization, represented 16% as of the same date.

[13] All Ethereum networks included more than 1.2 million daily active addresses as of February 21, 2024, of which Ethereum L1 occupied 360 thousand addresses and L2s occupied 840 thousand addresses. Refer to Galaxy Research's report published on February 27, 2024, *10 Charts that Show RWA, DeFi, and Ethereum Ecosystems are Vibrant.*

[14] Ethereum protocol developers successfully executed a network-wide upgrade on March 13, 2023. The upgrade, dubbed Dencun, is the 16th hard fork activated by developers, excluding upgrades to the Beacon Chain, since the network's genesis in 2015. Dencun introduces a new type of transaction to Ethereum called "blobs." Blobs are a cost-effective way for Layer-2 rollups to commit batched user transaction data to Ethereum. Refer to Galaxy Research's *Top Stories of the Week* published on March 15, 2024.

[15] As reported on RWA.xyz and Artemis Terminal, stablecoin market capitalization was $142 billion and weekly transfer volume was $558 billion as of March 15, 2024, respectively.

[16] Non-stablecoin Real World Assets grew in on-chain value by $1.05 billion in 2023, $855.7 million (82%) of which has come from Treasuries, real estate, and private credit - all yield-bearing assets. Refer to Galaxy Research's report published on October 5, 2023, *Overview of On-Chain RWAs and the Forces Propelling their Growth.*

[17] Per DeFiLlama.com, Total Value Locked in DeFi was $44 billion as of October 31, 2023 and $98 billion as of March 15, 2024.

of whether secondary-market transactions in the identified assets are securities transactions, remain uncertain. The SEC's actions against Coinbase, Binance and Kraken, and its inclusion of securities designations in these and other complaints underscore the continuing uncertainty around which digital assets are securities or when an activity involves a securities transaction. In July 2023, a U.S. district court ruled that certain sales of XRP were not securities transactions for purposes of the federal securities laws, while others were. The industry continues to process this information. These court cases will take a long time to reach conclusion but, ultimately, we believe they will result in significantly more clarity for digital assets in the United States.

New innovations are expected to lead to wider adoption of digital assets and the blockchain technology. In turn, growing interest and adoption may lead to increased volumes and prices, which should benefit all of our businesses. The Partnership believes that in the long run bitcoin has the potential to become a safe-haven, hard money asset (and that in its current state has all the requisite elements to do so). We believe that the broader digital assets market has significant upside potential, with new opportunities emerging in payments, finance, art, collectibles, gaming, and the Metaverse. Nonetheless, shifting risk sentiment will continue to impact the digital assets markets in the near term.

Operations in Israel

The operations of GK8, a developer of secure technology solutions for self-custody of digital assets, acquired by Galaxy in February 2023 are headquartered in Israel with its primary office located in Tel Aviv which includes more than 40 Galaxy employees. GK8 is included in the Digital Infrastructure Solutions segment. There has been no material impact from the ongoing conflict in the Gaza Strip on the Partnership's operations in the region. Galaxy management is monitoring the situation.

Performance by Reportable Segment

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

The following table represents income and expenses by each of the reportable segments for the year ended December 31, 2023:

(in thousands)	Global Markets	Asset Management	Digital Infrastructure Solutions	Corporate and Other	Totals
Income (loss)					
Fee revenue[1]	$ 4,877	$ 22,203	$ 27,482	$ (3,220)	$ 51,342
Net realized gain on digital assets	307,057	4,773	—	—	311,830
Net realized gain (loss) on investments	(8,936)	22,348	—	—	13,412
Lending and staking revenue	49,916	3,003	272	(975)	52,216
Net derivative gain (loss)	150,715	1,074	(206)	—	151,583
Revenue from proprietary mining	—	—	33,121	—	33,121
Other income (expense)	175	(127)	254	55	357
	503,804	**53,274**	**60,923**	**(4,140)**	**613,861**
Operating expenses	**186,660**	**56,649**	**46,606**	**86,484**	**376,399**
Net unrealized gain (loss) on digital assets	(73,492)	74,223	1,219	—	1,950
Net unrealized gain (loss) on investments	79,001	(2,193)	7,607	—	84,415
Net loss on notes payable - derivative	—	—	—	(9,603)	(9,603)
Foreign currency loss	(493)	—	—	—	(493)
	5,016	**72,030**	**8,826**	**(9,603)**	**76,269**
Income (loss) before income taxes	**322,160**	**68,655**	**23,143**	**(100,227)**	**313,731**
Income tax expense	—	—	—	17,833	17,833
Net income (loss)	**$ 322,160**	**$ 68,655**	**$ 23,143**	**$ (118,060)**	**$ 295,898**
Foreign currency translation adjustment	—	—	—	88	88
Comprehensive income (loss)	**$ 322,160**	**$ 68,655**	**$ 23,143**	**$ (117,972)**	**$ 295,986**

(1) Asset Management Fee revenue includes management fees generated off the Partnership's balance sheet venture investments which are eliminated in the Corporate & Other segment.

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

(in thousands)	Global Markets	Asset Management	Digital Infrastructure Solutions	Corporate and Other	Totals
Income (loss)					
Fee revenue	$ 14,704	$ 16,248	$ 5,624	$ (1,000)	$ 35,576
Net realized gain (loss) on digital assets	(192,830)	247,968	—	—	55,138
Net realized gain (loss) on investments	(34,405)	76,427	—	—	42,022
Lending and staking revenue	36,119	643	—	—	36,762
Net derivative gain (loss)	191,581	(61)	—	—	191,520
Revenue from proprietary mining	—	—	29,911	—	29,911
Other income	370	1,878	540	25,745	28,533
	15,539	**343,103**	**36,075**	**24,745**	**419,462**
Operating expenses	**200,727**	**56,551**	**70,629**	**168,954**	**496,861**
Net unrealized loss on digital assets	(216,043)	(443,126)	—	—	(659,169)
Net unrealized loss on investments	(102,747)	(360,978)	(32,459)	—	(496,184)
Net gain on notes payable - derivative	—	—	—	57,998	57,998
Net gain on warrant liability	—	—	—	20,322	20,322
Foreign currency loss	(316)	—	—	—	(316)
Loss attributable to non-controlling interests liability	—	97,219	—	—	97,219
	(319,106)	**(706,885)**	**(32,459)**	**78,320**	**(980,130)**
Income (loss) before income taxes	**(504,294)**	**(420,333)**	**(67,013)**	**(65,889)**	**(1,057,529)**
Income tax benefit	—	—	—	(35,952)	(35,952)
Net income (loss)	**$ (504,294)**	**$ (420,333)**	**$ (67,013)**	**$ (29,937)**	**$ (1,021,577)**
Foreign currency translation adjustment	—	—	—	(1,726)	(1,726)
Comprehensive income (loss)	**$ (504,294)**	**$ (420,333)**	**$ (67,013)**	**$ (31,663)**	**$ (1,023,303)**

The results of the Partnership's operations are directly affected by changes in the prices of digital assets that the Partnership holds or may hold. A significant decrease in the price or value of digital assets held by the Partnership may adversely affect the Partnership's results of operations. This is most dramatically evidenced by the $311.8 million of net realized gain on digital assets for the year ended December 31, 2023 as digital asset prices increased and the $659.2 million of net unrealized loss on digital assets for the year ended December 31, 2022 as digital asset prices decreased. The Global Markets segment reflects the short term and long term positioning of the Partnership's digital assets as well as the performance of OTC trading.

