Galaxy Digital Holdings LP

Management's Discussion and Analysis

For the periods ended September 30, 2023 and September 30, 2022

November 9, 2023

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Introduction

This Management's Discussion and Analysis ("MD&A"), dated November 9, 2023, relates to the financial condition and results of operations of Galaxy Digital Holdings LP ("GDH LP" or together with its subsidiaries, the "Partnership"), is intended to supplement and complement the Partnership's condensed consolidated interim financial statements for the three and nine months ended September 30, 2023, and should be read in conjunction therewith. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. The condensed consolidated interim financial statements and MD&A are presented in U.S. dollars, unless otherwise noted and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results presented for the three and nine months ended September 30, 2023 are not necessarily indicative of the results that may be expected for any future period.

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

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

Cautionary Note Regarding Forward-Looking Statements

This MD&A contains certain forward-looking information and forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended (the "U.S. Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and "forward-looking information" under Canadian securities laws (collectively referred to herein as "forward-looking statements"). These forward-looking statements relate to future events or the Partnership's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", "seeks" or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. The forward-looking statements contained in this MD&A are based on our current expectations and beliefs concerning future developments and their potential effects on us taking into account information currently available to us. There can be no assurance that future developments affecting us will be those that we have anticipated. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. Our forward-looking statements include, but are not limited to, statements regarding our or our management team's expectations, hopes, beliefs, intentions or strategies regarding the future, including statements regarding GalaxyOne, Galaxy Asset Management's strategy to scale, Galaxy Digital Infrastructure Solutions' strategy to scale and 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, the banking pipeline, remediation plans, market and industry outlook, geopolitical events, prospective regulation or approvals, share repurchases, our ability to complete the reorganization, domestication and related transactions (the "transactions") within a particular timeframe, rising interest rates, a deposit flight into larger institutions or higher-yielding products, reduction in available credit or expectations regarding industry or company performance and plans. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks include, but are not limited to: (1) the inability to complete the transactions, due to the failure to obtain shareholder and stock exchange approvals, or otherwise; (2) changes to the proposed structure of the transactions that may be required or appropriate as a result of applicable laws or regulations or as a condition to obtaining shareholder or stock exchange approval of the transactions; (3) the ability to meet and maintain listing standards following the consummation of the transactions; (4) the risk that the transactions disrupt current plans and operations; (5) costs related to the transactions, operations and strategy; (6) changes in applicable laws or regulations; (7) the possibility that the Partnership may be adversely affected by other economic, business, and/or competitive factors; (8) changes or events that impact the cryptocurrency industry, including potential regulation, that are outside of our control; (9) the risk that our business will not grow in line with our expectations or continue on its current trajectory; (10) the possibility that our addressable market is smaller than we have anticipated and/or that we may not gain share of it, which could impact revenue and resources; (11) the risk that revenue or expenses estimates may not be met or may be materially less or more than those anticipated (12) any delay or failure to consummate the banking and GK8 mandates or achieve its pipeline, (13) the possibility that GAM 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, power-mix goals and strategy, (15) 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, (16) regulatory concerns, technological challenges, cyber incidents or exploits on decentralized networks, (17) any impact to our operations in Israel from global conflict and effect on global economic markets; and (18) those other risks contained in the Annual Information Form ("AIF") for the year ended December 31, 2022 available on the Partnership's profile at www.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 September 30, 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 September 30, 2023, the Partnership had 436 full-time employees.

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

<u>Limited Partnership Agreement</u>

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

The LPA allows the Partnership to make distributions, as and when determined by the General Partner, in its sole discretion so as to enable unit holders to pay anticipated taxes with respect to allocated Partnership taxable income and / or gains. Amounts distributed pursuant to the tax distribution provision are treated as an advance against, and reduce (on a dollar for dollar basis), future amounts that would otherwise be distributable to such limited partners. The LPA provides that the value of any tax distribution made shall not exceed 25% of the Partnership's market capitalization determined at the time the General Partner determines to make such distribution. During the nine months ended September 30, 2023, the General Partner 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 newly acquired GK8 technology and self-custody capabilities, and validator services.

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

Global Markets

Galaxy Global Markets ("GGM") provides comprehensive financial products and services to 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 services more than 280 global active counterparties as of September 30, 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.

As of November, the Partnership is live with GalaxyOne, a unified technology platform for institutional investors to access 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 trading, custody, lending, margin, API connectivity and derivatives through a regulatory-compliant platform that utilizes robust risk-monitoring tools and transparent reporting.

Our Investment Banking[2] 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")[3] is a global asset management platform providing investors access to the digital asset ecosystem via a diverse suite of institutional-grade investment vehicles that span passive, active and venture strategies.

GAM's digital assets investments and ventures business manages $3.9 billion[4] in assets across more than 15 investment strategies as of September 30, 2023. The business is strategically focused on scaling our active and venture investment strategies to grow its alpha-generating assets under management, while leveraging a regional partnership model, with premiere local managers around the world, to expand our global product reach.

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

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

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

[4] As of September 30, 2023. All figures are 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, and acquisitions. AUM associated with GVH Multi-Strategy FOF LP is based on management's most recent estimate. AUM for committed capital closed-end vehicles that have completed their investment period is reported as NAV plus unfunded commitments. Quarterly 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.

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[5]. 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 Crypto Ventures sleeve invests client capital across two global, multi-manager venture funds and manages 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 leverages Big Four audit firms to audit our funds and utilizes independent, unaffiliated fund administrators for all our funds.

Digital Infrastructure Solutions

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

GDIS is strategically focused on growing its capacity for both proprietary and hosted bitcoin mining across North America with a target Hashrate Under Management ("HUM")[6] of over 4 exahash by the end of 2023. 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 main site, Helios, in West Texas. The infrastructure at Helios can support 180 megawatts ("MW"), GDIS recently received official approval 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] Pending regulatory approval of a spot crypto ETF in the United States. European product anticipated in the fourth quarter of 2023.

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

Quarterly Highlights & Results

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

(in millions)	September 30, 2023	December 31, 2022
Digital assets	$ 983.7	$ 566.7
Digital assets posted as collateral	120.7	25.1
Total	1,104.4	591.8
Investments	586.5	595.1
Loans receivable[1]	441.5	213.6
Property and equipment	239.0	208.5
Total assets	2,983.9	2,346.1
Total liabilities	1,517.8	907.3
Total equity	1,466.0	1,438.8

[1] Includes digital asset and fiat loans.

	Three months ended		Nine months ended	
(in millions)	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Net realized gain (loss) on digital assets	$ (67.6)	$ 4.7	$ 18.7	$ 128.6
Net realized gain (loss) on investments	22.4	(8.8)	68.7	64.2
Net derivative gain	15.7	17.8	80.5	179.8
Total income	3.0	32.7	258.4	457.0
Operating expenses	(101.1)	(126.1)	(277.4)	(366.3)
Net unrealized gain (loss) on digital assets	26.2	69.4	24.5	(664.2)
Net unrealized gain (loss) on investments	(25.4)	(39.3)	(8.5)	(372.3)
Net comprehensive loss	(93.3)	(68.1)	(5.6)	(734.5)

- As of September 30, 2023, digital assets, including digital assets posted as collateral, was $1.1 billion, an increase of $512.6 million from December 31, 2022. This increase was primarily due to an increase in digital assets borrowed and collateral payable, as well as an increase in the fair value of the underlying digital assets.
- Investments decreased by $8.6 million during the nine month period to $586.5 million as of September 30, 2023. The change was primarily attributable to unrealized losses on investments of $8.5 million as a result of downward mark to market adjustments and reversals of previous gains on opportunistic sales of investments.
- Total liabilities increased by $610.5 million during the nine month period to $1.5 billion as of September 30, 2023 primarily due to an improved digital assets market resulting in an increase in collateral payable of $389.1 million, digital assets loans payable of $101.7 million, loans payable of $51.6 million, investments sold short of $37.8 million and short derivatives positions of $23.2 million (offsetting long derivatives positions included in total assets). Increases in loans and collateral payable is due to both increased borrowing and lending activities, as well as an increase in the fair value of the underlying digital assets.
- Total equity increased by $27.2 million during the nine month period to $1.5 billion as of September 30, 2023 primarily driven by net comprehensive income of $52.7 million excluding equity based compensation ($5.6 million of net comprehensive loss less $59.5 million of equity based compensation), largely offset by a tax related distribution of $22.4 million.
- Operating expenses were lower for the three and nine months ended September 30, 2023, as compared to the three and nine months ended September 30, 2022, driven by lower compensation and compensation related expenses, equity based compensation, general and administrative expense and interest expense, including interest expense on Notes payable, offset by comparatively higher professional fees. 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 Net comprehensive income (loss) for the past eight quarters:

