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Galaxy Digital Holdings LP

Consolidated Financial Statements

For the Years Ended December 31, 2022 and 2021

(Expressed in US Dollars)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Managers of Galaxy Digital Holdings GP LLC in its capacity as general partner of Galaxy Digital Holdings LP:

Opinion

We have audited the consolidated financial statements of Galaxy Digital Holdings LP and its subsidiaries (collectively, the Partnership), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of income (loss) and comprehensive income (loss), changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Partnership and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits, which include relevant ethical requirements in the United States of America and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that were communicated with those charged with governance and, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Evaluation of audit evidence pertaining to the existence of and rights to digital assets

As discussed in Note 7 to the consolidated financial statements, the Partnership recognizes a variety of digital assets on its consolidated statement of financial position and measures them at fair value less costs to sell. As of December 31, 2022, the fair value less costs to sell of the Partnership's digital assets was \$566.7 million.

We identified the evaluation of the existence of and the Partnership's rights to the digital assets, including the risk that the Partnership's digital assets may not be owned by the Partnership or may be subject to unauthorized on blockchain transfers to third parties, as a key audit matter. A high degree of auditor judgment was involved in determining the nature and extent of the procedures performed and audit evidence obtained to assess the existence of and the Partnership's rights to the digital assets.



The following are the primary procedures we performed to address this key audit matter. We evaluated the design of certain internal controls over the existence of and the Partnership's rights to the digital assets. We also tested the operating effectiveness for certain of these internal controls. We obtained confirmations of the Partnership's digital assets held with certain third parties as of December 31, 2022 and compared the results of the confirmations to the Partnership's records. We also compared the Partnership's records of certain digital asset balances and transactions to the records on public blockchains using software audit tools. We obtained and assessed relevant documentation to support that the digital assets as of December 31, 2022 were owned by the Partnership. For a selection of on blockchain transfers to third parties, we obtained and assessed evidence that the transaction was appropriately authorized and recorded by the Partnership. We evaluated the nature and extent of audit evidence obtained by assessing the results of procedures performed over the digital assets.

Assessment of fair value of certain Level 3 investments

As discussed in Notes 11 and 23 to the consolidated financial statements, the Partnership held investments recorded at fair value of \$595.1 million as of December 31, 2022, a portion of which represented certain Level 3 investments that use the market approach valuation method with one or more significant unobservable inputs. The fair value of these investments was determined using certain pricing inputs that are unobservable and included situations where there was little, if any, market activity for the investment.

We identified the assessment of the fair value measurement of certain investments classified as Level 3 in the fair value hierarchy as a key audit matter. There was a high degree of audit effort, including specialized skills and knowledge, and subjective and complex auditor judgment involved in the assessment due to significant measurement uncertainty. Specifically, the assessment involved evaluating significant unobservable inputs used in these fair value estimates, such as relevance of prior transactions, marketability and control discounts, volatility, and enterprise value-to-revenue multiples.

The following are the primary procedures we performed to address this key audit matter. We evaluated the design of certain internal controls related to the Partnership's measurement of certain Level 3 investments, including controls related to the review of significant unobservable inputs. We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the reasonableness of the fair value measurement for a selection of Level 3 investments through developing an independent estimate of the fair value of the investment and comparing the results of our estimate of fair value to the Partnership's fair value measurement. As part of this independent estimate, the valuation professionals developed independent pricing inputs.

Assessment of mining equipment for impairment

As discussed in Notes 2, 14, and 20 to the consolidated financial statements, the Partnership's mining equipment, including those in work in process, was \$111.1 million of the total \$208.5 million property and equipment balance. The Partnership assesses mining equipment for impairment when indicators of impairment are identified. Indicators of impairment include adverse changes to the conditions of the assets, significant reduction in market values of similar assets, or changes in the Partnership's business plans that relate to the mining equipment. Impairment testing requires determination of recoverable amounts, which includes significant judgments related to the determination of fair value less costs to dispose and value in use of the relevant assets. The Partnership determined the recoverable amounts using the value in use of the mining equipment, which was deemed to be higher than the fair value less costs of disposal. The value in use was determined using an income approach where the projected mining revenue and expenses are discounted to present value. The significant assumptions in determining the value in use were the discount rate, bitcoin price, network difficulty and expected power costs.

We identified the assessment of mining equipment for impairment as a key audit matter. There was a high degree of audit effort, including specialized skills and knowledge, and subjective and complex auditor



judgment involved in the impairment assessment due to the complexity and significant measurement uncertainty. Specifically, the assessment involved evaluating significant assumptions used to project mining revenues and expenses used in the Partnership's value in use estimate, specifically the bitcoin price, network difficulty and expected power costs. In addition, auditor judgment was required to evaluate the sufficiency of audit evidence obtained.

The following are the primary procedures we performed to address this key audit matter. We performed sensitivity analyses on significant assumptions used in the calculation of value in use. We involved valuation professionals with specialized skills and knowledge who assisted in: (1) evaluating the Partnership's value in use methodology for compliance with International Financial Reporting Standards, (2) evaluating the Partnership's bitcoin price and network difficulty by comparing the selected assumptions against a range that was independently derived using publicly available data for other bitcoin network participants, and (3) evaluating the Partnership's expected power costs by comparing the selected assumption against an average expected power cost range that was independently derived using publicly available data.

We also evaluated the sufficiency of audit evidence obtained related to the impairment assessment of mining equipment by evaluating the cumulative results of the audit procedures and potential bias in the accounting estimate.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as issued by the IASB, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise significant doubt about the Partnership's ability to continue as a going concern for one year after the date that the consolidated financial statements are authorized for issuance; to disclose, as applicable, matters related to going concern; and to use the going concern basis of accounting unless management either intends to liquidate the Partnership or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Partnership's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and ISAs will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and ISAs, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.



- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise significant doubt about the Partnership's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis for the year ended December 31, 2022 but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

The engagement partner on the audit resulting in this independent auditors' report is Michael Campanile.