Year ended December 31, 2023 and December 31, 2022

Net Realized Gain on Digital Assets

Net realized gain on digital assets of $311.8 million for the year ended December 31, 2023 was driven primarily by sales of bitcoin and ether. For the year ended December 31, 2022, the largest contributor to the net realized gains on digital assets of $55.1 million was sales of LUNA.

Net Unrealized Gain (Loss) on Digital Assets

For the year ended December 31, 2023, the net unrealized gain on digital assets of $2.0 million was primarily driven by bitcoin and ether price increases. Unrealized losses on digital asset liabilities such as loans payable and collateral payable, were exceeded by unrealized gains on digital asset balances. For the year ended December 31, 2022, the largest contributors to the net unrealized loss on digital assets of $659.2 million were the reversal of the previously recognized unrealized gains due to the sale of LUNA, as well as changes in market value of digital assets held in consolidated funds and digital asset receivables.

Net Realized Gain on Investments

For the year ended December 31, 2023, net realized gain on investments of $13.4 million was primarily attributable to realized gains on the sale of Block.one common stock and partial sale of Fireblocks Ltd. ("Fireblocks") preferred shares offset by realized losses on short positions. For the year ended December 31, 2022, the net realized gain on investments of $42.0 million was driven by a partial sale of the Partnership's investment in Fireblocks and redemption of the Partnership's investment in the Pantera ICO Fund LP partially offset by realized losses on the sale of Monex securities.

Net Unrealized Gain (Loss) on Investments

For the year ended December 31, 2023, net unrealized gain on investments of $84.4 million was primarily attributable to an increase in the fair value of the Partnership's investments in Mt. Gox Investment Fund LP, FTX bankruptcy claims, and Galaxy Liquid Crypto Fund, LP (formerly known as Liquid Alpha Fund, LP). For the year ended December 31, 2022, the net unrealized loss on investments of $496.2 million was primarily due to a decrease in the fair value of the Partnership's investments in Candy Digital, Fireblocks and Bitfury.

The table below presents the fair value of significant assets by reporting segment as of December 31, 2023:

(in thousands)	**Global Markets**	**Asset Management**	**Digital Infrastructure Solutions**	**Corporate and Other**	**Totals**
Digital assets	$ 1,052,013	$ 67,930	$ —	$ —	$ 1,119,943
Digital assets receivables	6,506	13,135	1,219	—	20,860
Assets posted as collateral	318,195	—	—	—	318,195
Loans receivable[(1)]	491,868	—	—	—	491,868
Investments	244,807	476,262	14,034	—	735,103
Property and equipment	109	—	252,552	7,304	259,965

[(1)] Includes digital asset and fiat loans.

The table below presents the fair value of significant assets by reporting segment as of December 31, 2022:

(in thousands)	**Global Markets**	**Asset Management**	**Digital Infrastructure Solutions**	**Corporate and Other**	**Totals**
Digital assets	$ 566,690	$ —	$ —	$ —	$ 566,690
Digital assets receivables	10,713	6,864	—	—	17,577
Assets posted as collateral	25,138	—	—	—	25,138
Loans receivable[(1)]	213,559	—	—	—	213,559
Investments	124,668	464,027	6,427	—	595,122
Property and equipment	126	—	200,829	7,583	208,538

[(1)] Includes digital asset and fiat loans.

Financial Instruments, Digital Assets and Risk

The fair values of all financial instruments and digital assets are measured using cost, market or income approaches. Fair values of investments, digital asset receivables and restricted digital assets are estimated by a combination of internal and external valuation specialists. Valuations are reviewed by the Partnership's Valuation Committee, which includes members of senior management. The Valuation Committee is responsible for oversight of the valuation process, the approval of investments' valuations, the approval of the Partnership's valuation policy, and the retention of external valuation specialists.

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

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

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

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

The following table presents the fair value hierarchy for the Partnership's digital assets and investments measured at fair value as of December 31, 2023 and December 31, 2022:

(in thousands)	**As of December 31, 2023**				**As of December 31, 2022**			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Digital assets	$ 902,537	$ 149,402	$ 68,004	$ 1,119,943	$ —	$ 566,690	$ —	$ 566,690
Digital assets receivable	196	95	20,569	20,860	—	1,523	16,054	17,577
Digital asset loans receivable, net of allowance	—	104,504	—	104,504	—	49,971	—	49,971
Digital assets posted as collateral	—	316,104	—	316,104	—	25,138	—	25,138
Derivative assets	59,724	113,485	—	173,209	—	17,719	—	17,719
Investments	43,568	—	691,535	735,103	11,259	1,300	582,563	595,122
Total	$ 1,006,025	$ 683,590	$ 780,108	$ 2,469,723	$ 11,259	$ 662,341	$ 598,617	$ 1,272,217

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments sold short	$ 25,295	$ —	$ —	$ 25,295	$ 91	$ —	$ —	$ 91
Derivative liabilities	55,567	105,075	—	160,642	—	16,568	—	16,568
Digital asset loans payable	398,277	—	—	398,277	170,566	—	—	170,566
Digital asset collateral payable	569,995	—	—	569,995	73,458	—	—	73,458
Embedded derivative - Notes payable	—	—	10,472	10,472	—	—	868	868
Total	$ 1,049,134	$ 105,075	$ 10,472	$ 1,164,681	244,115	16,568	868	261,551

Level 3 Continuity

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

Assets (in thousands)	**Fair value at December 31, 2022**	**Purchases**	**Sales / distributions**	**Net realized gain (loss) on digital assets and investments**	**Net unrealized gain (loss) on digital assets and investments**	**Transfers in (out) of Level 3**	**Fair value at December 31, 2023**
Digital assets	$ —	$ —	$ —	$ —	$ 65,073	$ 2,931	$ 68,004
Digital assets receivables	16,054	200	—	—	17,101	(12,786)	20,569
Investments	582,563	56,655	(95,808)	43,993	91,910	12,222	691,535
Total digital assets, digital assets receivables and investments	**$ 598,617**	**$ 56,855**	**$ (95,808)**	**$ 43,993**	**$ 174,084**	**$ 2,367**	**$ 780,108**

Liabilities	**Fair value at December 31, 2022**	**Conversions**	**Revaluation**	**Fair Value at December 31, 2023**
Embedded derivative - Notes payable	$ 868	$ —	$ 9,604	$ 10,472

Transfers in and out of Level 3 are considered to have occurred at the beginning of the period in which the transfer occurred. For the year ended December 31, 2023, gross transfers into Level 3 for digital assets and digital asset receivables were $9.5 million and due to underlying token launches of contracts held. Gross transfers out of Level 3 digital assets receivables were

$19.4 million and due to vesting of digital assets as expected. For the year ended December 31, 2023, total transfers in and out of Level 3 for investments were $18.5 million and $6.3 million, respectively. Transfers in and out relate to reclassification of assets during the year.