	Three months ended							
$'s in millions	**September 30, 2023**	**June 30, 2023**	**March 31, 2023**	**December 31, 2022**	**September 30, 2022**	**June 30, 2022**	**March 31, 2022**	**December 31, 2021**
Net realized gain (loss) on digital assets	$ (67.6)	$ 20.2	$ 66.1	$ (73.5)	$ 4.7	$ (231.1)	$ 355.0	$ 315.6
Net realized gain (loss) on investments	22.4	48.3	(2.0)	(22.1)	(8.8)	3.5	69.4	6.3
Net derivative gain (loss)	15.7	9.6	55.1	11.7	17.8	80.0	82.0	(94.6)
Income (loss)	3.0	108.7	146.7	(37.5)	32.7	(119.2)	543.6	277.8
Operating expenses	(101.1)	(85.2)	(91.1)	(130.6)	(126.1)	(129.3)	(110.9)	(34.0)
Net unrealized gain (loss) on digital assets	26.2	(4.8)	3.0	5.0	69.4	(233.4)	(500.3)	228.9
Net unrealized gain (loss) on investments	(25.4)	(65.9)	82.7	(123.9)	(39.3)	(258.9)	(74.1)	145.8
Net comprehensive income (loss)	(93.3)	(46.0)	133.8	(288.8)	(68.1)	(554.7)	(111.7)	521.3

For the three months ended September 30, 2023, Net comprehensive loss was $93.3 million, as compared to $68.1 million for the three months ended September 30, 2022. The loss for the three months ended September 30, 2023 was primarily due to the net realized loss on digital assets and operating expenses offset by net unrealized gain on digital assets, net realized gain on investments, net derivative gain, lending and staking revenue, fee revenue, and revenue from proprietary mining.

Net comprehensive loss for the nine months ended September 30, 2023 was primarily due to operating expenses partially offset by net derivative gain, net realized gains on investments, net realized and unrealized gain on digital assets, fee revenue, lending and staking revenue, and revenue from proprietary mining.

Financial Outlook

Disclaimers and Additional Information

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

Preliminary Financial Highlights, through October 31, 2023[7]

• Income before tax was approximately $124 million, through October 31, 2023 bringing Partner's Capital to over $1.6 billion.

[7] This preliminary, unaudited financial information is as of October 31, 2023. Financial results exclude completion of the full valuation process of our investment portfolio.

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 September 30, 2023, GDH Ltd. repurchased a total of 104,100 ordinary shares for a total cost of $0.4 million under the plan. All the repurchased shares of GDH Ltd. and the equivalent number of Class A Units in the Partnership were cancelled. There were an additional 572,000 ordinary shares repurchased under the plan, for a total cost of $2.0 million, which were settled subsequent to quarter end.

  As of November 8th, 2023, GDH Ltd. repurchased a total of 1.2 million shares for a total cost of $4.3 million.

- **Corporate Overview**

  GDH Ltd. Reorganization and Domestication:

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

  - Galaxy Digital Inc., a new Delaware holding company, has been established and will become the successor public company of GDH Ltd. ("PubCo"), with all outstanding Galaxy ordinary shares becoming Class A shares of PubCo.
  - Mike Novogratz, the CEO and Founder of Galaxy, who currently controls the general partner of Partnership, will transfer control of the Partnership's general partner to PubCo.
  - PubCo will issue new voting securities to Mike Novogratz and other holders of Class B Units of the Partnership that will entitle them to vote (but not hold any economic rights) at PubCo, 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.
  - Simplify equity structure and alignment of all stakeholders' interests at the PubCo level.

- **Operational highlights**

  Galaxy Global Markets ("GGM")

  - The Partnership's trading business within GGM ended the quarter with more than 280 active counterparties[8] and raised the total number of onboarded counterparties to 1,028.
  - The quarterly average loan book size was over $550 million.[9]

[8] 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.

[9] 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.

- Counterparty loan originations were $117 million in the quarter.[10]
- The Partnership's investment banking business within GGM closed one deal in the quarter, serving as the exclusive financial advisor to Securitize in its acquisition of Onramp Invest. The investment banking business was also selected to represent Prime Trust in Nevada Receivership as part of an ongoing restructuring mandate.

Galaxy Asset Management ("GAM")

- GAM reported preliminary assets under management ("AUM") of approximately $3.9 billion. AUM consisted of over $768 million in passive strategies, approximately $1,704 million in active strategies and approximately $1,456 million in venture strategies.
- In the quarter ended September 30, 2023, GAM entered into a mandate to manage certain assets within FTX's liquid portfolio.
- GAM holds investments in 223 portfolio companies across our venture platform, directly through the Partnership and indirectly held in the non-consolidated sponsored investment funds.

Galaxy Digital Infrastructure Solutions ("GDIS")

- Galaxy's average marginal cost to mine[11] was negative during the quarter after curtailment credits. Galaxy's external hosting expenses and power costs, net of curtailment credits, were ($2.2 million) in the quarter.
- Galaxy ended the quarter with approximately 3.9 exahash per second ("EH/s") in HUM, representing an over 100% increase compared to prior year end. Approximately 46% of the 3.9 EH/s of HUM is derived from proprietary mining operations and the remainder from hosting mining operations.
- Galaxy mined 309 and 744 proprietary bitcoins during the quarter and nine months ended September 30, 2023.

[10] This quarter reflects an updated methodology for calculating loan originations as compared to prior year. Counterparty loan originations represent market values of all loans, credit facility draws and credit facilities originated to external counterparties in the quarter. Does not include rolled loans as a new origination; rolled loans can be generally defined as loans where the maturity was extended but no other material terms were changed.

[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 September 30, 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 September 30, 2023**	**% Change 2023**	**% Change from January 9, 2018 to September 30, 2023 [2]**
Cryptocurrency market capitalization (millions)[1]	$739,209	$190,906	$765,313	$2,206,758	$793,602	$1,079,475	36.0%	46.0%
Bitcoin price[3]	$14,595	$7,194	$29,002	$46,306	$16,548	$26,967	63.0%	84.8%
Ether price[3]	$1,300	$130	$738	$3,683	$1,197	$1,671	39.6%	28.5%

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

(2) January 9, 2018 is presented as it is the date that 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 as of October, when compared to a swath of global equity, commodity, and fixed-income indices. Bitcoin was up 63% and ether was up 40% for the year as of September 30, 2023 (up 110% and 52% for the year as of October 31, 2023). Despite hawkish language and actions from the Federal Reserve leading to bouts of volatility in asset markets as investors await new consumption, supply, and monetary data, digital assets have rallied in 2023 from the lows seen at the beginning of the year. Speculation over the approval of new market access vehicles 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; while the completion of Ethereum's Shanghai & Capella upgrades, finalizing "The Merge" by enabling staking and unstaking, were broadly praised by crypto investors.

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

Declining digital asset prices in 2022 exerted pressure on crypto-native protocols and companies, exposing unsustainable designs and business models. Several centralized lending firms became undercollateralized or insolvent, leading to business closures. The unwinding of much of the centralized crypto credit complex led to significant deleveraging across the digital asset market, placing additional downward pressure on digital asset prices. In November 2022, FTX filed for Chapter 11 bankruptcy protection after halting client withdrawals. Sam Bankman-Fried, founder and former CEO of FTX, was found guilty on federal charges of fraud, conspiracy, and money laundering on Thursday, November 2, 2023. The insolvency and bankruptcy of FTX, one of the world's largest digital asset trading platforms, caused increased volatility in digital asset prices, sending BTC and ETH to new yearly lows in November 2022. The collapse of FTX and several other major cryptocurrency firms has led U.S. regulators and policymakers to take a more aggressive approach to the industry. Securities and banking regulators have singled out the cryptocurrency industry, conducting more enforcement actions, issuing restrictive guidance, and calling for additional resources. The regulatory environment in the United States has made it challenging for remaining firms to operate, though several foreign jurisdictions have enacted or begun deliberating more progressive regulatory frameworks, including the United Kingdom, Europe, and Hong Kong. The cryptocurrency regulatory picture is in flux and its shifting nature will impact markets in the coming quarters.