KPMG LLP

New York, New York
March 28, 2023

Galaxy Digital Holdings LP

Consolidated Statements of Financial Position
(Expressed in thousands of US Dollars)

	Notes	December 31, 2022	December 31, 2021
Assets			
Current assets			
Cash and cash equivalents		\$ 542,101	\$ 840,776
Digital assets	7	566,690	2,420,777
Receivable for digital asset trades	7	9,063	8,332
Digital asset loans receivable, net of allowance	8	49,971	192,684
Digital assets receivables	7	12,423	52,998
Assets posted as collateral	8, 9, 10	25,138	71,400
Receivables	12	10,887	26,665
Derivative assets	10	17,719	45,669
Prepaid expenses and other assets	13	32,818	25,768
Loans receivable	9	62,611	190,087
Due from related party	21	13,857	25,023
Total current assets		1,343,278	3,900,179
Digital assets receivables	7	5,154	18,659
Investments (includes \$235.4 and \$350.6 million of equity method investments)	11	595,122	1,069,776
Loans receivable, non-current	9	100,977	—
Right of use assets	14	13,735	11,746
Property and equipment	14	208,538	58,187
Deferred tax asset	26	47,746	10,259
Intangible assets	14	6,948	3,087
Goodwill	14	24,645	24,645
Total non-current assets		1,002,865	1,196,359
Total assets		\$ 2,346,143	\$ 5,096,538
Liabilities and Equity			
Current liabilities			
Investments sold short	11	91	11,630
Derivative liabilities	10	16,568	25,567
Warrant liability	16	—	20,488
Accounts payable and accrued liabilities	15	67,081	146,243
Payables to customers	15	9,591	142,441
Taxes payable	26	22,717	42,341
Payable for digital asset trades	7	2,557	13,216
Digital asset loans payable	8	170,566	905,013
Loans payable	9	—	33,289
Collateral payable	8, 9, 10	131,506	480,088
Due to related party	21	53,984	—
Lease liability		4,467	2,164
Non-controlling interests liability		—	161,536
Total current liabilities		479,128	1,984,016

The accompanying notes are an integral part of these consolidated financial statements.

Galaxy Digital Holdings LP

Consolidated Statements of Financial Position
(Expressed in thousands of US Dollars)

Notes payable	16	384,515	475,330
Deferred tax liability	26	31,302	25,608
Lease liability		12,406	13,233
Total non-current liabilities		428,223	514,171
Total liabilities		907,351	2,498,187
Equity			
Partners' capital	16	1,438,792	2,598,351
Total equity		1,438,792	2,598,351
Total liabilities and equity		\$ 2,346,143	\$ 5,096,538
Commitments and contingencies	25		

The consolidated financial statements were authorized by the Board of Managers of Galaxy Digital Holdings GP LLC to be issued on March 28, 2023 and were signed on its behalf by:

"Alex Ioffe" Chief Financial Officer

"Michael Novogratz" Chief Executive Officer

The accompanying notes are an integral part of these consolidated financial statements.

Galaxy Digital Holdings LP

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Expressed in thousands of US Dollars)

	Notes	Year ended December 31, 2022	Year ended December 31, 2021
Income			
Advisory and management fees		\$ 29,952	\$ 15,736
Net realized gain on digital assets		55,138	1,014,260
Net realized gain on investments	11	42,022	231,388
Income from lending		36,762	73,051
Net derivative gain	10	191,520	10,761
Income from mining	20	35,384	14,703
Other income		28,684	5,682
		419,462	1,365,581
Operating expenses			
Compensation and compensation related	21	127,909	114,426
Equity based compensation	16, 21	100,849	70,891
General and administrative	19	163,955	37,430
Professional fees	18	28,223	53,329
Profit share arrangement expense	21	—	16,568
Interest		38,896	70,155
Notes interest expense	16	37,029	1,769
		(496,861)	(364,568)
Other			
Net unrealized gain (loss) on digital assets		(659,169)	451,465
Net unrealized gain (loss) on investments	11	(496,184)	546,997
Net gain on notes payable - derivative	16	57,998	12,132
Net gain (loss) on warrant liability	16	20,322	(45,644)
Foreign currency gain (loss)		(316)	2,590
Loss (gain) attributable to non-controlling interests liability		97,219	(197,376)
		(980,130)	770,164
Income (loss) before income taxes		(1,057,529)	1,771,177
Income taxes expense (benefit)	26	(35,952)	56,900
Net income (loss) for the period		\$ (1,021,577)	\$ 1,714,277
Other comprehensive income (loss)			
Foreign currency translation adjustment		\$ (1,726)	\$ 367
Net comprehensive income (loss) for the period		\$ (1,023,303)	\$ 1,714,644

The accompanying notes are an integral part of these consolidated financial statements.

Galaxy Digital Holdings LP

Consolidated Statements of Changes in Equity
(Expressed in thousands of US Dollars, except unit data)

	Notes	Class A Unit Capital		Class B Unit Capital		Total
		Number	Amount	Number	Amount	
Balance at December 31, 2020		91,248,507	\$ 385,357	222,905,934	\$ 412,854	\$ 798,211
Equity based compensation	16	—	21,337	—	50,253	71,590
Distributions	16	—	(19,717)	—	(50,168)	(69,885)
Vesting of Class B Units		—	—	5,872,334	—	—
Exchange of Class B Units	16	667,895	2,782	(667,895)	(2,782)	—
Issuance of Class A Units on exercise of warrants, options, and restricted share units	16	8,413,907	78,407	—	—	78,407
Shares issued for acquisitions		1,220,185	4,955	—	—	4,955
Other		—	—	—	796	796
Income for the period		—	507,031	—	1,207,246	1,714,277
Balance at December 31, 2021		101,550,494	\$ 980,152	228,110,373	\$ 1,618,199	\$ 2,598,351
Balance at December 31, 2021		101,550,494	\$ 980,152	228,110,373	\$ 1,618,199	\$ 2,598,351
Equity based compensation	16	—	33,215	—	69,200	102,415
Distributions	16	—	(58,827)	—	(125,448)	(184,275)
Vesting of Class B Units		—	—	560,255	—	—
Exchange of Class B Units		10,055,909	74,034	(10,055,909)	(74,034)	—
Repurchase and cancellation of Class A Units	16	(10,870,449)	(53,460)	—	—	(53,460)
Issuance of Class A Units on exercise of warrants, options and restricted share units	16	4,075,585	6,227	—	—	6,227
Redemption of Class B units		—	—	(2,671,350)	(7,961)	(7,961)
Other		—	(547)	—	(381)	(928)
Loss for the period		—	(333,981)	—	(687,596)	(1,021,577)
Balance at December 31, 2022		104,811,539	\$ 646,813	215,943,369	\$ 791,979	\$ 1,438,792

The accompanying notes are an integral part of these consolidated financial statements.