The following table represents a reconciliation of Level 3 assets and liabilities for the year ended December 31, 2022:

Assets (in thousands)	Fair value at December 31, 2021	Purchases	Sales / distributions	Net realized gain (loss) on digital assets and investments	Net unrealized gain (loss) on digital assets and investments	Transfers in (out) of Level 3	Fair value at December 31, 2022
Digital assets	$ 4,144	$ —	$ —	$ —	$ —	$ (4,144)	$ —
Digital assets receivables	$ 61,621	$ 45,965	$ —	$ —	$ (55,206)	$ (36,326)	$ 16,054
Investments	1,005,704	146,000	(123,318)	76,919	(470,254)	(52,488)	$ 582,563
Total digital assets, digital assets receivables and investments	**$ 1,071,469**	**$ 191,965**	**$ (123,318)**	**$ 76,919**	**$ (525,460)**	**$ (92,958)**	**$ 598,617**

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

Transfers in and out of Level 3 are considered to have occurred at the beginning of the period in which the transfer occurred. Total transfers out of Level 3 were $93.0 million for the year ended December 31, 2022. The transfers out of Level 3 for investments were due to removal of restrictions. The digital asset and digital assets receivable transfers out of Level 3 were due to vesting of digital assets as expected.

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

Quantitative Information for certain Level 3 Assets and Liabilities

Financial instrument	Fair value at December 31, 2023 (in thousands)	Significant unobservable inputs	Range
Digital assets	$68,004	Marketability discount	3.3% - 59.4%
Digital assets receivables	$20,569	Marketability discount	6.1% - 74.4%
Investments	$691,535	Control discount	7.5% - 20.0%
		Market adjustment discount	17.7% - 80.0%
		Market adjustment premium	35.0%
		Marketability discount	5.68% - 40.0%
		Time to liquidity event (years)	2.0 - 5.0
		Annualized equity volatility	90.0%
		Risk free rate	2.7% - 4.7%
		Expected dividend payout ratio	0.0%
		EV to LTM revenue multiple	2.0x - 12.0x
		EV to projected revenue multiple	2.0x - 8.0x
		EV to volume multiple	5.5x
		Recovery percentage	120.1%
		Claims percentage	68.0%
Embedded derivative - notes payable	$10,472	Volatility	67.0%
		Time-Step (years)	0.004
		Risk free rate	4.0%

Financial Instrument	Fair Value at December 31, 2022 (in thousands)	Significant Unobservable Inputs	Range
Digital assets receivables	$16,054	Marketability discount	1.9% - 60.6%
Investments	$582,563	Control discount	10.0%
		Market adjustment discount	15.0% - 65.0%
		Marketability discount	10.0% - 63.5%
		Time to liquidity event (years)	3.3 - 5.0
		Annualized equity volatility	90%
		Risk free rate	0.2% - 4.2%
		Expected dividend payout ratio	—%
		Enterprise value to revenue multiple	1.0x - 3.5x
		Discount rate	17%
		Exit multiple	4.0x
		Recovery rate	0% - 100%
		Scenario probability[1]:	
		Deal closure and full recovery	2%
		Deal closure and partial default	—%
		No deal closure and dissolution	98%
Embedded derivative - notes payable	$868	Volatility	58.0%
		Time-step	0.004 years
		Risk free rate	4.1%

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

As indicated above, certain of the Level 3 assets had adjustments applied to the prices used to determine fair value. A change in unobservable inputs may 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, 2023 and December 31, 2022, respectively.

Category	Valuation Methods & Techniques	Key Inputs
Digital assets and digital assets receivables	• Black-Scholes option pricing model for discount for lack of marketability	• Volume-weighted average of trading prices • Selected volatilities of the subject digital assets • Vesting period • Risk-free rate • Dividend yield
Investments	• Adjusted book value • Adjusted net assets method	• Net assets of subject entity • Changes in the valuations of private company valuations, equity values of public companies and values of traded digital assets or other market data • Selected discount for lack of marketability
	• Black-Scholes model or other option pricing models • Backsolve method in an option pricing model framework • Calibration • Marketability adjustments	• Prior prices of subject investment • Expected time to exit • Volatility • Risk-free rate • Expected dividend payout ratio • Market adjustment
	• Guideline public company method • Comparable transactions method • Prior transactions method	• Enterprise or equity multiples to various metrics (users, revenue, net income, ARR etc.) • Prior prices of subject investment • Market adjustment
	• Control adjustments	• Selected discounts for lack of control
	• Bankruptcy emergence / recovery analysis	• Recovery percentage/rates
	• Scenario analysis • Probability-weighted expected return	• Scenario outcomes • Scenario probabilities
	• Indexation method	• Changes in the valuations of private company valuations, equity values of public companies and/or values of traded digital assets
	• Sum-of-the-parts	• Public closing price • Combination of the above methods and inputs may be considered
Embedded derivative - notes payable	• Monte Carlo model	• Time-step • Volatility • Risk-free rate

Industry

As of December 31, 2023 and December 31, 2022, details of the industry composition of the Partnership's digital assets, digital assets receivable, and investments are as follows:

Industry	December 31, 2023		December 31, 2022	
	Percentage of fair value	**# of Investments [2]**	**Percentage of fair value**	**# of Investments [2]**
Digital assets [1]	61 %	270	50 %	189
Finance	27	49	27	42
High tech industries	6	33	4	34
Services: Business	3	13	15	14
Software	1	11	2	9
Mining	1	3	<1	1
Finance technology	<1	4	1	3
Media: Diversified and production	<1	2	1	2
Total	100 %	385	100 %	294

[1] Includes digital asset receivables and pre-ICO contracts.

[2] Multiple investments across the capital structure of one investee are considered a single investment.

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

Material Positions

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

Refer to credit risk section below for further information on the Partnership's concentrations of credit risk related to its loans (including digital asset loans) receivable.

Digital Assets

The Partnership's digital asset balance includes digital assets borrowed and digital assets provided to Galaxy as collateral. Refer to the Liquidity and Capital Resources section for a breakout of Galaxy's digital asset, net balance which was $593.1 million as of December 31, 2023 (December 31, 2022 - $415.4 million). As of December 31, 2023 and December 31, 2022, the Partnership's largest gross digital asset holdings by fair value were as follows (in thousands):

(in thousands)		**December 31, 2023**
Bitcoin[1]	$	589,011
Ether[1]		174,978
USDT		104,539
USDC		74,624
TIA		68,494
All other		108,297
Digital assets, current and noncurrent	**$**	**1,119,943**

[1] Includes associated tokens such as wBTC, wETH and stETH.