Looking forward, we expect rates to remain elevated and ongoing distress at depository institutions in the face of capital flight to higher-yielding products. This could lead to a further tightening of financial conditions. While some softening has become visible in the labor market and economy overall, officials at the Federal Reserve continue to stress that rates could stay "higher for longer," although the market is currently pricing cuts beginning in Spring 2024. Furthermore, increasing geopolitical tensions could maintain inflationary pressures and lead to market volatility. The tightening credit conditions could lead to further unexpected outcomes, which in turn spur volatility across financial markets, including crypto.

Industry Outlook and Recent Events

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

Increasing regulatory clarity from some of the global regulatory bodies has made it easier for individuals and institutional investors to participate in the digital assets ecosystem around the world. Further clarity on the classification and treatment of digital assets, know-your-customer and anti-money laundering procedures, and rules on accounting, taxation, custody, and transacting are providing a framework for current and prospective participants in the broader digital asset industry. 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, although the likelihood of comprehensive legislation being implemented in the near term remains somewhat muted given that the two houses of Congress are controlled by different parties. Furthermore, geopolitical events have increased the likelihood that laws, rules, or regulations seeking to reduce the use of cryptocurrencies for illicit finance may be enacted, which could force adjustments within the industry. Advancement of the European Union's Markets in Crypto-Assets (MiCA) regulation through the European Council represents the vanguard of regulatory clarity and its final passage by the EU Commission in April is a boon for the digital assets sector on that continent. The United Kingdom has also advanced comprehensive guidance for digital asset companies which will allow them to operate under existing frameworks; and jurisdictions in the Middle East, Hong Kong, and Southeast Asia have advanced comprehensive and clarifying regulation that improves the operating environment for crypto firms.

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, but the outcome of these lawsuits, and the federal securities law status of the identified digital assets, remain uncertain. The SEC's actions against Coinbase and Binance, 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.

Institutional inflows into bitcoin and other digital assets declined significantly in 2022 and have remained muted in 2023. However, institutional interest has recently grown as the likelihood that a spot Bitcoin ETF will be approved in the U.S. has increased. Major networks like Bitcoin and Ethereum also saw declining transactional usage in 2022, though usage has somewhat rebounded in 2023. In addition, the budding NFT market continues to see declining volumes. However, significant progress to scale blockchains for new use cases continues to be made. Several layer 2 networks have launched on Ethereum, and Bitcoin too has seen a rise in usage associated with new adjacent protocols like Ordinals. Modular blockchain design has emerged at the forefront of blockchain scaling, and early signs show promise that this new technique could bring significant efficiency gains that expand the potential market for the technology. Overall, these markets and platforms continue to operate efficiently and process significant nominal volumes, even if usage has declined since its peak in 2021.

Generally, blockchain technology continues to see significant technical advancements, with layer 2 networks growing in adoption and capability, application of zero-knowledge proof technology increasing, and research into new scaling and privacy techniques continuing at a rapid pace. Venture capital funding for cryptocurrency and blockchain startups hit an all-time high of $11 billion in the first quarter of 2022 but shrank to $1.975 billion in the third quarter of 2023. Overall, 2022 ended the year with more than $30 billion invested in the crypto startup ecosystem by venture investors, just shy of 2021's all-time high of $33 billion. Despite the decline of venture activity in the third quarter of 2023, the nine months of 2023 saw notable investment in nascent subsectors like real-world asset tokenization, Web3, and the intersection of artificial intelligence and crypto. These investments should fuel new innovations that will continue to advance the digital asset ecosystem. While total quarterly venture capital dollars invested in digital asset startups remain well below prior highs, early stage venture dollars are comprising an increasing percentage of capital invested, a sign that new entrepreneurs are still able to raise capital. Furthermore, the recent decline in venture activity is by no means specific to the digital asset sector as a result of consecutive interest rate increases by the Federal Reserve since late 2022.

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 the GK8 self-custody platform acquired by Galaxy in February 2023 are headquartered in Israel with its primary office located in Tel Aviv which includes 46 Galaxy employees. GK8 is included in the Digital Infrastructure Solutions segment. There has been no material impact from the ongoing conflict on the Partnership's operations in the region. Galaxy management is monitoring the situation including implementing business continuity plans to mitigate future potential risk.

Performance by Reportable Segment

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

The following table represents income and expenses by each of the reportable segments for the three months ended September 30, 2023:

(in thousands)	Global Markets	Asset Management	Digital Infrastructure Solutions	Corporate and Other	Totals
Income (loss)					
Fee revenue[1]	$ 51	$ 4,686	$ 5,589	$ (801)	$ 9,525
Net realized loss on digital assets	(67,232)	(385)	—	—	(67,617)
Net realized gain on investments	22,001	354	—	—	22,355
Lending and staking revenue	13,821	184	—	—	14,005
Net derivative gain	15,667	—	70	—	15,737
Revenue from proprietary mining	—	—	8,848	—	8,848
Other income (loss)	75	32	199	(179)	127
	(15,617)	**4,871**	**14,706**	**(980)**	**2,980**
Operating expenses	**43,510**	**12,131**	**21,933**	**23,497**	**101,071**
Net unrealized gain on digital assets	26,919	(723)	—	—	26,196
Net unrealized loss on investments	(4,052)	(20,949)	(379)	—	(25,380)
Net gain on notes payable - derivative	—	—	—	1,082	1,082
Foreign currency gain	(768)	—	—	—	(768)
	22,099	**(21,672)**	**(379)**	**1,082**	**1,130**
Income (loss) before income taxes	**(37,028)**	**(28,932)**	**(7,606)**	**(23,395)**	**(96,961)**
Income tax benefit	—	—	—	(3,240)	(3,240)
Net loss	**$ (37,028)**	**$ (28,932)**	**$ (7,606)**	**$ (20,155)**	**$ (93,721)**
Foreign currency translation adjustment	—	—	—	419	419
Net comprehensive loss	**$ (37,028)**	**$ (28,932)**	**$ (7,606)**	**$ (19,736)**	**$ (93,302)**

[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 nine months ended September 30, 2023:

(in thousands)	Global Markets	Asset Management	Digital Infrastructure Solutions	Corporate and Other	Totals
Income (loss)					
Fee revenue[1]	$ 2,262	$ 13,833	$ 20,323	$ (2,211)	$ 34,207
Net realized gain on digital assets	14,261	4,420	—	—	18,681
Net realized gain on investments	46,100	22,611	—	—	68,711
Lending and staking revenue	33,853	1,470	—	—	35,323
Net derivative gain (loss)	78,985	1,542	(65)	—	80,462
Revenue from proprietary mining	—	—	20,672	—	20,672
Other income (loss)	210	(131)	254	—	333
	175,671	**43,745**	**41,184**	**(2,211)**	**258,389**
Operating expenses	**126,613**	**42,109**	**38,995**	**69,714**	**277,431**
Net unrealized gain (loss) on digital assets	25,476	(1,025)	—	—	24,451
Net unrealized gain (loss) on investments	13,079	(27,868)	6,272	—	(8,517)
Net loss on notes payable - derivative	—	—	—	(1,022)	(1,022)
Foreign currency loss	(843)	—	—	—	(843)
	37,712	**(28,893)**	**6,272**	**(1,022)**	**14,069**
Income (loss) before income taxes	**$ 86,770**	**$ (27,257)**	**$ 8,461**	**$ (72,947)**	**$ (4,973)**
Income tax expense	—	—	—	586	586
Net income (loss)	**$ 86,770**	**$ (27,257)**	**$ 8,461**	**$ (73,533)**	**$ (5,559)**
Foreign currency translation adjustment	—	—	—	3	3
Net comprehensive income (loss)	**$ 86,770**	**$ (27,257)**	**$ 8,461**	**$ (73,530)**	**$ (5,556)**

[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 three months ended September 30, 2022:

(in thousands)	Global Markets	Asset Management	Digital Infrastructure Solutions	Corporate and Other	Totals
Income (loss)					
Fee revenue	$ 1,234	$ 3,374	$ 1,311	$ —	$ 5,919
Net realized gain (loss) on digital assets	27,164	(22,449)	—	—	4,715
Net realized loss on investments	(8,230)	(546)	—	—	(8,776)
Lending and staking revenue	6,104	291	—	—	6,395
Net derivative gain	17,825	—	—	—	17,825
Revenue from proprietary mining	—	—	4,224	—	4,224
Other income (loss)	(384)	895	—	1,863	2,374
	43,713	**(18,435)**	**5,535**	**1,863**	**32,676**
Operating expenses	**39,608**	**14,657**	**40,517**	**31,271**	**126,053**
Net unrealized gain on digital assets	10,504	58,933	—	—	69,437
Net unrealized gain (loss) on investments	5,485	(44,169)	(615)	—	(39,299)
Net loss on notes payable - derivative	—	—	—	(1,041)	(1,041)
Net gain on warrant liability	—	—	—	307	307
Foreign currency gain	2,579	—	—	—	2,579
Gain attributable to non-controlling interests liability	—	(8,857)	—	—	(8,857)
	18,568	**5,907**	**(615)**	**(734)**	**23,126**
Income (loss) before income taxes	**$ 22,673**	**$ (27,185)**	**$ (35,597)**	**$ (30,142)**	**$ (70,251)**
Income tax benefit	—	—	—	(2,357)	(2,357)
Net income (loss)	**$ 22,673**	**$ (27,185)**	**$ (35,597)**	**$ (27,785)**	**$ (67,894)**
Foreign currency translation adjustment	—	—	—	(222)	(222)
Net comprehensive income (loss)	**$ 22,673**	**$ (27,185)**	**$ (35,597)**	**$ (28,007)**	**$ (68,116)**

The table below presents income and expenses by each of the reportable segments for the nine months ended September 30, 2022:

(in thousands)	Global Markets	Asset Management	Digital Infrastructure Solutions	Corporate and Other	Totals
Income (loss)					
Fee revenue	$ 11,567	$ 11,143	$ 5,185	$ —	$ 27,895
Net realized gain (loss) on digital assets	(64,941)	193,499	—	—	128,558
Net realized gain (loss) on investments	(11,408)	75,561	—	—	64,153
Lending and staking revenue	30,570	516	—	—	31,086
Net derivative gain	179,821	—	—	—	179,821
Revenue from proprietary mining	—	—	21,330	—	21,330
Other income	235	2,034	—	1,883	4,152
	145,844	**282,753**	**26,515**	**1,883**	**456,995**
Operating expenses	**133,893**	**47,878**	**55,200**	**129,300**	**366,271**
Net unrealized loss on digital assets	(182,121)	(482,085)	—	—	(664,206)
Net unrealized loss on investments	(102,527)	(244,116)	(25,675)	—	(372,318)
Net gain on notes payable - derivative	—	—	—	56,556	56,556
Net gain on warrant liability	—	—	—	20,005	20,005
Foreign currency gain	3,293	—	—	—	3,293
Loss attributable to non-controlling interests liability	—	105,160	—	—	105,160
	(281,355)	**(621,041)**	**(25,675)**	**76,561**	**(851,510)**
Income (loss) before income taxes	**(269,404)**	**(386,166)**	**(54,360)**	**(50,856)**	**(760,786)**
Income tax benefit	—	—	—	(26,984)	(26,984)
Net loss	**$ (269,404)**	**$ (386,166)**	**$ (54,360)**	**$ (23,872)**	**$ (733,802)**
Foreign currency translation adjustment	—	—	—	(710)	(710)
Net comprehensive loss	**$ (269,404)**	**$ (386,166)**	**$ (54,360)**	**$ (24,582)**	**$ (734,512)**

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

Three and nine months ended September 30, 2023 and September 30, 2022

Net Realized Gain (Loss) on Digital Assets

Net realized loss on digital assets of $(67.6) million for the three months ended September 30, 2023 was primarily driven by sales of bitcoin and ether, as well as the closure of large loan balances, which were in unrealized loss positions in prior periods. Net realized gain on digital assets of $18.7 million for the nine months ended September 30, 2023 was driven primarily by sales of bitcoin and ether, offset by the closure of large loan balances, which were in unrealized loss positions in prior periods, during the three months ended September 30, 2023. Standard trading of bitcoin and ether drove the Net realized loss on digital assets of $4.7 million for the three months ended September 30, 2022. The Net realized gain on digital assets of $128.6 million for the nine months ended September 30, 2022 was driven by sales of luna.

Net Unrealized Gain (Loss) on Digital Assets

For the three months ended September 30, 2023, the Net unrealized gain on digital assets of $26.2 million, was primarily driven by the closure of large loan balances which had been written down in prior quarters, partially offset by lower digital asset prices. For the nine months ended September 30, 2023, the Net unrealized gain on digital assets of $24.5 million was primarily driven by bitcoin and ether price increases. For the nine months ended September 30, 2022, the net unrealized losses on digital assets of $664.2 million was driven by the reversal of previously recognized unrealized gains due to the sale of luna.

Net Realized Gain (Loss) on Investments

For the three months ended September 30, 2023, Net realized gain on investments of $22.4 million was primarily attributable to the cover of investments sold short. For the nine months ended September 30, 2023, Net realized gain on investments of $68.7 million was primarily attributable to the partial sale of Fireblocks Ltd. shares, the sale of Block.one common stock, and the cover of investments sold short. For the three and nine months ended September 30, 2022, the Net realized gain (loss) on investments of $(8.8) million and $64.2 million, respectively, were driven by realizations of investment positions, including a redemption from the Pantera ICO Fund and a partial sale of Fireblocks Ltd. shares.

Net Unrealized Gain (Loss) on Investments

For the three months ended September 30, 2023, Net unrealized loss on investments of $25.4 million was primarily attributable to fair value adjustment on the investments based on observable transactions. During the nine months ended September 30, 2023, Net unrealized loss on investments of $8.5 million was primarily driven by the unwind of previously recorded gains on the sale of investments in our balance sheet venture investments portfolio, largely offset by an increase in unrealized gain on the Partnership's investments and investments sold short. For the three and nine months ended September 30, 2022, the unrealized loss on investments of $39.3 million and $372.3 million, respectively, were primarily attributable to change in fair value of the Partnership's investments in Candy Digital, Fireblocks Ltd. and Mt. Gox.

The table below presents the fair value of significant assets by reporting segment as of September 30, 2023:

(in thousands)	Global Markets	Asset Management	Digital Infrastructure Solutions	Corporate and Other	Totals
Digital assets	982,989	$ 722	$ —	$ —	$ 983,711
Digital assets receivables	7,655	3,410	—	—	11,065
Assets posted as collateral	123,499	—	—	—	123,499
Loans receivable(1)	441,510	—	—	—	441,510
Investments	120,264	453,550	12,699	—	586,513
Property and equipment	182	—	231,393	7,409	238,984

(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	464,026	6,427	—	595,121
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 market or income approaches. The financial instruments and digital assets measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values, with the designation based upon the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy are:

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

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

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

The following table presents the fair value hierarchy for the Partnership's digital assets and investments measured at fair value as of September 30, 2023 and December 31, 2022:

(in thousands)	**As of September 30, 2023**				**As of December 31, 2022**			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Digital assets	$ —	$ 982,928	$ 783	$ 983,711	$ —	$ 566,690	$ —	$ 566,690
Digital assets receivable	—	459	10,606	11,065	—	1,523	16,054	17,577
Digital assets posted as collateral	—	120,696	—	120,696	—	25,138	—	25,138
Derivative assets	—	45,442	—	45,442	—	17,719	—	17,719
Common stock	9,273	1,288	26,447	37,008	11,259	—	50,389	61,648
Convertible notes	—	—	18,928	18,928	—	—	12,649	12,649
LP/LLC interests	—	—	278,860	278,860	—	1,300	254,499	255,799
Preferred stock	—	—	246,818	246,818	—	—	258,461	258,461
Warrants	—	—	4,899	4,899	—	—	6,565	6,565
Total	$ 9,273	$ 1,150,813	$ 587,341	$ 1,747,427	$ 11,259	$ 612,370	$ 598,617	$ 1,222,246