Galaxy Digital Holdings LP

Consolidated Statements of Cash Flows
(Expressed in thousands of US Dollars)

	Year Ended December 31, 2022	Year Ended December 31, 2021
Operating activities		
Net income (loss) for the period	\$ (1,021,577)	\$ 1,714,277
Adjustments for:		
Bad debt expense	—	122
Provision for credit losses	10,123	—
Depreciation and amortization	14,835	5,132
Impairment loss	33,275	4,593
Equity based compensation	100,849	70,891
Equity based compensation included in directors fees	737	699
Interest expense	38,896	70,155
Income from lending	(36,762)	(73,051)
Net realized gain on digital assets	(55,138)	(1,014,260)
Net realized gain on investments	(42,022)	(231,388)
Net realized loss on disposals of property and equipment	572	—
Net derivative gain	(191,520)	(10,761)
Net unrealized (gain) loss on digital assets	659,169	(451,465)
Net unrealized (gain) loss on investments	496,184	(546,997)
Net gain on notes payable - derivative	(57,998)	(12,132)
Revaluation of warrant liability	(20,322)	45,644
Notes interest expense	22,552	1,769
(Gain) loss attributable to non-controlling interests liability	(97,219)	197,376
Deferred tax expense	(31,987)	15,349
Unrealized foreign currency (gain) loss	2,835	(3,025)
Changes in operating assets and liabilities:		
Net digital asset activity	246,371	437,565
Investments sold short	5,120	9,491
Receivables	39,404	28,030
Digital assets receivable - cash portion	(18,010)	(16,368)
Loans receivable, net of repayment	136,226	(181,578)
Due from related party	65,037	—
Derivative assets and liabilities	210,471	6,581
Prepaid expenses and other assets	(883)	(46,892)
Payable to customers	(132,850)	142,441
Payable for taxes	(19,624)	42,341
Collateral payable - cash portion	30,398	—
Accounts payable and accrued liabilities	(113,619)	77,623
Net cash provided by operating activities	273,523	282,162
Investing activities		
Origination of loans receivable	(109,727)	—
Additions to property, equipment, and intangible assets	(119,020)	(20,625)
Net assets assumed on acquisition	(74,605)	—

The accompanying notes are an integral part of these consolidated financial statements.

Galaxy Digital Holdings LP

Consolidated Statements of Cash Flows
(Expressed in thousands of US Dollars)

Disposal of property and equipment	1,281	—
Purchase of investments	(142,045)	(324,865)
Proceeds and distributions from investments	194,198	246,389
Cash paid on acquisitions	—	(5,438)
Cash assumed on acquisitions	—	289
Cash held in deconsolidated funds	(19,039)	—
Net cash provided by (used in) investing activities	(268,957)	(104,250)
Financing activities		
Cash paid for principal portion of lease liability	(4,547)	(1,091)
Proceeds from loans payable	131,473	229,522
Repayment of loans payable	(164,762)	(196,233)
Notes payable	(29,998)	500,000
Notes payable - issuance costs	—	(13,391)
Proceeds from stock option and warrant exercise	6,026	7,309
Receipts from non-controlling interests liability holders	16,169	384,994
Disbursements to non-controlling interests liability holders	(12,114)	(321,562)
Distributions	(184,275)	(69,885)
Repurchase of Class A Units	(53,347)	—
Redemptions of Class B Units	(7,961)	—
Net cash provided by (used in) financing activities	(303,336)	519,663
Impact of exchange rate change on cash and other	95	797
Net (decrease) increase in cash	(298,675)	698,372
Cash, beginning of period	840,776	142,404
Cash, end of period	\$ 542,101	\$ 840,776
Supplemental disclosure of cash flow information and non-cash investing and financing activities:		
Cash paid during the period for:		
Interest	\$ 23,874	\$ 10,257
Taxes	\$ 25,559	\$ 1,985
Non-cash activities:		
Purchases of digital assets receivable in digital assets	\$ 38,960	\$ —
Purchase of investments paid in digital assets	\$ 8,495	\$ 16,362
Proceeds from investment received as digital assets	\$ 5,708	\$ 45,700
Proceeds from investment included in receivables	\$ 332	\$ 5,846
Purchase of investments with non-cash contributions	\$ 2,100	\$ —
Additions to property, plant and equipment	\$ 8,168	\$ —
Additions to investments due to deconsolidation of investment funds	\$ 56,256	\$ 367,528
Recognition to right of use assets and lease liability	\$ 4,498	\$ 12,490
In-kind receipts from noncontrolling interests liability holders	\$ 3,508	\$ 1,781
In-kind disbursements to noncontrolling interests liability holders	\$ (9,331)	\$ 14,815

The accompanying notes are an integral part of these consolidated financial statements.

Galaxy Digital Holdings LP

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021
(Expressed in US Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Galaxy Digital Holdings LP ("GDH LP" and together with its consolidated subsidiaries, the "Partnership") is a Cayman Islands exempted limited partnership formed on May 11, 2018. The Partnership's principal address is 300 Vesey Street, New York, New York, 10282.

GDH LP, an operating partnership, is managed by the board of managers and officers of the general partner, Galaxy Digital Holdings GP LLC ("GDH GP" or the "General Partner"). Galaxy Digital Holdings Ltd. ("Galaxy", "GDH Ltd." or "Company") has a minority investment in the operating partnership and is listed on the Toronto Stock Exchange ("TSX") under the ticker "GLXY".

The Partnership is a technology-driven diversified financial services and investment management firm that provides institutions with a full suite of scaled financial solutions spanning the digital assets ecosystem. The Partnership's mission is engineering a new economic paradigm. Today, we are primarily focused on digital assets, cryptocurrencies and blockchain technology, and how these technological innovations will drastically alter the way we store and transfer value. The Partnership capitalizes on market opportunities made possible by the rapid evolution of the digital asset ecosystem. The Partnership operates in the following reportable segments: trading, asset management, investment banking, mining and principal investments.

General Partner

GDH GP, is a limited liability company incorporated under the laws of the Cayman Islands on July 26, 2018 and serves as the general partner of GDH LP. The sole LLC member of the General Partner is Galaxy Group Investments LLC ("GGI"), which is controlled by the Chief Executive Officer ("CEO") of the General Partner, and the General Partner has a Board of Managers.

Financial Statements

These consolidated financial statements are prepared on a going concern basis which assumes that the Partnership will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Partnership are dependent upon generating sufficient cash flow and/or obtaining necessary financing to meet its commitments as they come due and to continue building a diversified financial services and investment management business in the cryptocurrency and digital assets sectors. As at December 31, 2022, the Partnership had cash of \$542.1 million (December 31, 2021 - \$840.8 million) and partners' capital of \$1.4 billion (December 31, 2021 - \$2.6 billion). Management estimates that the Partnership has sufficient financial resources to maintain its operations and activities for the upcoming year.

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were approved by the Board of Managers of GDH GP and authorized to be issued on March 28, 2023.

Comparative Figures

Certain comparative figures on the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows have been reclassified to conform to the current year's presentation.

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value and digital assets which are measured at fair value less cost to sell.

In addition, the consolidated financial statements have been prepared using the accrual basis of accounting, except for the cash flow disclosure.