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

Investments

As of December 31, 2023 and December 31, 2022, the Partnership had no individually material equity investment positions to disclose. As of December 31, 2023, the largest investments by fair value were as follows (in thousands):

Investment Name	Investment Type [(1)]		Cost		Fair Value
Mt. Gox Investment Fund LP	LP/LLC Interests		47,436		82,998
FTX bankruptcy claims	Warrants & Claims		18,549		45,013
Galaxy EOS VC Fund LP	LP/LLC Interests		24,800		40,165
Ripple Labs, Inc.	LP/LLC Interests & Preferred Stock		19,833		37,171
Galaxy Liquid Crypto Fund, LP	LP/LLC Interests		21,695		36,523
Proshares Bitcoin Strategy ETF	Common Stock		33,363		34,887
Galaxy Interactive Fund I, LP	LP/LLC Interests		28,073		29,268
Ramp Network Inc.	Preferred Stock		8,682		22,995
Bullish Global	Preferred Stock		9,000		22,680
Galaxy Institutional Ethereum Fund LP LLC	LP/LLC Interests		15,123		22,107
Other[(2)]	Other		306,393		361,296
		$	532,947	$	735,103

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

[(2)] *Includes 105 investments, all of which individually have fair values of less 5% of the total investments.*

As of December 31, 2022, the largest investments by fair value were as follows (in thousands):

Investment Name	Investment Type [1]	Cost (in thousands)	Fair Value (in thousands)
Fireblocks	Preferred Stock	4,479	60,757
Galaxy EOS VC Fund LP	LP/LLC Interests	24,800	42,940
Galaxy Interactive Fund I, LP	LP/LLC Interests	28,073	35,436
Mt. Gox Investment Fund LP	LP/LLC Interests	47,436	31,725
Ramp Network Inc.	Preferred Stock	8,682	22,871
Block.one	Common Stock	9,232	22,342
Bullish Global	Preferred Stock	20,000	21,938
Ripple Labs, Inc.	LP/LLC Interests & Preferred Stock	21,341	21,423
Galaxy Liquid Crypto Fund, LP	LP/LLC Interests	21,695	16,254
Candy Digital, Inc.	Common Stock	1,897	16,238
Other [2]	Other	296,047	303,198
		$ 483,682	$ 595,122

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

[2] *Includes 99 investments, all of which individually have fair values of less than of less 5% of the total investments.*

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

Bullish Global *– a digital asset trading platform to service the institutional liquidity market.*

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

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

FTX bankruptcy claims *- represent legal assertions to payment to be distributed from the FTX bankruptcy estate.*

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

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

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

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

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

Proshares Bitcoin Strategy ETF *- exchange traded fund focused on bitcoin futures investments.*

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

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

Period ended December 31, 2023

The $51.3 million increase in the fair value of the Partnership's investment in Mt. Gox Investment Fund LP was driven by the price increase of the BTC held by the bankruptcy estate.

The $40.4 million decrease in the fair value of the Partnership's investment in Fireblocks was driven by the partial sale of shares and a downward mark-to-market adjustment on remaining shares.

The Partnership sold its investment in block.one during the year ended December 31, 2023.

The $17.3 million increase in the fair value of the Partnership's investment in Ripple Labs, Inc. was driven by an upward mark-to-market adjustment based on the most recent secondary sale.

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

As of December 31, 2023:		**Fair Value (in thousands)**
> $1 billion market cap	$	1,019,712
<= $1 billion market cap		100,231
	$	**1,119,943**

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

Above market capitalization amounts are obtained from coinmarketcap.com.

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

Safeguarding of Digital Assets

The Partnership utilizes the Fireblocks platform to manage portions of our private keys, transfer and secure digital assets. Fireblocks is a technology platform that provides Galaxy with additional security while managing our digital assets. Galaxy retains full control of our assets and key recovery phrases that allow us to access our digital wallets independent from Fireblocks' operations. Fireblocks utilizes a secure hot vault and secure transfer environment to help establish connections between the Partnership's wallets, digital asset trading platforms, counterparties, and networks. Fireblocks utilizes multi-party computation ("MPC") protection layers to distribute private key secrets across multiple locations to prevent a single point of failure associated with the private keys. The use of MPC prevents private key shards from being concentrated on 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 Fireblocks vaults. 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 signer requirements. All transactions initiated from Fireblocks that fail to meet the Partnership's predefined criteria per the policy engine 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 addresses for non-Fireblocks wallets owned by the Partnership and external wallets for addresses of the Partnership's counterparties require multiple approvals in accordance with our whitelisting policy. As such, the Partnership settles with counterparties or entities with minimal risk of losing funds due to deposit address attacks or errors.

Fireblocks issues an annual SOC 2 Type II attestation report. The Partnership reviews the Fireblocks SOC 2 report to confirm they maintain a secure technology infrastructure and that their system controls 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. 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.

Digital Asset Trading Platforms

The Partnership utilizes multiple digital asset trading platforms to assist in conducting digital trading activity. As such, the Partnership maintains digital asset balances on the platforms to facilitate operations. Active digital asset trading platforms are domiciled across multiple geographies including the United States, Gibraltar, Panama, Dubai, Luxembourg, Singapore, Seychelles, South Korea, Japan and Hong Kong. The Partnership has a robust due diligence program for all platforms, regardless of domicile or jurisdiction. Each digital asset trading platform is required to provide all information and documentation that is necessary to do business with the Partnership. Information security reviews are conducted on each platform to assess data retention protocols, infrastructure, and applicable IT policies and procedures. Designated departments review all documentation to ensure each digital asset trading platform meets pre-defined criteria before providing approval for onboarding. Additionally, the Partnership assesses security, reputation, and operational risks in its determination of utilizing any digital asset trading platform. Once onboarded, each platform is monitored and refreshes of the Partnership's due diligence are performed periodically.

As part of the Partnership's control procedures, certain individuals are designated to administer and provision users with digital asset trading platform access and secure accounts per IT security protocols. Upon opening a new account, passwords, API keys, and multi-factor authentication mechanisms are created to secure credentials under the Partnership's Password and Multi-Factor Authentication Policy. Credentials are managed in secured locations and are only made accessible to authorized personnel with privileged access.

Address management features are utilized in accordance with each platform and require withdrawal addresses to be whitelisted and approved by authorized individuals. This prevents the withdrawal of digital assets held on the trading platforms to any address that has not been internally verified.

Digital asset trading platform balances are aggregated via live API feeds to ensure risk exposures are monitored across the Partnership's positions. Digital asset trading platform accounts with material balances are integrated within the Fireblocks platform; the integration allows for authorized users to initiate digital asset trading platform withdrawals directly from Fireblocks to dedicated vault accounts within the platform. The Partnership maintains contingency plans to securely transfer digital assets off platforms 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 digital asset trading platform accounts which have resulted in a loss or theft of Galaxy's digital assets. The Partnership performs reconciliation procedures to review digital asset trading platform balances, trades, and fees against internal and third-party records to ensure digital asset holdings are complete and accurate.

Decentralized Finance

The Partnership leverages on-chain, decentralized finance (DeFi) protocols to facilitate financial transactions in the execution of some of its strategies. Decentralized protocols are assessed by a cross-functional task force as part of the due diligence and approval process for new protocols. Components of the assessment include, but are not limited to security, compliance, operations, technology, and finance, as well as reviews of the protocol's design, decentralization, and support. Additionally, new protocols undergo a whitelisting review process within Fireblocks to confirm only approved and legitimate protocols and associated addresses are used. Interactions with DeFi protocols are performed using Fireblocks and are governed by the Fireblocks' transaction policy outlined in *Safeguarding of Digital Assets* above. The Partnership utilizes portfolio tracking software built specifically for DeFi protocols, as well as its independent third-party administrator, to reconcile, and report on DeFi positions for risk management and financial reporting purposes.

Risk

The Partnership's activities may expose it to a variety of financial and other risks, including 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 and cash equivalents, receivables, receivable for digital asset trades, prepaid assets, assets posted as collateral, and loans (including digital asset loans) receivable are exposed to credit risk.