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments sold short	$ 37,881	$ —	$ —	$ 37,881	$ 91	$ —	$ —	$ 91
Derivative liabilities	—	39,737	—	39,737	—	16,568	—	16,568
Embedded derivative - Notes payable	—	—	1,890	1,890	—	—	868	868
Total	$ 37,881	$ 39,737	$ 1,890	$ 79,508	91	16,568	868	17,527

Level 3 Continuity

The following table represents a reconciliation of Level 3 assets and liabilities for the period ended September 30, 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 September 30, 2023
Digital assets	$ —	$ —	$ —	$ —	$ 138	$ 645	$ 783
Digital assets receivables	16,054	200	—	—	1,447	(7,095)	10,606
Common stock	50,389	1,845	(31,366)	22,134	(16,851)	296	26,447
Convertible notes	12,649	—	—	—	6,279	—	18,928
LP/LLC interests	254,499	14,917	(14,559)	(1,547)	25,550	—	278,860
Preferred stock	258,461	32,647	(40,204)	23,425	(27,215)	(296)	246,818
Warrants	6,565	—	—	—	4,899	(6,565)	4,899
Total Digital assets, Digital assets receivables and Investments	**$ 598,617**	**$ 49,609**	**$ (86,129)**	**$ 44,012**	**$ (5,753)**	**$ (13,015)**	**$ 587,341**

Liabilities	Fair value at December 31, 2022	Conversions	Revaluation	Fair value at September 30, 2023
Embedded derivative - Notes payable	868	—	1,022	1,890

Transfers in and out of Level 3 are considered to have occurred at the beginning of the period in which the transfer occurred. Total transfer out of Level 3 were $13.0 million for the nine months ended September 30, 2023. The transfers out of Level 3 for digital assets receivable were due to vesting of digital assets as expected.

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

Assets (in thousands)	Fair value at December 31, 2021	Purchases	Sales/ distributions	Net realized gain (loss) on digital assets and investments	Net unrealized gain (loss) on digital assets and investments	Transfers in (out) of Level 3	Fair value at December 31, 2022
Digital assets	$ 4,144	$ —	$ —	$ —	$ —	$ (4,144)	$ —
Digital assets receivables	61,621	45,965	—	—	(55,206)	(36,326)	16,054
Convertible notes	9,768	2,000	—	—	1,542	(661)	12,649
Common stock	215,185	250	(2,910)	2,153	(131,676)	(32,613)	50,389
LP/LLC interests	383,279	97,739	(92,607)	50,464	(184,376)	—	254,499
Preferred stock	382,182	42,957	(25,143)	24,789	(147,110)	(19,214)	258,461
Warrants	15,290	3,054	(2,658)	(487)	(8,634)	—	6,565
Total Digital assets, Digital assets receivables and Investments	**$ 1,071,469**	**$ 191,965**	**$ (123,318)**	**$ 76,919**	**$ (525,460)**	**$ (92,958)**	**$ 598,617**

Liabilities (in thousands)	Fair value at December 31, 2020	Conversions	Issuance	Revaluation	Fair Value at December 31, 2021
Warrant liability	$ 20,488	$ (166)	$ —	$ (20,322)	$ —
Embedded derivative - Notes payable	$ 58,866	$ —	$ —	$ (57,998)	$ 868

Transfers in and out of Level 3 are considered to have occurred at the beginning of the period 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. There were two investments that changed investment type category during the year ended December 31, 2022: $0.7 million transferred out of convertible notes into preferred stock and $19.9 million transferred out of common stock into preferred stock. These are included in the 'Transfers in/(out) of Level 3' column in the above table.

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

Quantitative Information for certain Level 3 Assets and Liabilities

Financial Instrument	Fair Value at September 30, 2023 (in thousands)	Significant Unobservable Inputs	Range
Digital assets	$783	Marketability discount	4.7% - 47.7%
Digital assets receivables	$10,606	Marketability discount	1.9% - 63.7%
Common Stock	$26,447	Marketability discount	7.1% - 25.0%
		Control discount	10.0%
		Market adjustment discount	20.0% - 80.0%
		Time to liquidity event (years)	5.0
		Annualized equity volatility	90.0%
		Risk free rate	2.7% - 4.4%
		Expected dividend payout ratio	—%
Convertible notes	$18,928	Marketability discount	47.8%
		EV/Revenue multiple	1.8x
LP/LLC interests	$278,860	Marketability discount	10%
		Control discount	10%
		Market adjustment discount	34.2% - 72.0%
		Time to liquidity event (years)	5.0
		Annualized equity volatility	90.0%
		Risk free rate	3.2%
		Expected dividend payout	—%
Preferred stock	$246,818	Marketability discount	40%
		Market adjustment discount	15.0% - 65.0%
		Time to liquidity event (years)	3.0 - 5.0
		Annualized equity volatility	90.0%
		Risk free rate	3.0% - 4.8%
		Expected dividend payout ratio	—%
		Enterprise value to revenue multiple	1.5x - 10.0x
		Price to net book value multiple	1.5x
		Enterprise value to volume multiple	4.5x
Warrants	$4,899	Time to liquidity event (years)	2.3
		Annualized equity volatility	90.0%
		Risk free rate	5.0%
		Expected dividend payout ratio	0.0%
Embedded derivative - notes payable	$1,890	Volatility	64.0%
		Time-Step (years)	0.004
		Risk free rate	4.8%

Financial Instrument	Fair Value at December 31, 2022 (in thousands)	Significant Unobservable Inputs	Range
Digital assets receivables	$16,054	Marketability discount	1.9% - 60.6%
Common Stock	$50,389	Marketability discount	17.5% - 25.0%
		Control discount	10.0%
		Time to liquidity event (years)	5.0
		Annualized equity volatility	90.0%
		Risk free rate	2.7% - 3.9%
		Expected dividend payout ratio	—
Convertible Notes	$12,649	Recovery rate	0% - 100%
		Scenario probability[1]:	
		No deal closure and dissolution	98%
		Deal closure and partial default	—%
		Deal closure and full recovery	2%
		EV/Revenue multiple	1.0x
LP/LLC interests[2]	$254,499	Marketability discount	10%
		Control discount	10%
		Market adjustment discount	17.1% - 61.9%
		Time to liquidity (years)	5.0
		Annualized equity volatility	90.0%
		Risk free rate	3.2%
		Expected dividend payout	—%
Preferred stock	$258,461	Market adjustment discount	15.0% - 65.0%
		Marketability discount	40%
		Time to liquidity event (years)	3.25 - 5.0
		Annualized equity volatility	90%
		Risk free rate	0.17% - 4.19%
		Expected dividend payout ratio	—%
		Enterprise value to revenue multiple	1.4x - 3.5x
		Discount rate	17.0%
		Exit multiple	4.0x
Warrants	$6,565	Marketability discount	63.5%
Embedded derivative - notes payable	$868	Volatility	58.0%
		Time-step	0.004 years
		Risk free rate	4.1%

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

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

As of September 30, 2023 and December 31, 2022, the latest available reported net asset values of the underlying funds were used to fair value the Level 3 limited partnership/ limited liability company interests.

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

Valuation Techniques

The following tables summarize the valuation techniques and significant inputs used in the fair value measurement of the Partnership's digital assets and investments as of September 30, 2023 and December 31, 2022, respectively.