Basis of Consolidation

The consolidated financial statements include the financial statements of GDH LP and its consolidated subsidiaries, which are controlled by the Partnership. The reporting period, as well as the accounting policies, of the financial statements are consistent

Galaxy Digital Holdings LP

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across all entities included in the consolidation. All inter-company transactions, balances, income and expenses, and unrealized gains and losses are eliminated in full upon consolidation.

Allocation of income and loss

Income and loss arising from the Partnership's ordinary course of operations is to be allocated between the Class A Units and Class B Units pro rata in accordance with the weighted average number of such Units outstanding for the respective periods.

Use of estimates and judgments

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

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

Significant judgments in applying accounting policies

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

Digital assets

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

Income from digital asset mining

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

Valuation techniques

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

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

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

Level of control and influence over investments and funds

Classification of investments requires judgment on whether the Partnership controls, has joint control or significant influence over the strategic financial and operating decisions relating to the activity of the investee. In assessing the level of control or

Galaxy Digital Holdings LP

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influence that the Partnership has over an investment, management considers ownership percentages, board representation as well as other relevant provisions in shareholder agreements. As of December 31, 2022 and December 31, 2021, the Partnership had greater than 20% ownership in certain of its underlying investments and board representation in other investments. The Partnership elected the Fair Value Through Profit and Loss option for investments for which it was concluded that it had significant influence under IAS 28, and records changes in fair value of these investments on its consolidated statements of income (loss) and comprehensive income (loss).

Classification of the funds formed by the Partnership requires judgment on the degree of control and influence over these funds. Key to the assessment of control is determining whether the Partnership, as manager of these funds, is acting as principal or agent. Management considers key factors such as power, returns and its ability to use its power to affect the amount of returns, to determine which funds it controls and consolidates and those which it has significant influence and may require equity accounting. As at December 31, 2022, after completing an analysis under IFRS 10, the Partnership has determined it no longer has control of the managed funds that were previously consolidated. Refer to Note 17 for information on previously consolidated funds.

Income taxes

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

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

Key sources of estimation uncertainty

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

Digital assets and investments - valuation

Although many of the Partnership's digital assets are traded in active markets and are valued based upon quoted prices, a portion of such digital assets, as well as the majority of the Partnership's investments, are not actively traded and are valued based upon quoted prices for similar assets or based upon unobservable inputs (Note 23). These valuations require the Partnership to make significant estimates and assumptions.

Digital assets are treated as inventory for financial reporting purposes.

Derivatives - valuation

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

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

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

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

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

Valuation of property and equipment

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

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

Valuation of equity based compensation

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

Valuation and economic recoverability of goodwill and intangible assets

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

Income taxes

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

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COVID-19

In March 2020, the World Health Organization declared COVID-19 (Coronavirus) a global pandemic. The Partnership has evaluated the potential impacts arising from COVID-19 on all aspects of its business and, to date, the Partnership has not been uniquely impacted by COVID-19. Given the pandemic's uncertainty, including the possibility of new and more virulent strains of the virus, it is not possible to predict the duration or magnitude of the adverse results of the outbreak and its effect on the Partnership at this time.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to all periods presented in these consolidated financial statements, unless otherwise indicated.

Cash and cash equivalents

Cash and cash equivalents may include cash on hand, cash on exchanges, cash held at brokers, demand deposits and short-term highly liquid investments that are readily convertible into known amounts of cash, with maturities of three months or less when acquired.

Property and equipment

Property and equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset is comprised of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and, where applicable, the initial estimation of any asset retirement obligation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Completed assets are transferred from work-in-progress and construction-in-progress to their respective asset classes and depreciation begins when an asset is available for use.

The Partnership purchased mining equipment with a 256-bit secure hashing algorithm (SHA-256) to verify transactions via a proof of work consensus mechanism and publish blocks to the bitcoin network. The Partnership assesses mining equipment for impairment when market prices of similar equipment are below the Partnership's cost basis.

Depreciation is recognized in profit or loss on a straight-line basis over the following estimated useful lives:

Furniture and fixtures	10 years
Office equipment	6 years
Computer equipment	3 - 5 years
Mining equipment	3 - 5 years
Leasehold improvements	the shorter of the lease term or life of the asset
Mining infrastructure	15 - 20 years

An item of equipment is derecognized upon disposal or at the point when no future economic benefits are expected from its use. Any gain or loss arising on the derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying value of the asset, is included in profit or loss in the period the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted, if necessary.

Right-of-use assets are depreciated on a straight-line basis over the shorter period of lease term and useful life of the underlying asset. Depreciation starts at the commencement date of the lease. Right-of-use assets are presented as a separate line in the consolidated statement of financial position. The Partnership applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described above.

Revenue recognition

The Partnership recognized revenue from advisory services, management fees, mining operations, and interest earned on loans receivable. Revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the fair value of the consideration to which the Partnership expects to be entitled to upon completion of the Partnership's performance obligation for those goods or services. Revenue from services performed is recognized when the amount of revenue can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the Partnership.

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The Partnership recognizes revenue from the provision of advisory services upon completion of the delivery of the services stated in the contract. The Partnership earns management fees on each of its managed funds at a fixed percentage of invested capital, committed capital or ending capital, as defined by each of the respective funds. Management fees are recognized based on contractual terms specified in the underlying investment agreements. The Partnership recognizes interest income on an accrual basis.

The Partnership contributes computing resources to mining pools with other digital asset miners for the purpose of validating blockchain transactions to generate returns. The Partnership's mining revenue for the periods presented was not derived from operating mining pools. As a participant in mining pools operated by third parties, the Partnership receives a portion of the transaction fees paid by blockchain participants for successfully validating transactions and newly-created digital assets which are issued by a blockchain network as a part of successfully mining a block. The Partnership has a single performance obligation to provide computing power to the mining pool operator. The transaction consideration the Partnership receives represents noncash consideration, which the Partnership measures at fair value within Income from mining in the consolidated statements of income (loss) and comprehensive income (loss) on the date received, which is not materially different from the fair value at the time the Partnership earned the award.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of each of the operating segments.

Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI, are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Partnership may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Receivables and loans receivable are measured at amortized cost and subject to an expected credit loss ("ECL") allowance recognized in profit or loss. Cash, receivable for digital asset trades, certain digital asset loans receivable and digital assets posted as collateral, digital assets receivables, assets posted as collateral, derivatives and investments are classified as FVTPL.

Impairment

An ECL impairment model requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable, accrued liabilities, notes payable and lease liability are classified as financial liabilities and carried on the statement of financial position at amortized cost. Digital assets

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sold short, investments sold short, payable for digital asset trades, certain digital assets loans payable and collateral payable, derivative liabilities and warrant liability are classified as FVTPL.