Centralized and Decentralized Platforms

The Partnership limits its credit risk by placing its cash and cash equivalents and digital assets with high credit quality financial institutions and with digital asset platforms on which the Partnership has performed internal due diligence procedures. The Partnership deems these diligence procedures necessary as some platforms are not subject to regulatory oversight. As of December 31, 2023 in addition to cash at banks, the Partnership held $199.6 million of cash at brokers (December 31, 2022 - $65.2 million) and $24.9 million of cash on trading platforms (December 31, 2022 - $58.7 million).

Furthermore, certain centralized digital asset platforms engage in the practice of commingling their clients' assets in the platform's wallets. When digital assets are commingled, transactions are not recorded on the applicable blockchain ledger and are only recorded by the platform operator. Therefore, there is risk around the occurrence of transactions or the existence of period end balances represented by the platforms. Certain decentralized digital asset platforms allow users to borrow digital assets deposited by other users. Although these borrowings are on over-collateralized terms and are subject to automatic liquidation if the value of the collateral decreases to a certain threshold, there is an element of credit risk present on balances held on such decentralized platforms. The Partnership's due diligence procedures around digital asset platforms include, but are not limited to, internal control procedures around on-boarding new platforms which includes review of the platforms' anti-money laundering ("AML") and know-your-client ("KYC") policies by the Partnership's chief compliance officer (centralized platform specific); obtaining a security report by an independent third-party, if available; regular review of market information specifically regarding the trading platforms' security and solvency risk, including reviewing wallets that interact with decentralized platforms (decentralized platform specific); setting balance limits for each platform 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 a platform in instances where risk exposure significantly changes.

The Partnership conducts digital asset trades on both a direct principal to principal transaction basis, as well as with counterparties and with centralized or decentralized platforms. Digital assets held on centralized platforms are subject to the custody practices of the platform operators and could potentially be lost or impaired due to theft, fraud or negligence of the platform operators. Digital assets held on decentralized platforms could potentially be lost or impaired due to exploits of smart contracts. The Partnership mitigates these risks by performing regular reviews of each platform it transacts on, distributing its digital assets across multiple platforms to reduce concentration risk, and holding assets in self-custody where appropriate. As of December 31, 2023, approximately $564.6 million of the Partnership's digital assets were held on centralized platforms, issued by decentralized finance protocols or staked with validators (December 31, 2022 - $131.1 million). One such platform individually held 10% or more of the Partnership's digital assets as of December 31, 2023, holding approximately 12% (December 31, 2022 - One held 13%).

Receivables

The Partnership limits its credit risk with respect to its loans receivable, digital asset loans receivable, prepaid assets, receivables, receivables for digital asset trades, and digital assets receivables by transacting with credit worthy counterparties that are believed to have sufficient capital to meet their obligations as they come due and, with regards to OTC and Master Loan Agreement (MLA) counterparties for the trading business, on which the Partnership has satisfactorily performed the relevant AML and KYC procedures, and requiring the posting of collateral, if deemed necessary. As of each reporting period, the Partnership assesses if there are expected credit losses requiring recognition of a loss allowance. As of December 31, 2023 and subsequently, the Partnership does not expect a material loss on any of its loans. The Partnership is also subject to concentrations of credit risk related to its loans (including digital asset loans) receivable. As of December 31, 2023, two counterparties and their related parties collectively accounted for 65% of the Partnership's total loans receivable. The loans with these counterparties were supported by collateral valued from more than 115% to more than 140% of the outstanding loan balances. While the Partnership intends to only transact with counterparties or trading platforms 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.

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

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. General interest rate fluctuations may have an impact on the Partnership’s investment opportunities, primarily within its asset management segment. An increase in interest rates may make it more expensive to utilize a leverage facility in the future to make investments. To the extent the Partnership invests in debt instruments, interest rate changes may affect the value of the instrument indirectly in the case of fixed rate obligations, or directly in the case of adjustable rate instruments. In general, rising rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate changes would also affect the Partnership's ability to earn interest income or borrow at variable rates. The Partnership's digital assets loans receivable and payable (Note 8) and fiat loans receivable and payable (Note 9) are generally at fixed rates of interest, however the majority of the loans are callable on demand or have a short maturity. As of December 31, 2023, the Partnership’s exposure to interest rate risk is limited.

Liquidity Risk

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as they come due, as well as the risk of not being able to liquidate assets at reasonable prices. The Partnership manages liquidity risk by maintaining sufficient cash balances to enable settlement of its liabilities. Accounts payable and accrued liabilities, other than accrued compensation, and payables for digital asset trades generally have maturities of 30 days or less or are due on demand, or in the case of digital assets loan payable, on 5 to 20 business days' notice or at the end of a set term unless renewed. The Partnership intends to manage its short-term liquidity needs through its available cash balance and cash inflows from its ongoing business activities. In addition as of December 31, 2023, 81% of the Partnership’s digital assets portfolio was in liquid, actively traded digital asset markets which can be readily converted to cash at reasonable prices in short order (December 31, 2022 - 97%).

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

Foreign Currency Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. To the extent these financial instruments are unhedged or not adequately hedged, the value of the Partnership’s financial instruments may fluctuate with exchange rates. The value of the financial assets may therefore be unfavorably affected by fluctuations in currency rates and exchange control regulations. For the period ended December 31, 2023, the Partnership minimized exposure to foreign currencies by entering into foreign currency derivative instruments.

Market Risk

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

susceptible to market risk arising from uncertainties about future prices of the instruments. The Partnership moderates this risk through various investment strategies within the parameters of the Partnership's investment guidelines.
As of December 31, 2023, management's estimate of the effect on equity of a +/- 20% change in the market prices of the Partnership's investments and investments sold short, with all other variables held constant, was +/- $142.0 million (December 31, 2022 - $119.0 million).

Digital Asset Risk

Digital assets are measured at fair value less cost to sell. Digital asset prices are affected by various forces including global supply and demand, interest rates, exchanges rates, inflation or deflation and political and economic conditions. Further, digital assets 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 digital assets; in addition, the Partnership may not be able to liquidate its inventory of digital assets at its desired price, if necessary. Investing in digital assets is speculative, prices are volatile, and market movements are difficult to predict. Supply and demand for such assets change rapidly and are affected by a variety of factors, including regulation and general economic trends. Digital assets have a limited history, and their fair values have historically been volatile. The value of digital assets held by the Partnership could decline rapidly. A decline in the market prices of digital assets could negatively impact the Partnership's future operations. Historical performance of digital assets is not indicative of their future performance.

Many digital asset 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 digital asset 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 digital asset software programs to confirm transaction activity, each party to the transaction must sign the transactions with a data code derived from entering the private key into a hashing algorithm. This signature serves as validation that the transaction has been authorized by the owner of the digital asset. This process is vulnerable to hacking and malware, and could lead to theft of the Partnership's digital wallets and loss of the Partnership's digital assets.

Digital assets have limited regulations and there is no central marketplace for exchange. Supply is determined by a computer code, not a central bank. Additionally, trading platforms may suffer from operational issues, such as delayed execution, that could have adverse effects on the Partnership.

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

Any financial, security, or operational difficulties experienced by such trading platforms may result in an inability of the Partnership to recover money or digital assets being held on the trading platform. 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 trading platforms 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 trading platforms' failures may result in loss or less favorable prices of digital assets, and may adversely affect the Partnership, its operations and its investments.