Category	Valuation Methods & Techniques	Key Inputs
Digital assets	• Black-Scholes option pricing model for discount for lack of marketability	• Volume-weighted average of trading prices • Selected volatilities of the subject digital assets • Vesting period • Risk-free rate • Dividend yield
Convertible notes	• Prior transactions method • Guideline public company method	• Prior prices of subject convertible note • Enterprise value-to-revenue multiple • Selected discounts for lack of marketability
Preferred and common stock (private)	• Prior transactions method • Comparable transactions method • Backsolve method in an option pricing model framework • Control adjustments • Marketability adjustments • Guideline public company method • Adjusted book value • Estimated recovery value	• Prior prices of subject preferred or common stock • Enterprise value-to-revenue multiple • Enterprise value-to-volume multiple • Price-to-Book Value multiple • Expected time to exit • Volatility of the company's total equity • Risk free rate • Expected dividend payout ratio • Selected discounts for lack of control • Selected discounts for lack of marketability • Changes in the valuations of venture investments by stage, observed private transactions, equity values of public companies and/or values of digital assets • Net assets of subject company • Selected market adjustments to a previous funding round • Company's net book value and recovery rate
Common stock (public)	• Public closing price • Marketability adjustments	• Public closing prices of subject securities • Selected discounts for lack of marketability
LP/LLC interests	• Prior transactions method • Comparable transactions method • Net asset value provided by fund • Discounted cash flow • Adjusted net assets method	• Prior prices of subject LP/LLC interests • Net asset value provided by fund • Volume-weighted average trading prices of digital assets • Valuation changes of venture investments by stage • Selected discount for lack of marketability • Vesting period • Volatility
Warrants	• Public closing price • Black-Scholes option pricing model • Backsolve method in an option pricing model framework	• Public closing prices of subject securities • Estimated price of underlying private security • Expected time to exit • Volatility of the company's total equity • Risk free rate • Expected dividend payout ratio

Industry

As of September 30, 2023 and December 31, 2022, details of the industry composition of the Partnership's digital assets and investments are as follows:

Industry	September 30, 2023		December 31, 2022	
	Percentage	# of Investments	Percentage	# of Investments
Digital assets	63 %	188	49 %	180
Finance	22	59	28	51
High tech industries	8	43	15	48
Services: Business	4	19	4	20
Software	2	12	2	11
Media: Diversified and production	1	6	1	6
Mining	<1	3	<1	3
Finance technology	<1	4	1	7
Total	100 %	334	100 %	326

In the table above, multiple portfolio Partnership investments across the capital structure of one investee are considered one 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 investment position as of each reporting date. Factors considered include, but are not limited to, the proportion of each investment to total assets; whether any one investment is materially larger than other portfolio investments; the concentration of the portfolio and any associated risks; the liquidity of each investment, or lack thereof; the impact of such an investment on the Partnership's assets or operations; and the existence or absence of other factors that could cause one to conclude that the investment was significant to the Partnership notwithstanding its absolute size.

The Partnership is subject to concentrations of credit risk related to its loans (including digital asset loans) receivable. As of September 30, 2023, two counterparties and their related parties collectively accounted for 66% of the Partnership's total loans receivable. The loans with these counterparties are supported by collateral valued from more than 115% to more than 150% of the outstanding loan balances. As of September 30, 2023 and subsequently, the Partnership does not expect a material loss on any of its loans.

Digital Assets

As of September 30, 2023, the Partnership's largest digital asset holdings by fair value were as follows (in thousands):

(in thousands)	**September 30, 2023**
Bitcoin[1]	$ 472,431
Ether[1]	227,396
USDC	131,228
USDT	111,216
All other	41,440
Digital assets	**$ 983,711**

[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 September 30, 2023 and December 31, 2022, the Partnership had no individually material equity investment positions to disclose. As of September 30, 2023, the largest investments by fair value were as follows (in thousands):

Investment Name	Investment Type[1]		Cost		Fair Value
Galaxy EOS VC Fund LP	LP/LLC Interests	$	24,800	$	45,642
Mt. Gox Investment Fund LP	LP/LLC Interests		47,436		44,056
Galaxy Interactive Fund I, LP	LP/LLC Interests		28,073		33,259
Ripple Labs, Inc.	LP/LLC Interests & Preferred Stock		19,833		31,269
Ramp Network Inc.	Preferred Stock		8,682		22,992
Galaxy Liquid Alpha Fund, LP	Preferred Stock		21,695		22,190
Candy Digital, Inc.	LP/LLC Interests		14,897		21,192
Fireblocks, Ltd.	Common Stock & Preferred Stock		3,313		19,257
Bullish Global	Preferred Stock		9,000		18,800
Galaxy Institutional Ethereum Fund, LP	LP/LLC Interests		15,123		16,007
Other[2]	Various		292,755		311,849
		$	**485,607**	**$**	**586,513**

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

[2]*Includes 106 investments, all of which individually have fair values of less than or equal to $15 million.*

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

Investment Name	Investment Type[1]		Cost (in thousands)		Fair Value (in thousands)
Fireblocks, Ltd.	Preferred Stock	$	4,479	$	60,757
Galaxy EOS VC Fund LP	LP/LLC Interests		24,800		42,940
Galaxy Interactive Fund I, LP	LP/LLC Interests		28,073		35,436
Mt. Gox Investment Fund LP	LP/LLC Interests		47,436		31,725
Ramp Network Inc.	Preferred Stock		8,682		22,871
block.One	Common Stock		9,232		22,342
Bullish Global	Preferred Stock		20,000		21,938
Ripple Labs, Inc.	LP/LLC Interests & Preferred Stock		21,341		21,423
Galaxy Liquid Alpha Fund, LP	LP/LLC Interests		21,695		16,254
Candy Digital, Inc.	Common Stock		1,897		16,238
Other[2]	Various		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 or equal to $15 million.*

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

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

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

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

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

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

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

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

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

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

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

<u>Period ended September 30, 2023</u>

The $41.5 million decrease in Fireblocks was driven by the partial sale of shares and downward mark to market adjustment on remaining shares.

The Partnership sold its investment in block.one during the period ended September 30, 2023.

The $12.3 million increase in Mt. Gox Investment Fund LP was driven by the price increase of the BTC held against claims in the bankruptcy process.

The $9.8 million increase 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 their implied market capitalization:

As of September 30, 2023:	**Fair Value (in thousands)**	
> $1 billion market cap	$	947,436
<= $1 billion market cap		36,275
	$	**983,711**

As of December 31, 2022:	**Fair Value (in thousands)**	
> $1 billion market cap	$	549,699
<= $1 billion market cap		16,991
	$	**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 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 custody, transfer and secure digital assets. 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 internal wallets owned by the Partnership and external wallets for addresses of the Partnership's counterparties require multiple approvals in accordance with our whitelisting policy. As such, the Partnership settles with counterparties or entities 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 on an ongoing basis to ensure they maintain compliance with required legal and regulatory standings.

As part of the Partnership's control procedures, certain individuals are designated to administer and provision users with digital asset trading platform access and secure accounts per IT security protocols. Upon opening a new account, passwords, application programming interface ("API") keys, and multi-factor authentication mechanisms are created to secure credentials under the Partnership's Password and Multi-Factor Authentication Policy. Credentials are managed in secured locations and are only made accessible to authorized personnel with privileged access. 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 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 procedures necessary as some platforms are not subject to regulatory oversight. As of September 30, 2023, the Partnership held $78.4 million of cash at brokers (December 31, 2022 - $65.2 million) and $110.9 million of cash at exchanges (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; obtaining a security ratings report by an independent third-party on certain platforms; regular review of market information specifically regarding the exchanges' security and solvency risk, including reviewing wallets that interact with decentralized platforms; 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 using both direct principal to principal transactions with counterparties and with centralized or decentralized platforms. Digital assets held on centralized platforms are subject to operational custody of the platform operators and could potentially be lost or impaired due to 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 September 30, 2023, approximately $687.3 million of the Partnership's digital assets are held on centralized platforms, issued by decentralized finance protocols or staked with validators (December 31, 2022 - $131.1 million). Two such platforms individually held 10% or more of the Partnership's digital asset as of September 30, 2023 (December 31, 2022 - One), holding approximately 18% and 10%, respectively.

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 September 30, 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 September 30, 2023, two counterparties and their related parties collectively accounted for 66% of the Partnership's total loans receivable. The loans with these counterparties are supported by collateral valued from more than 115% to more than 150% of the outstanding loan balances. While the Partnership intends to only transact with counterparties or exchanges that it believes to be creditworthy, there can be no assurance that a counterparty will not default and that the Partnership will not sustain a material loss on a transaction as a result.

Derivative-related credit risk

Credit risk from derivative transactions is generated by the potential for the counterparty to default on its contractual obligations when one or more transactions have a positive market value to the Partnership.

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

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. General interest rate fluctuations may have an impact on the Partnership’s investment opportunities, primarily within its asset management segment. An increase in interest rates may make it more expensive to utilize a leverage facility in the future to make investments. To the extent the Partnership invests in debt instruments, interest rate changes may affect the value of the instrument indirectly in the case of fixed rate obligations, or directly in the case of adjustable rate instruments. In general, rising rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Interest rate sensitivity 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) are generally at fixed rates of interest, however, the majority of the loans are callable on demand or have a short maturity. As of September 30, 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 September 30, 2023, 96.3% (December 31, 2022 - 97.0%) of the Partnership’s digital assets portfolio was in liquid, actively traded digital asset markets which can be monetized at reasonable prices in short order.

Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry, or the financial services industry generally, or concerns or rumors about any such events or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. For example, in March 2023, Silvergate Capital Corp. announced it would wind down operations and liquidate Silvergate Bank. Soon after, the FDIC was appointed receiver of Silicon Valley Bank and Signature Bank. In connection with these issues and issues with other financial institutions, the prices of fiat-backed stablecoins, including USDC, were temporarily impacted and may be similarly impacted again in the future. Further, if 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 September 30, 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 September 30, 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 +/- $109.7 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 the loss of the Partnership's digital assets.

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

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

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

As of September 30, 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 +/- $70.9 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, 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 or exchanges in a manner that adversely affects investments held by the Partnership.

Expenses

The Partnership’s operating expenses were as follows:

	Three months ended		Nine months ended	
(in thousands)	**September 30, 2023**	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**
Compensation and compensation related	$ 30,995	$ 37,247	$ 96,247	$ 112,447
Equity based compensation	18,769	27,738	57,694	81,634
General and administrative	30,748	49,281	60,934	101,389
Professional fees	7,911	(4,260)	26,514	15,271
Interest	5,797	8,543	15,670	33,417
Notes interest expense	6,851	7,504	20,372	22,113
Totals	**$ 101,071**	**$ 126,053**	**$ 277,431**	**$ 366,271**

<u>*Three months ended September 30, 2023 compared to September 30, 2022*</u>

Compensation and compensation related expense for the three months ended September 30, 2023 decreased compared to the three months ended September 30, 2022 primarily due to lower compensation, bonus accrual, and severance expense.

Equity based compensation expense for the three months ended September 30, 2023 decreased compared to the three months ended September 30, 2022 primarily due to the roll-off of grants made to employees in 2021 with higher stock prices.

General and administrative costs for the three months ended September 30, 2023 were lower compared to the three months ended September 30, 2022 primarily due to impairment of mining equipment recognized in 2022 partially offset by a tax indemnification expense and higher depreciation and amortization in 2023.

Professional fees for the three months ended September 30, 2023 were higher compared to the three months ended September 30, 2022, due to absence of the fee reversal which occurred in the third quarter of 2022.

Interest expense for the three months ended September 30, 2023 was lower compared to the three months ended September 30, 2022 primarily due to decreased borrowing volumes.

Notes interest expense for the three months ended September 30, 2023 was lower compared to the three months ended September 30, 2022 due to a lower average outstanding balance compared to prior period.

Nine months ended September 30, 2023 compared to September 30, 2022

Compensation and compensation related expense for the nine months ended September 30, 2023 decreased compared to the nine months ended September 30, 2022 primarily due to a lower bonus accrual.

Equity based compensation expense for the nine months ended September 30, 2023 decreased compared to the nine months ended September 30, 2022 primarily due to the roll-off of grants made to employees in 2021 with higher stock prices.

General and administrative costs for the nine months ended September 30, 2023 were lower compared to the nine months ended September 30, 2022 primarily due to a net reversal of impairment recognized on mining equipment in 2023 as opposed to net impairment recognized on mining equipment in 2022. General and administrative costs for the nine months ended September 30, 2023 also benefited from lower spend on marketing and a reduction in provision for credit losses as compared to the nine months ended September 30, 2022 offset by higher spend on technology and higher depreciation and amortization

Professional fees for the nine months ended September 30, 2023 was higher compared to the nine months ended September 30, 2022 due to absence of the fee reversal which occurred in the third quarter of 2022.

Interest expense for the nine months ended September 30, 2023 was lower compared to the nine months ended September 30, 2022 primarily due to decreased borrowing volumes.

Notes interest expense for the nine months ended September 30, 2023 was lower compared to the nine months ended September 30, 2022 due to a lower average outstanding balance compared to prior period.

Liquidity and Capital Resources

The following table represents liquidity available to the Partnership:

(in thousands)	**As of September 30, 2023**	**As of December 31, 2022**
Estimated working capital	$ 277,452	$ 453,125
Digital assets, net	454,441	415,352
	$ 731,893	**$ 868,477**

Working capital as of September 30, 2023 and December 31, 2022 is calculated as the sum of cash, receivable for digital asset trades, cash posted as collateral, receivables, prepaid expenses and other assets; less accounts payable and accrued liabilities, cash posted to the Partnership as collateral, payable for digital asset trades, short-term lease liability and payables to customers. As of September 30, 2023, the Company held $78.4 million of cash at brokers (December 31, 2022 - $65.2 million) and $110.9 million of cash at exchanges (December 31, 2022 - $58.7 million).

Digital assets, net as of September 30, 2023 and December 31, 2022 includes all digital assets categorized as assets on the statement of financial position, less all digital assets categorized as liabilities on the statement of financial position.

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

(in thousands)	As of September 30, 2023	As of December 31, 2022
Assets		
Digital assets	$ 983,711	$ 566,690
Digital asset loans receivable, net of allowance	80,442	49,971
Digital assets receivable, current	7,528	12,423
Digital assets receivable, noncurrent	3,537	5,154
Assets posted as collateral[1]	120,696	25,138
	1,195,914	659,376
Liabilities		
Digital asset loans payable	272,239	170,566
Collateral payable[1]	469,234	73,458
	741,473	244,024
Digital assets, net	**$ 454,441**	**$ 415,352**
Stablecoins, net	$ 99,968	$ 281,048
Digital assets, net excl. stablecoins	**$ 354,473**	**$ 134,304**

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

The Partnership has commitments to invest in its managed sponsored funds as well as other structured entities. The Partnership is also under certain contractual arrangements in its Digital Infrastructure Solutions business. 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 September 30, 2023, the Partnership had total equity of $1.5 billion (December 31, 2022 - $1.4 billion). The increase in equity was primarily driven by net comprehensive income excluding equity based compensation.

(in thousands)	**September 30, 2023**	**December 31, 2022**
Total assets	$ 2,983,862	$ 2,346,143
Total liabilities	1,517,823	907,351
Partners' capital	1,466,039	1,438,792

As of September 30, 2023, the Partnership had cash of $295.0 million (December 31, 2022 - $542.1 million) and $454.4 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 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 September 30, 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 September 30, 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]	$ 844,422	$ 844,422	$ —	$ —	$ —
Lease obligations	19,203	5,461	7,526	5,144	1,072
Notes payable	448,929	3,929	—	445,000	—
Due to related parties	68,136	68,136	—	—	—
Other obligations[2]	100,469	31,805	68,664	—	—
Total Contractual Obligations	**$ 1,481,159**	**$ 953,753**	**$ 76,190**	**$ 450,144**	**$ 1,072**

[1] Includes fiat and digital asset payables.

[2] Includes obligations to fund capital commitments to 7 portfolio companies and obligations under power purchase agreements in the Digital Infrastructure Solutions business. 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 (September 30, 2022 - eleven individuals), consisting of officers and directors, who are considered to have decision making authority. The following table represents compensation provided to key management personnel for the three and nine months ended September 30, 2023 and 2022:

	Three months ended		**Nine months ended**	
(in thousands)	**September 30, 2023**	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**
Base compensation and accrued bonuses[1]	$ 1,558	$ 8,653	$ 4,590	$ 14,842
Benefits	70	108	289	342
Equity based compensation	10,730	8,799	24,686	25,090
Total	**$ 12,358**	**$ 17,560**	**$ 29,565**	**$ 40,274**

[1] As of September 30, 2023, the amount includes approximately $2.5 million of accrued bonuses within accounts payable and accrued liabilities.

GDH LP, an operating partnership, is managed by the board of managers and officers of the General Partner, Galaxy Digital Holdings GP LLC. Director fees, including equity based compensation provided to the directors of the General Partner were $0.1 million and $0.6 million for the three and nine months ended September 30, 2023, respectively (September 30, 2022 - $0.2 million and $0.6 million, respectively).