Digital assets

The Partnership's digital assets are primarily traded in active markets and are purchased with the intent to resell in the near future, generating a profit from the fluctuations in prices or margins. As a result, the Partnership has determined that its holding of digital assets should be accounted for under IAS 2, Inventories, and it meets the definition of a commodity broker-trader. Under IAS 2, digital assets are measured at fair value less cost to sell, with changes in fair value recognized in profit or loss. In accordance with IAS 2, commodity broker-traders are those who buy or sell commodities for others or on their own account. The inventories held by commodity broker-traders are principally acquired for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin. As these inventories are measured at fair value less costs to sell, they are excluded from only the measurement requirements of IAS 2.

The Partnership recognizes realized gains or losses on its digital assets when it either sells digital assets that it holds or buys digital assets to close out a short position on a first-in-first-out ("FIFO") basis.

More specifically, with respect to arbitrage trading, realized gains or losses are recognized on the sale of the digital assets and there are generally no related receivables or payables as the times of trade and settlement are virtually similar. Realized gains or losses from over-the-counter ("OTC") trading with counterparties are recognized once terms of the trade have been mutually agreed and confirmed as of trade date.

Digital asset loans

In the ordinary course of business, the Partnership enters into facilities to borrow or lend cryptocurrencies as part of trading strategies or to provide liquidity to counterparties.

Digital asset loans receivable

The Partnership loans select cryptocurrencies to borrowers at annual rates predominantly ranging from 2% to 16%. The Partnership's loan portfolio is made up of callable (open-term) loans and term loans. For the Partnership's callable loans, there is no set term and the borrower can prepay without penalty. The Partnership can generally demand the repayment of the loans at any time by providing between three and twenty business days' notice. For the Partnership's term loans, either the Partnership or the lender can terminate the outstanding loan upon 30 days' notice. The majority of the loans are collateralized for between 100% and 200% of the loan value in either US dollars or select highly-liquid cryptocurrencies.

The Partnership identified an embedded derivative in its digital asset loans receivable, and accounts for the compound instrument based on the fair value of the underlying digital asset. The Partnership also incorporates regular analysis over the recoverability of the outstanding balances, which is similar to the impairment assessment of financial assets described above. The majority of the Partnership's digital asset loans receivable are open term and callable on demand. In determining the expected future cash flows, the Partnership considers the fair value, type, amount, and relative liquidity of the collaterals held. Interest received on digital asset loans receivable is generally denominated in the underlying cryptocurrency of the loan. The Partnership measures the interest at the fair value on the date of receipt and includes the amounts in the income from lending on the consolidated statements of income (loss) and comprehensive income (loss).

Under the terms of the master loan agreements, the Partnership is entitled to use ("rehypothecate") designated cash and cryptocurrency collateral in its business. Collateral, where the Partnership has a right to rehypothecate the assets, is reflected in the Partnership's cash and digital asset balances with a corresponding entry to collateral payable on the statement of financial position. Collateral payable is accounted for at fair value similar to digital asset loans payable noted below. In contrast, collateral posted by borrowers, where the Partnership does not have a right to rehypothecate the assets, has no impact on the Partnership's statement of financial position as the Partnership is not entitled to utilize the posted amounts unless there is an event of default.

Digital asset loans payable

The Partnership borrows digital assets under master loan agreements with various counterparties as part of its trading operation. Digital assets borrowed are included in digital assets on the consolidated statements of financial position, with a corresponding liability in the digital asset loans payable. All digital asset loans payable are short term in nature. A majority of the digital asset loans have no set term of repayment and the Partnership can prepay the loans without penalty. The lenders can also generally demand the repayment of the loans at any time by providing between five and twenty business days' notice. In addition to

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digital asset loans under master loan agreements, the Partnership has entered into credit facilities with certain digital asset exchanges and uses credit facilities provided within exchange accounts to conduct trading activity. Such facilities are limited for use on the specific exchange and restrict withdrawals from exchange accounts.

The Partnership identified an embedded derivative in its digital asset loans payable and accounts for the compound payable at fair value measured using the fair value of the underlying digital asset as input. Interest expense associated with digital asset loans payable is included in the interest line on the consolidated statements of income (loss) and comprehensive income (loss).

Certain lenders require the Partnership to provide collateral for digital asset loans. The collateral could be in cash or other liquid digital assets. Similar to the digital asset loans receivable, the Partnership accounts for the collateral posted at fair value of the underlying assets and assesses its credit exposure to the counterparty. Where the Partnership earn an interest on posted collateral, the amounts are included in income from lending on the consolidated statements of income (loss) and comprehensive income (loss).

Derivatives

As part of its trading activities, the Partnership enters into derivatives. Derivatives are instruments that derive their value from changes in an underlying reference outside the control of the Partnership, such as foreign exchange rates or the price of a digital asset.

The most frequently used derivatives by the Partnership are digital currency futures, index futures, digital currency swaps and digital currency options.

- Digital currency futures - an exchange traded contract which represents a legal agreement to either buy or sell the digital currency at a predetermined price at a specified time in the future. Depending on contract specifications, the contract can be settled either in cash or by physical delivery.
- Index futures - an exchange traded contract which represents a legal agreement to either buy or sell a financial index at a predetermined price at a specified date in the future. Index futures are settled in cash.
- Digital currency swaps - an exchange traded contract which represents a legal agreement to either buy or sell a referenced digital currency at a predetermined price at some time in the future. Depending on exchanges, swaps can be settled either in the referenced digital currency, a stablecoin, such as USDC or USDT, or cash.
- Digital currency options - an OTC traded contract, which gives the holder the right, but not the obligation, to either buy or sell a referenced digital currency at a predetermined price at a specified time in the future. Options can be settled in either cash, stable coin or by physical delivery.

The Partnership uses derivatives for trading purposes, except for a small amount for foreign currency economic hedging. Derivatives are carried at fair value and any realized and unrealized gains (loss) in derivatives are recognized in Net derivative gain or loss.

Leases

Lessee accounting

The Partnership assesses whether a contract is or contains a lease, at inception of the contract. The Partnership recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases, which are defined as leases with a lease term of 12 months or less, and leases of low value assets, such as tablets and personal computers, small items of office furniture and telephones. For these leases, the Partnership recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Partnership uses its incremental borrowing rate.

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Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Partnership remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate, unless the lease payment change is due to a change in a floating interest rate, in which case a revised discount rate is used.
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Lessor accounting

As part of its mining business, the Partnership enters into lease agreements with counterparties as a lessor. At the inception of each lease agreement, the Partnership assesses whether the lease is deemed an operating lease or a finance lease. As part of this determination, the Partnership considers a number of factors including the fair value and the useful life of the underlying assets. A finance lease is a lease that transfers substantially all of the risks and rewards incidental to ownership of the underlying assets at inception of the lease. An operating lease is a lease that does not qualify as a finance lease.