As of December 31, 2023, management's estimate of the effect on equity of a +/- 20% change in the market prices of the Partnership's digital assets, net excluding stablecoins, with all other variables held constant, was +/-$141.8 million (December 31, 2022 - $26.9 million).

Loss of access risk

The loss of access to the private keys associated with the Partnership's digital asset holdings may be irreversible and could adversely affect an investment. Digital assets are controllable only by the individual that possesses both the unique public key and private key or keys relating to the "digital wallet" in which the digital asset 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 underlying digital assets.

Irrevocability of transactions

Digital asset transactions are irrevocable; stolen or incorrectly transferred digital assets 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, a 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 digital asset held by the Partnership, it is expected that the Partnership would hold an equivalent amount of the old and new digital assets following the hard fork.

Air drops occur when the promoters of a new digital asset send amounts of the new digital asset to holders of another digital asset that they will be able to claim a certain amount of the new digital asset 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 the systems in place to monitor or participate in hard forks or airdrops. Therefore, the Partnership may not receive any new digital assets created as a result of a hard fork or airdrop, thus losing any potential value from the occurrence of such events.

Regulatory oversight risk

Regulatory changes or actions may restrict the use of digital asset or the operation of digital asset platforms in a manner that adversely affects investments held by the Partnership.

Expenses

The Partnership's operating expenses were as follows:

(in thousands)	Year ended December 31, 2023	Year ended December 31, 2022
Compensation and compensation related	138,401	127,909
Equity based compensation	72,275	100,849
General and administrative	76,723	163,955
Professional fees	37,062	28,223
Interest	24,653	38,896
Notes interest expense	27,285	37,029
Totals	$ 376,399	$ 496,861

Year ended December 31, 2023 compared to December 31, 2022

Compensation and compensation related expense for the year ended December 31, 2023 increased compared to year ended December 31, 2022 primarily due to an increase in headcount.

Equity based compensation expense for the year ended December 31, 2023 decreased compared to the year ended December 31, 2022 primarily due to the roll-off of grants made to employees in 2021 with higher stock prices.

General and administrative costs for the year ended December 31, 2023 were lower compared to the year ended December 31, 2022 due primarily to the $33.3 million reversal of impairment recognized on mining equipment during 2023 as compared to the $33.3 million impairment of mining equipment as well as $37.8 million of losses related to the FTX bankruptcy and $10.1 million of credit losses on digital assets loans receivable.

Professional fees for the year ended December 31, 2023 were higher compared to the year ended December 31, 2022 as a result of the reversal of $12 million of BitGo related transaction fee accruals recorded in 2022 as they were contingent on completion of the acquisition.

Interest expense for the year ended December 31, 2023 was lower compared to the year ended December 31, 2022 primarily due to decreased average borrowing volumes.

Notes interest expense for the year ended December 31, 2023 was lower compared to the year ended December 31, 2022 primarily due to a lower average outstanding balance compared to prior period.

Liquidity and Capital Resources

The following table represents liquidity available to the Partnership:

(in thousands)	As of December 31, 2023	As of December 31, 2022
Estimated working capital	$ 321,815	$ 453,125
Digital assets, net	593,139	415,352
	$ 914,954	$ 868,477

Working capital as of December 31, 2023 and December 31, 2022 is calculated as the sum of cash and cash equivalents, receivable for digital asset trades, cash posted as collateral, receivables, prepaid expenses and other assets; less accounts payable and accrued liabilities, cash posted to the Partnership as collateral, payables to customers, payable for digital asset trades, short-term lease liability and payables to customers. As of December 31, 2023, in addition to cash at banks, the Company held $199.6 million of cash at brokers (December 31, 2022 - $65.2 million) and $24.9 million of cash on trading platforms (December 31, 2022 - $58.7 million).

Digital Assets, net as of December 31, 2023 and December 31, 2022 includes all digital assets categorized as assets in the statement of financial position, less all digital assets categorized as liabilities in the statement of financial position.

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

(in thousands)	As of December 31, 2023	As of December 31, 2022
Assets		
Digital assets	$ 1,078,587	$ 566,690
Digital asset loans receivable, net of allowance	104,504	49,971
Digital assets receivable, current	14,686	12,423
Digital assets receivable, noncurrent	6,174	5,154
Assets posted as collateral - Digital assets[1]	316,104	25,138
Restricted digital assets	41,356	—
	1,561,411	659,376
Liabilities		
Digital asset loans payable	398,277	170,566
Collateral payable - Digital assets[1]	569,995	73,458
	968,272	244,024
Digital assets, net	**$ 593,139**	**$ 415,352**
Stablecoins, net[2]	$ (115,997)	$ 281,048
Digital assets, net excl. stablecoins	**$ 709,136**	**$ 134,304**

[1] Excludes cash portion of balance on the Partnership's statement of financial position.

[2] As of December 31, 2023, stablecoin liabilities were greater than stablecoin assets.

The Partnership has unfunded commitments to invest in its managed sponsored funds as well as other structured entities (see Note 24 in the Partnership's consolidated financial statements). In addition, as its business grows, the Partnership expects its operating expenses to increase. Given the historical 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, 2023, the Partnership had total equity of $1.8 billion. As of December 31, 2022, the Partnership had total equity of $1.4 billion. The increase in equity during the year ended December 31, 2023 was primarily driven by comprehensive income for the period.

(in thousands)	**December 31, 2023**	**December 31, 2022**
Total assets	$ 3,675,249	$ 2,346,143
Total liabilities	1,885,468	907,351
Partners' Capital	1,789,781	1,438,792

As of December 31, 2023, the Partnership had cash of $316.6 million (December 31, 2022 - $542.1 million) and $593.1 million (December 31, 2022 - $415.4 million) of digital assets, net. Management believes that the Partnership has sufficient financial resources to maintain its operations and activities for the upcoming year.

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

The Partnership expects to generate incremental cash in the ordinary course through revenues earned in each of its businesses. The Global Markets business anticipates generating cash through strategically liquidating, shorting, trading and reinvesting in liquid digital assets, and lending and borrowing of digital assets. In addition, Global Markets has historically earned fees from serving its clients and is expected henceforth to earn fees by serving larger, more institutional clients in the digital assets and blockchain technology industry. The Asset Management business continues to earn fees for managing third party capital. The Asset Management business has also historically captured and may capture additional realized appreciation in the future by strategically monetizing investments in its illiquid balance sheet venture book, generating cash to facilitate operating the overall business. At present, the Digital Infrastructure Solutions business primarily earns income from its proprietary bitcoin mining and hosting of bitcoin mining.

As of December 31, 2023 and through the date of this filing, we have not experienced any difficulties meeting counterparty requests to return loans or collateral.

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

The following table presents the summary of the Partnership's contractual obligations as of December 31, 2023:

(in thousands)	**Payments Due by Period**				
Contractual Obligations	**Total**	**Less than 1 year**	**1 - 3 years**	**4 - 5 years**	**After 5 years**
Loans and collateral payable[1]	$ 1,072,708	$ 1,072,708	$ —	$ —	$ —
Lease obligations	$ 17,983	5,558	6,852	5,144	429
Notes payable	$ 445,592	592	445,000	—	—
Due to related parties	$ 67,953	67,953	—	—	—
Other obligations[2]	$ 81,014	20,550	60,464	—	—
Total Contractual Obligations	**$ 1,685,250**	**$ 1,167,361**	**$ 512,316**	**$ 5,144**	**$ 429**

[1] Includes fiat and digital asset payables.