Distributions

A tax-related distribution of $22.4 million was declared and paid during the nine months ended September 30, 2023 (September 30, 2022 - $137.2 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 Galaxy Digital Services to occupy the 8th floor on the same terms as the master lease. During the year ended December 31, 2021, the Partnership exited the premises prior to the conclusion of the sublease term. The Partnership made payments on the sublease through June 2023, the expiration of the sublease (Note 24), and has no associated lease liability as of September 30, 2023 (December 31, 2022 - $1.3 million).

Transactions with GDH Ltd.

In accordance with the LPA (Note 5), the Partnership will reimburse or pay for all reasonably incurred expenses in the conduct of the Company's business. For the three and nine months ended September 30, 2023, the Partnership paid or accrued $0.3 million and $1.8 million, respectively (September 30, 2022 - $4.2 million and $2.0 million, respectively), on behalf of GDH Ltd., which has been included in general and administrative expenses (Note 19).

On April 14, 2022, the Partnership entered into a Promissory Note (amended and restated on May 8, 2023, the "Promissory Note") with GDH Intermediate LLC ("GDHI LLC"), a subsidiary of GDH Ltd. Under the terms of the Promissory Note, the Partnership can request that GDHI LLC make advances to the Partnership from time to time, which decision is at GDHI LLC's sole and absolute discretion. As of September 30, 2023, GDHI LLC had advanced $66.9 million to the Partnership.

Under the terms of the Promissory Note, interest accrues on any outstanding advances at a rate per annum equal to 7.0% 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 September 30, 2023, the Partnership had $1.2 million 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. The Promissory Note was amended effective October 1, 2023 increasing the rate per annum to 9%.

As at September 30, 2023, the Partnership had $67.0 million (December 31, 2022 - $45.2 million receivable) in payables 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 September 30, 2023, the Partnership had an investment in the company valued at $21.2 million (December 31, 2022 - $16.2 million).

The Partnership has sub-advisory arrangements with a beneficial owner of GDH Ltd. which invests in certain funds managed by the Partnership. Such sub-advisory arrangements have been entered into with Galaxy Digital Capital Management LP, a consolidated subsidiary of the Partnership, in its capacity as an investment advisor registered under the Advisers Act, and any fee arrangements, have been on an arms-length basis. For the three and nine months ended September 30, 2023, the total amount of advisory fees received from the sub-advisory arrangements was $0.2 million and $0.6 million, respectively (September 30, 2022 - $0.2 million and $0.8 million, respectively).

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, on terms that are advantageous to the Partnership. The CEO paid for the purchase of this aircraft with his personal funds and has borne all operating, personnel and maintenance costs associated with its operation and use. During the three and nine months ended September 30, 2023, the Partnership incurred $0.0 million and $0.2 million, respectively (September 30, 2022 - $0.7 million and $1.1 million, respectively) 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 three and nine months ended September 30, 2023, the Partnership incurred $0.0 million and $0.1 million, respectively in relation to this boat. During the nine months ended September 30, 2022, the Partnership did not reimburse the CEO for its use of this boat.

In connection with the receipt of surety bonds for the purpose state money transmission licenses on behalf of a subsidiary of the Partnership, GGI agreed to act as indemnitor, along with the Partnership, at the request of the insurers. The Partnership was liable to GGI for fees of $0.4 million for the indemnity through September 30, 2023, which was calculated as 1% of the aggregate notional amount of the surety bonds held on behalf of the subsidiary. The Partnership will continue to incur fees due to GGI of 1% for the duration of these outstanding surety bonds which are renewed annually.

Prior to joining the Company's board in September 2021, the current chairman of the Company's board entered into a consulting agreement with the Partnership in April 2021. Under the terms of the consulting agreement, the chairman was engaged to provide professional services to the Partnership for a period of three years beginning on September 1, 2021. In 2021, the chairman received 1,500,000 RSUs and 500,000 options under the LTIP in connection with the consulting agreement. The equity based compensation related to this grant for the three and nine months ended September 30, 2023 was $1.0 million and $5.5 million respectively (September 30, 2022 - $1.9 million and $11.9 million respectively).

In February 2023, the Partnership entered into a consulting agreement with another board member of the Company. The Partnership paid $0.3 million and $0.7 million under this agreement during the three and nine months ended September 30, 2023.

During the quarter ended September 30, 2023, the Partnership made tax indemnification payments of $4.9 million to certain related parties and $5.9 million of tax payments on behalf of certain related parties.

Investments in Galaxy Funds

Our directors and senior officers are generally permitted to invest their own capital (or capital of estate planning vehicles controlled by them or their immediate family members) directly in our sponsored funds and affiliated entities. In general, such investments are not subject to management fees, and in certain instances may not be subject to performance fees. The fair value of such investments made by related parties aggregated to $8.9 million as of September 30, 2023 (December 31, 2022 - $8.5 million).

Critical Accounting Estimates and Accounting Policies, including Initial Adoption

There were no changes to the critical accounting estimates the three months ended September 30, 2023. Refer to Note 4 of the Partnership's condensed consolidated interim financial statements for new accounting policies.

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 validation queue on certain blockchains, digital asset 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 condensed consolidated interim financial statements for the period ended September 30, 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 GDH LP.

As of September 30, 2023 and December 31, 2022, the Partnership had two classes of ownership interests, namely Class A Units and Class B Units. As of November 8, 2023, there were 105,931,630 Class A Units outstanding and 215,943,700 Class B

Units issued of which 215,913,248 were outstanding and exercisable into ordinary shares of GDH Ltd. As of September 30, 2023, there were 107,073,789 Class A Units and 215,913,248 Class B Units outstanding.

Equity Based Compensation Awards and Other

As of November 8, 2023 and September 30, 2023, 10,792,944 compensatory Class B Unit awards were outstanding, net of exchanges and forfeitures, of which, 10,762,492 Class B Units were exercisable.

As of September 30, 2023, 25,492,675 options granted under the GDH Ltd. stock option plan and LTIP were outstanding, of which 11,066,740 were exercisable. As of November 8, 2023, there were 25,492,675 options outstanding, of which 11,179,240 were exercisable.

As of September 30, 2023, there were 11,592,716 restricted and deferred units outstanding. As of November 8, 2023 there were 11,565,703 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.

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

Internal Control over Financial Reporting

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

We previously identified material weaknesses in our internal control over financial reporting. A material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis. The noted material weaknesses are as follows:

- We did not design certain process-level and management review controls at a sufficient level of precision to (1) appropriately determine whether certain clients' digital asset trading activities were executed as principal or agent and (2) to validate the accuracy of data elements utilized in spreadsheets for accounting for digital assets, derivatives, issued financial instruments, classification of cash flows and the valuation of investments and property and equipment.
- We had insufficient segregation of duties within our trading operations between authorizing and executing transfers of certain digital assets, as well as the recording and settlement of trades.

Remediation

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

We are working to remediate these material weaknesses as efficiently and effectively as possible by the end of fiscal year 2023. At this time, we do not anticipate significant costs will be incurred in connection with implementing our remediation plan; however, these remediation measures may be time consuming, and may place additional demands on our operational resources. We cannot assure you the measures we are taking to remediate these material weaknesses will be sufficient or that they will prevent future material weaknesses. Additional material weaknesses or failure to maintain effective internal control over financial reporting could cause us to fail to meet our reporting obligations as a public company and may result in a restatement of our financial statements for prior periods.

Material Weakness Related to Journal Entry Review

Management has remediated its previously identified material weakness related to journal entry review. We have implemented controls designed to prevent and detect journal entries posted to the general ledger without proper segregation of duties. Specifically, we have designed a more restrictive systemic journal entry approval workflow and implemented a manual analysis and review of posted entries to confirm segregation of duties.

Material Weakness Related to Precision of Review

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. 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.

Management has remediated its previously identified material weakness related to development and review of database queries. We have implemented controls designed to verify information used in accounting for digital asset transactions obtained through database queries is complete, accurate, appropriate for the intended use, and subject to proper change management. Specifically, we have designed a more robust change management process for queries, as well as implementing review procedures for controls that utilize queries to generate data used in controls.

Material Weakness Related to Segregation of Duties

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

Changes in Internal Control Over Financial Reporting

Aside from the remediation efforts outlined above, there have been no significant changes to the Partnership's ICFR for the period ended September 30, 2023, which have materially affected, or are reasonably likely to materially affect the Partnership's ICFR.

Management's Responsibility for Financial Statements

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

Other Information and Disclaimer

No Offer or Solicitation

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