For an operating lease, the Partnership continues to recognize the value of the underlying mining equipment as an asset. They are carried at cost less accumulated depreciation and are depreciated to their estimated residual values using the straight-line method over the lease term. Property under operating leases are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds the higher of the asset's fair value less costs to sell and its value in use.

For a finance lease, the Partnership derecognizes the value of the underlying mining equipment and recognizes a receivable equivalent to the Partnership's net investment in the lease, which is the aggregate minimum payments plus guaranteed residual values less unearned finance income. Any difference between the value of the underlying mining equipment and the net investment in the lease is recognized in profit or loss. Finance leases are recognized as being impaired when the Company is no

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longer reasonably assured of the timely collection of the full amount of principal and interest. When amounts receivable are considered impaired, their book value is adjusted to their estimated realizable value based on the fair value of any collateral underlying the receivable net of any costs of realization.

Equity based compensation

Stock Options

The Partnership accounts for stock options granted to directors, officers and employees at the fair value of the options granted. Accordingly, the fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model and equity based compensation is accrued and charged to operations, with an offsetting credit to partners' capital, over the respective vesting periods. The fair value determined at the grant date of the equity based payment is expensed on a graded vesting basis, based on the Partnership's estimate of equity instruments that will eventually vest, with a corresponding increase in partner's capital. At the end of each reporting period, the Partnership revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity. Stock options granted to non-employees are measured at the fair value of goods or services rendered or at the fair value of the instruments issued, if it is determined that the fair value of the goods or services received cannot be reliably measured.

Compensatory Class B Units and Restricted Stock

The Partnership accounts for Class B Units and restricted stock granted to officers and employees at the fair value of the units granted. Accordingly, the fair value of the units at the date of the grant is determined using either Toronto stock exchange ("TSX") share price for standard units or using a probability-weighted expected return methodology for profit interest units. Equity based compensation is accrued and charged to operations on a graded vesting basis, based on the Partnership's estimate of equity instruments that will eventually vest, with a corresponding increase in partners' capital. At the end of each reporting period, the Partnership revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

Earnings Per Share

Basic income (loss) per unit is computed by dividing net income (loss) as numerator by the weighted average number of outstanding units for the period as denominator. When diluted earnings per unit is calculated, only those outstanding stock options and warrants with exercise prices below the average trading price of GDH Ltd.'s shares for the period will be treated as dilutive.

In the periods when the Partnership reports a net loss, the effect of potential issuances of units under stock option, compensatory Class B Unit and restricted stock plans and on the exercise of conversion option of the Notes payable could be considered anti-dilutive depending on their relative impact to the numerator and the denominator.

Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rates prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at exchange rates at the reporting date, with any differences arising recorded in profit or loss.

Business combination

The Partnership accounts for business combinations using the acquisition method. The consideration transferred and the identifiable assets acquired and liabilities assumed of the acquiree are measured and recognized at the acquisition-date fair value.

The Partnership has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Intangible assets

Intangible assets acquired separately or developed internally are measured at cost on initial recognition. Intangible assets acquired in a business combination are recorded at fair value on the date of acquisition. Subsequent to initial recognition,

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intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, as and if applicable. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. The software technology acquired as part of the business combination (Note 6) or developed internally is amortized on a straight-line basis over two to five years from the acquisition date. The website domain name acquired in 2021 (Note 14) was assessed to have an indefinite life. It will be assessed for impairment at each fiscal year end or more frequently when there is an indication that it may be impaired.

Goodwill

Goodwill is measured as the excess of the consideration transferred for the acquisition of subsidiaries over the net of the acquisition-date fair value of the identifiable assets acquired and liabilities assumed. If the cost of the acquisition is less than the fair value of the net assets acquired, the difference is recognized directly in profit or loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is allocated to cash-generating units or groups of cash-generating units which are expected to benefit from the synergies of the combination. Goodwill is tested for impairment annually, or more frequently when there is an indication that there may be an impairment. If the recoverable amount of the cash generating unit is less than the carrying amount of the goodwill, the impairment loss is first allocated to reduce the amount of goodwill and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

Consolidated structured entities

In the normal course of business, the Partnership sponsors and manages investment funds. The Partnership consolidates the sponsored investment funds where it is deemed to have a controlling financial interest. The funds provide specific investment opportunities to limited partners and generate management and performance fees for the Partnership, which are eliminated upon consolidation.

The Partnership's involvement in financing the operations of the funds is limited to its investment in the entities. The Partnership does not provide performance guarantees and has no other financial obligation to provide funding to consolidated funds. The assets of consolidated funds may only be used to settle obligations of the funds. The assets of these funds are not available to creditors of the Partnership, and the Partnership cannot readily access cash held by consolidated sponsored investment funds to use in its operating activities. In addition, the investors in these funds have no recourse to the credit of the Partnership.

Non-consolidated structured entities

The Partnership also holds investments in funds that are not consolidated due to a lack of control. This includes funds which were once controlled but were deconsolidated due to reduced ownership percentage or other changes. The Partnership enters into transactions with non-consolidated structured entities in the normal course of business to provide specific investment opportunities and generate management and performance fees for the Partnership. These non-consolidated interests are presented as Investments in the consolidated statement of financial position.

Similar to the consolidated funds, the Partnership's involvement in financing operations of the funds is limited to its investment in the entities. The Partnership does not provide performance guarantees and has no other financial obligation to provide funding to non-consolidated sponsored investment funds, other than its own capital commitments.

Non-controlling interests liability

Non-controlling interests liability in the Partnership's less than wholly owned subsidiaries is reflected as a liability on the consolidated statements of financial position as the limited partners of the consolidated investment funds may redeem or withdraw all or part of their respective interests in the funds upon request, subject to certain conditions. In accordance with the fund limited partner agreements, the Partnership, in its capacity as the general partner, may, prior to honoring a limited partner's redemption or withdrawal request, suspend redemptions or withdrawals from the relevant investment fund if the General Partner determines, at its discretion, that a suspension event, as defined in the applicable investment fund agreement, has occurred.

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On initial recognition, Non-controlling interests liability is measured at its proportionate share of the acquisition date fair value of identifiable net assets of the related subsidiary acquired by the Partnership. Subsequent to the original transaction date, adjustments are made to the carrying amount of the Non-controlling interests liability for the non-controlling interest's share of changes to the subsidiary's equity. The changes in the fair value of the limited partner interests are presented as (Gain) loss attributed to non-controlling interests liability on the consolidated statements of income (loss) and comprehensive income (loss).