[2] Includes obligations to fund capital commitments to 7 investment funds. Excludes other liabilities related to goods and services required in the ordinary course of business.

Transactions with Related Parties

Compensation of Key Management Personnel

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

(in thousands)	Year ended December 31, 2023	Year ended December 31, 2022
Base compensation and accrued bonuses[(1)]	$ 12,957	$ 6,733
Benefits	359	400
Equity based compensation	28,881	29,330
Total	**$ 42,197**	**$ 36,463**

(1) As of December 31, 2023, the amount includes approximately $10.1 million of accrued bonuses within accounts payable and accrued liabilities.

GDH LP, an operating partnership, is managed by the board of managers and officers of the General Partner, Galaxy Digital Holdings GP LLC, (the "Board of Managers"). Director fees, including equity based compensation provided to the Board of Managers were $0.8 million for the year ended December 31, 2023 (December 31, 2022 - $0.8 million).

Distributions

A tax-related distribution of $22.4 million was declared and paid during the year ended December 31, 2023 (December 31, 2022 - $184.3 million). The majority of the recipients of the distributions are related parties.

Sublease

Galaxy Investment Partners LLC, which has leased office space located on the 8th floor of 107 Grand Street, New York, New York 10013, subleased to the Partnership to occupy the 8th floor on the same terms as the master lease. During the year ended December 31, 2021, the Partnership exited the premises prior to the conclusion of the sublease term. The Partnership made payments on the sublease through June 2023, the expiration of the sublease (Note 24), and has no associated lease liability as of December 31, 2023 (December 31, 2022 - $1.3 million).

Transactions with GDH Ltd.

In accordance with the LPA (Note 5), the Partnership will reimburse or pay for all reasonably incurred expenses of GDH Ltd. in the conduct of the Company's business, with the exception of taxes. For the year ended December 31, 2023, the Partnership paid or accrued $2.2 million (December 31, 2022 - $2.5 million), on behalf of GDH Ltd., which has been included in general and administrative expenses (Note 19). The Partnership has also provided a financial guarantee to a subsidiary of GDH Ltd. sufficient to cover its costs and obligations as they come due through August 11, 2024. The Partnership has not paid or accrued any amount under this financial guarantee for the years ended December 31, 2023 or December 31, 2022.

On April 14, 2022 the Partnership entered into a Promissory Note (amended and restated in November 2023, the "Promissory Note") with GDH Intermediate LLC ("GDHI LLC"), a subsidiary of GDH Ltd in order to effectively manage the liquidity of both the Partnership and GDH Ltd. Under the terms of the Promissory Note, the Partnership can request that GDHI LLC make advances to the Partnership from time to time in lieu of cash distributions to be made from the Partnership to GDH Ltd., which decision is at GDHI LLC's sole and absolute discretion. As of December 31, 2023, GDHI LLC had advanced $67.2 million to the Partnership.

Under the terms of the Promissory Note, interest accrues on any outstanding advances at a rate per annum equal to 9.0% effective October 1, 2023 (7.0% through September 30, 2023). Interest is payable semi-annually in arrears on June 30 and December 31 of each year, commencing on December 31, 2022, subject to the right of GDHI LLC to elect that the amount of any such interest payment be capitalized and increase the principal amount of the Promissory Note in lieu of being paid in cash by the Partnership. As of December 31, 2023, there was no interest payable on the Promissory Note. The Promissory Note may be recalled in whole or in part by GDHI LLC at any time during the term of the note. Otherwise it will mature, and the principal amount of all outstanding advances, plus any accrued and unpaid interest, will be due and payable on December 31, 2024, unless extended by GDHI LLC.

As at December 31, 2023, the Partnership had $66.0 million (December 31, 2022 - $45.2 million) net payable to GDH Ltd.

representing the aforementioned Promissory Note partially offset by receivables for stock option exercises and withholding tax associated with restricted share units vesting.

Other

The CEO of GDH Ltd. serves as co-chairman of the board of another company, resulting in the Partnership and that company being related parties. A family member of the CEO also holds a position with this company. As at December 31, 2023, the Partnership had an investment in the company valued at $18.0 million representing an ownership percentage of 26.5% (December 31, 2022 - $16.2 million and 15.9%). Galaxy Interactive Fund I, LP, a non-consolidated sponsored investment fund, also held an investment in the company valued at $2.4 million representing an ownership percentage of 3.4%. On February 2, 2024, the Partnership acquired additional shares as part of a follow-on funding round for approximately $1.0 million. Post funding, the Partnership's ownership percentage was diluted to 21.7%. Galaxy Interactive Fund I, LP did not participate in the February funding round. Post funding round, their ownership percentage was 2.6%. The Partnership continues to account for its investment using the equity method of accounting.

The Partnership has sub-advisory arrangements with a beneficial owner of GDH Ltd. which also invests in certain funds managed by the Partnership. Such sub-advisory arrangements have been entered into with Galaxy Digital Capital Management LP, a consolidated subsidiary of the Partnership, in its capacity as an investment advisor registered under the Advisers Act, and any fee arrangements, are on an arms-length basis. For the year ended December 31, 2023, the total amount of advisory fees received from the sub-advisory arrangements was $0.9 million (December 31, 2022 - $1.0 million).

The CEO, through an entity which he controls, owns a private aircraft that the Partnership uses for business purposes in the ordinary course of operations. The CEO paid for the purchase of this aircraft with his personal funds and has borne all operating, personnel and maintenance costs associated with its operation and use. During the year ended December 31, 2023 the Partnership incurred $0.3 million (December 31, 2022 - $1.2 million) for such use negotiated on an arms-length basis in compliance with our aviation matters policy adopted in August 2022.

In addition, the Partnership has from time to time made use of the CEO’s private boat to host corporate meetings and for other business purposes in the ordinary course of the Partnership’s operations, on terms that are advantageous to the Partnership. The CEO paid for the purchase of this boat with his personal funds and has borne most of the operating, personnel and maintenance costs associated with its operation and use, while the Partnership paid for the cost of any food and beverage consumption and a portion of operating fees. During the year ended December 31, 2023, the Partnership incurred $0.1 million in relation to this boat. During the year ended December 31, 2022, the Partnership did not reimburse the CEO for its use of this boat.

In connection with the receipt of surety bonds on behalf of a subsidiary of the Partnership for the purpose of state money transmission licenses, GGI agreed to act as indemnitor, along with the Partnership, at the request of the insurers. The Partnership paid fees of $0.4 million to GGI for the indemnity through December 31, 2023, which was calculated as 1% of the aggregate notional amount of the surety bonds held on behalf of the subsidiary. The Partnership will continue to incur fees due to GGI of 1% for the duration of these outstanding surety bonds which are renewed annually.