Investments in subsidiaries

Subsidiaries are all entities over which the Partnership has control. The Partnership controls an entity when the Partnership is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The Partnership has determined that it is not an investment entity as defined within IFRS 10, Consolidated Financial Statements. As such, the Partnership consolidates its subsidiaries rather than accounting for them at fair value through profit or loss. Subsidiaries are fully consolidated from the date on which control is transferred to the Partnership. They are deconsolidated from the date that control ceases. Intercompany transactions and balances are eliminated.

4. NEW ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

The Partnership did not adopt any new accounting standards during the year ended December 31, 2022. Refer to Note 3 for the Partnership's accounting policies.

Accounting standards and amendments to existing standards that are not yet effective

In October 2022, the IASB issued amendments to IAS 1 *Presentation of Financial Statements*. The amendments clarify the impact of covenants of loan arrangements on the classification of a liability as current or non-current at the reporting date. The amendments are effective for annual periods starting on or after January 1, 2024, with early adoption permissible. The Partnership is assessing the impact of these amendments.

In February 2021, the IASB issued amendments to IAS 1 *Presentation of Financial Statements*, amendments to IFRS Practice Statement 2 *Making Materiality Judgements* and amendments to IAS 8 *Definition of Accounting Estimate*. The amendments require companies to disclose material accounting policies rather than their significant accounting policies and also help distinguish between changes in accounting estimates versus accounting policies. These amendments are effective for annual periods starting on or after January 1, 2023. The Partnership is assessing the impact of these amendments.

5. KEY TERMS OF LIMITED PARTNERSHIP AGREEMENT

On November 24, 2022, GDH LP, GDH GP, GDH Ltd., GDH Intermediate LLC (a wholly owned subsidiary of GDH Ltd.) and each of the Persons admitted as a "Class B Limited Partner" entered into a fifth amended and restated limited partnership agreement (as amended from time to time, the "LPA"). Certain key terms of the LPA include the following:

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

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

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

6. BUSINESS COMBINATION AND ASSET ACQUISITION

Helios

On December 29, 2022, the Partnership acquired the Helios mining facility from Argo Blockchain plc ("Argo"). Helios is a large-scale bitcoin mining facility located in Dickens County, Texas, that has the ability to operate up to 180 megawatts (MW) of mining capacity, utilizing immersion cooling technology. Upon receipt of certain approvals, Helios could be expanded to provide Galaxy with as much as 800 MW of capacity, enabling the Company to grow its proprietary and hosted bitcoin mining infrastructure beyond its previously stated goals.

The transaction was accounted for as an asset acquisition since substantially all of the fair value was concentrated on the acquired tangible assets of the Helios site. The purchase price was approximately \$77 million, including transaction costs, and is allocated to acquired assets and liabilities as follows:

(in thousands)	December 31, 2021
Cash	\$ 1,861
Prepaid and other current assets	5,296
Property and equipment	77,477
Total assets	\$ 84,634
Accounts payable and accrued expenses	8,168
Total liabilities	\$ 8,168

Concurrently with the acquisition of the Helios assets and liabilities, the Partnership also entered into a loan agreement for \$35 million and a two-year hosting agreement with the seller, Argo.

GK8

Subsequent to year end on February 21, 2023, the Company acquired the assets of GK8, a digital asset self-custody platform for a consideration of \$44 million. The Company determined that the acquisition of GK8 assets constitutes a business combination. Due to proximity of the closing date to the date of this filing, the Company has not completed the purchase accounting for the acquisition.

7. DIGITAL ASSETS

The Partnership's digital assets are primarily traded in active markets and are purchased with the intent to resell in the near future, generating a profit from the fluctuations in prices or margins. As a result, the Partnership has determined that its

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holdings of cryptocurrency, both restricted and unrestricted, are accounted for as inventory at fair value less cost to sell, with changes in fair value less cost to sell recognized in profit or loss. Below are the Partnership's digital asset holdings as of December 31, 2022 and December 31, 2021:

(in thousands)	December 31, 2022		December 31, 2021	
Digital assets:				
Unrestricted ⁽¹⁾	\$	566,690	\$	2,416,633
Restricted		—		4,144
Total	\$	566,690	\$	2,420,777

⁽¹⁾ The unrestricted digital asset balance as of December 31, 2022 and December 31, 2021 includes \$0 and \$288.5 million, respectively, of digital assets held in consolidated funds managed by the Partnership.

Digital assets are typically part of a decentralized system of recording transactions and issuance of new units that rely on cryptography to secure transactions, to control the creation of additional units, and to verify the transfer of assets. The Partnership holds both unrestricted and restricted cryptocurrency, as defined below.

Unrestricted – Digital assets held by the Partnership, typically acquired through direct purchase, borrowing or via pre-network launch investments, whereby the related company or project has completed its token generation event or network launch and has distributed such digital assets to the holder. The Partnership also participates from time to time in proof of stake programs. Proof of stake protocols are individually assessed for restrictions. As of the periods presented, staked tokens have been identified as unrestricted.

Restricted – Certain digital assets held by the Partnership are restricted by lock-up schedules associated with pre-network launch investments. Restricted digital assets also include assets which are not self-custodied but are used by the Partnership for various quantitative trading strategies.

During the years ended December 31, 2022 and December 31, 2021, the Partnership engaged in several trading strategies with respect to its digital assets, including cross-exchange arbitrage as well as market neutral trading strategies across a variety of crypto assets and exchanges. Realized gains and losses associated with these strategies are recognized in profit or loss.

The Partnership's realized gain or loss on a digital assets is calculated as the proceeds received from the sale of the digital asset less its assigned original cost. During the year ended December 31, 2022, the Partnership realized net loss on digital assets of \$29.7 million in relation to the bankruptcy of FTX.com ("FTX"). The Partnership's unrealized gain or loss on a digital asset consists of both the change in fair value on a digital asset from the beginning of the period and the reversal of any previously recognized unrealized gain or loss on a digital asset sold during the period.

Receivable and payable for digital asset trades

As of December 31, 2022 and December 31, 2021, there were a number of unsettled trades. The amounts receivable and payable were \$9.1 million (December 31, 2021 - \$8.3 million) and \$2.6 million (December 31, 2021 - \$13.2 million), respectively. These trades settled shortly after period end.

Digital assets receivables

Digital assets receivables relate to certain digital assets that are yet to be distributed to the Partnership as of the end of the period and are expected to be distributed over time according to a release schedule (generally via a token sale agreement). As the digital assets are received by the Partnership, they will be reclassified from digital assets receivable to digital assets. The unrealized gains or losses on the digital assets receivables are recognized in Net unrealized gain (loss) on digital assets. As at December 31, 2022, the Partnership had \$12.4 million (December 31, 2021 - \$53.0 million) in short-term digital assets receivables and \$5.2 million (December 31, 2021 - \$18.7 million) in long-term digital assets receivables.