Prior to joining the Company’s board in September 2021, the current chairman of the board entered into a consulting agreement with the Partnership in April 2021. Under the terms of the consulting agreement, the chairman was engaged to provide professional services to the Partnership for a period of three years beginning on September 1, 2021. In 2021, the chairman received 1,500,000 RSUs and 500,000 options under the LTIP in connection with the consulting agreement. The equity based compensation related to this grant for the year ended December 31, 2023 was $6.5 million (December 31, 2022 $16.4 million).

In February 2023, the Partnership entered into a consulting agreement with another board member of the Company. The Partnership paid $1.0 million under this agreement during the year ended December 31, 2023.

During the year ended December 31, 2023, the Partnership made tax indemnification payments of $4.9 million to certain related parties. The Partnership also has $2.9 million of tax payments recoverable from related parties as of December 31, 2023 which are reflected in the consolidated statements of financial position in other assets.

Investments in Galaxy Funds

Our directors and senior officers are generally permitted to invest their personal capital (or capital of estate planning vehicles controlled by them or their immediate family members) directly in the Partnership's sponsored funds and affiliated entities. In general, such investments are not subject to management fees, and in certain instances may not be subject to performance fees. The fair value of such investments made by related parties aggregated to $11.0 million as of December 31, 2023 (December 31, 2022 - $8.5 million).

Critical Accounting Estimates and Accounting Policies including Initial Adoption

Critical accounting estimates

Use of estimates and judgments

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

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

Significant judgments in applying accounting policies

The judgments that the Partnership has made in the process of applying its 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.* Because the Partnership principally acquires its digital assets for the purpose of selling in the near future and generating a profit from fluctuations in price or margin, the Partnership accounts for its digital assets as inventory, and recognizes changes in their fair value less cost to sell in profit or loss.

The Partnership also holds a portion of its digital assets on decentralized finance protocols. Significant judgment was applied in the application of IFRS to the balances and activities in decentralized finance protocols.

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, 2023 and December 31, 2022, the Partnership had greater than 20% ownership in certain of its underlying investments and board representation in certain investments. The Partnership elected the Fair Value Through Profit and Loss option for investments held through a venture capital organization for which it was concluded that it had significant influence under IAS 28, and records changes in fair value of these investments on its consolidated statements of income (loss) and comprehensive income (loss).

Classification of the funds formed by the Partnership requires judgment on the degree of control and influence over these funds. Key to the assessment of control is determining whether the Partnership, as manager of these funds, is acting as principal or agent. Management considers key factors such as power, returns, and its ability to use its power to affect the amount of returns, to determine whether it controls and consolidates a fund or whether it has significant influence and applies the equity method of accounting to an investment in a fund for which we elected the fair value option. As at December 31, 2023, the Partnership has determined it does not have control of managed funds. Prior to December 31, 2022, the Partnership controlled and consolidated certain managed funds.

Key sources of estimation uncertainty

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

Digital assets and investments - valuation

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

Derivatives - valuation

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

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

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

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

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

Valuation of property and equipment

Depreciation of property and equipment, including right-of-use assets, is dependent upon estimates of useful lives and estimates of when assets become available for use, which are determined through the exercise of judgment.

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

Valuation of equity based compensation

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

Valuation and economic recoverability of goodwill and intangible assets

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

Income taxes

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

Digital Assets

The Partnership's digital assets inventory is measured at fair value less costs to sell.

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 the validation queue on certain blockchains, digital asset trading platforms, 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, 2023, represent the financial position of the Partnership and do not include all of the assets, liabilities, income and expenses of the partners. Income taxes, with limited exceptions including the New York City Unincorporated Business Tax and taxes in non-U.S. jurisdictions applicable to certain non-U.S. subsidiaries, are the responsibility of the partners and not of GDH LP.

The Partnership has two classes of ownership interests: Class A Units and Class B Units. As of March 25, 2024, there were 109,545,485 Class A Units outstanding and 215,943,700 Class B Units issued of which 215,928,474 were outstanding and exercisable into ordinary shares of GDH Ltd. As of December 31, 2023, there were 109,299,332 Class A Units and 215,928,474 Class B Units outstanding.

Equity Based Compensation Awards and Other

As of March 25, 2024 and December 31, 2023, 10,792,944 compensatory Class B Unit awards were outstanding, net of exchanges and forfeitures, of which, 10,777,718 Class B Units were exercisable.

As of December 31, 2023, 22,263,973 options granted under the GDH Ltd. stock option plan and LTIP were outstanding, of which 9,712,157 were exercisable. As of March 25, 2024, there were 21,027,657 options outstanding, of which 11,818,849 were exercisable.

As of December 31, 2023, there were 11,203,624 restricted and deferred units outstanding. As of March 25, 2024 there were 11,097,821 restricted and deferred share units outstanding.

Disclosure Controls and Procedures

Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that material information is gathered and reported to senior management to permit timely decisions regarding public disclosure. Management, with the participation of the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), assessed the effectiveness of the Partnership's disclosure controls and procedures as of December 31, 2023. 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 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, 2023. Based upon the results of that assessment as at December 31, 2023, Management concluded that internal control over financial reporting was not effective as a result of a material weakness.

For the year ended December 31, 2023, we identified one outstanding material weakness 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 weakness is as follows:

We did not design certain process-level and management review controls at a sufficient level of precision to (1) appropriately review digital asset contractual relationships to determine the accounting conclusions, including whether transactions were executed as principal or agent and whether arrangements give rise to a safeguarding relationship and (2) to validate the accuracy of data elements utilized in spreadsheets for accounting for digital assets, issued financial instruments, classification of cash flows, valuation and disclosure of investments, and impairment of property and equipment.

Remediation

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

We are working to remediate our material weakness 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 that the measures undertaken to remediate the material weakness 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.

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

We have redesigned our contract review process to include our Head of Accounting Policy and confirm accounting considerations for clients' and other transactions are appropriately concluded. In addition to the contract review process, we also are continuing to enhance the process for vetting new products and service offerings, including the relevant accounting treatment associated with the proposed new business.

We have integrated a third-party administrator into our digital asset and derivative reporting process and implemented enhanced reconciliations between management and the administrator to help ensure that data used in controls, and ultimately financial reporting, is complete and accurate. We have also implemented automated controls in front and mid-office spot and derivative trading systems for additional data validation, and completeness and integrity checks.

We have improved our investment valuation process. Our Valuation Control Group (VCG) has implemented an enhanced valuation policy, as well as a new valuation checklist which is used for all internal and external valuations. At least annually, but more frequently for large investments, VCG sends each investment to a third-party valuation specialist and performs an independent valuation to confirm consensus on the investment's estimated value. Management is waiting for continued operation of these controls before concluding on the remediation of this portion of the material weakness.

Remediation of Previously Identified Material Weaknesses

Material Weakness Related to Segregation of Duties

Management remediated its previously identified material weakness related to segregation of duties within our trading operations between authorizing and executing transfers of certain digital assets. We have implemented a process to authorize and document the movement of these certain digital assets. Additionally, we have implemented an automated reconciliation of executed digital asset transfers against the list of authorized digital asset transfers.

Changes in Internal Control Over Financial Reporting

Aside from those outlined above, there have been no significant changes to the Partnership's ICFR for the period ended December 31, 2023, which have materially affected, or are reasonably likely to materially affect the Partnership's ICFR.

Management's Responsibility for Financial Statements

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

Other Information and Disclaimer

No Offer or Solicitation

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

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