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8. DIGITAL ASSET LOANS RECEIVABLE AND PAYABLE

In the ordinary course of business the Partnership lends digital assets to counterparties.

Digital asset loans receivable

(in thousands)	December 31, 2022	December 31, 2021
Digital asset loans receivable	\$ 60,094	\$ 192,684
Less: Allowance for credit loss	(10,123)	—
Digital asset loans receivable, net	\$ 49,971	\$ 192,684

Collateral payable associated with digital assets loans receivable

(in thousands)	December 31, 2022	December 31, 2021
Collateral payable - Digital assets	\$ 32,772	\$ 202,312
Collateral payable - Cash	21,999	9,803
Collateral payable associated with digital assets loans receivable	\$ 54,771	\$ 212,115

Collateral payable represent assets to which the Partnership has the right to rehypothecate.

In the ordinary course of business the Partnership borrows digital assets from counterparties.

Digital asset loans payable

(in thousands)	December 31, 2022	December 31, 2021
Master loan agreements	\$ 83,226	\$ 843,872
Credit facility from exchanges	87,340	61,141
Digital asset loans payable	\$ 170,566	\$ 905,013

Assets posted as collateral associated with Digital assets loans payable

(in thousands)	December 31, 2022	December 31, 2021
Assets posted as collateral - Digital assets	\$ 24,475	\$ 45,003
Assets posted as collateral - Cash	—	—
Assets posted as collateral associated with Digital asset loans payable	\$ 24,475	\$ 45,003

9. LOANS RECEIVABLE AND PAYABLE

In the ordinary course of business the Partnership may borrow and lend fiat currency, such as US dollars, to counterparties to facilitate digital asset trading and lending activity.

Loans receivable, current and non-current

(in thousands)	December 31, 2022	December 31, 2021
Loans receivable	\$ 62,611	\$ 190,087
Loans receivable, non-current	100,977	—
Loans receivable, current and non-current	\$ 163,588	\$ 190,087

Non-current loans receivable is comprised of the non-current portion of loans with Argo Blockchain Inc. ("Argo") and Blockstream Inc. ("Blockstream"). The loan with Argo is secured by, amongst other assets, the mining equipment of Argo that is physically located in the Helios facility. The Blockstream loan is secured by substantially all physical assets of Blockstream.

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The outstanding loans receivable are scheduled to be repaid on the following periods:

(in thousands)	Amounts
2023	\$ 62,611
2024	87,852
2025	13,125
2026	—
2027	—
Loans receivable, current and non-current	\$ 163,588

Collateral payable associated with loans receivable, current

(in thousands)	December 31, 2022	December 31, 2021
Collateral payable - Digital assets	\$ 34,582	\$ 242,156
Collateral payable - Cash	29,483	—
Collateral payable associated with loans receivable, current	\$ 64,065	\$ 242,156

Collateral payable represent assets to which the Partnership has the right to rehypothecate.

Loans payable

(in thousands)	December 31, 2022	December 31, 2021
Loans payable	\$ —	\$ 33,289

Assets posted as collateral associated with loans payable

(in thousands)	December 31, 2022	December 31, 2021
Assets posted as collateral - Digital assets	\$ —	\$ 26,397
Assets posted as collateral - Cash	—	—
Assets posted as collateral associated with loans payable	\$ —	\$ 26,397

10. DERIVATIVES ASSETS AND LIABILITIES

For the years ended December 31, 2022 and 2021, the Partnership recognized \$191.5 million and \$10.8 million, respectively, of net derivative gain. The net gains for the year ended December 31, 2022 and 2021 were due to positioning, economic hedging and as part of a trading strategy. Embedded derivatives are recorded in the same line items on the consolidated statements of financial position as their host instrument. The Partnership's derivative portfolio disclosed below, collectively had a maturity date of less than a year as of December 31, 2022.

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The following table represents the breakdown of the Partnership's derivatives portfolio as of December 31, 2022 and December 31, 2021:

December 31, 2022

(in thousands)	Notional	Gross Fair Value - Derivative Assets	Gross Fair Value - Derivative Liabilities
Digital Currency Futures	\$ 3,993	\$ 1,371	\$ (6)
Digital Currency Forwards	10,966	4,350	(3,006)
Digital Currency Options	401,543	4,175	(7,862)
Digital Currency Swaps	8,160	283	(105)
Foreign Currency Swaps	5,637	—	(473)
Foreign Currency Forwards	252,210	2,062	(1,788)
Foreign Currency Options	13,911	—	—
Index Futures	66,707	637	(280)
Exchange Traded Treasury Futures ⁽¹⁾	676,929	702	(979)
Exchange Traded Digital Currency Options ⁽¹⁾	2,314	1,926	(1,339)
Exchange Traded Commodity Options ⁽¹⁾	52,104	2,213	(693)
Exchange Traded Commodity Futures ⁽¹⁾	4,565	—	(37)
Total	1,499,039	17,719	(16,568)
Embedded derivatives — Digital asset loans receivable, net of allowance	62,709	—	(2,624)
Embedded derivatives — Assets posted as collateral	26,158	—	(1,670)
Embedded derivatives — Digital asset loans payable	176,614	7,074	(1,219)
Embedded derivatives — Collateral payable	76,738	3,725	(150)

⁽¹⁾ Exchange traded digital currency futures and options are traded on a traditional financial exchange.

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December 31, 2021

(in thousands)	Notional	Gross Fair Value - Derivative Assets	Gross Fair Value - Derivative Liabilities
Digital Currency Futures	\$ 1,630	\$ —	\$ —
Digital Currency Forwards	4,637	—	(4,378)
Digital Currency Options	1,818,720	39,574	(9,166)
Digital Currency Swaps	44,876	1	—
Treasury Futures	1,682,238	—	(4,542)
Foreign Currency Swaps	13,206	59	(65)
Index Futures	94,965	—	(4,920)
Exchange Traded Digital Currency Options ⁽¹⁾	53,302	6,035	(194)
Exchange Traded Digital Currency Futures ⁽¹⁾	43,851	—	(2,302)
Total	3,757,425	45,669	(25,567)
Embedded derivatives — Digital asset loans receivable, net of allowance	202,293	13,550	(23,751)
Embedded derivatives — Assets posted as collateral	76,428	—	(5,037)
Embedded derivatives — Digital asset loans payable	660,350	97,379	(42,871)
Embedded derivatives — Collateral payable	467,192	32,451	(18,898)

⁽¹⁾ Exchange traded digital currency futures and options are traded on a traditional financial exchange.

The below table represents the breakdown of collateral payable associated with open derivative positions.

(in thousands)	December 31, 2022	December 31, 2021
Collateral payable - Digital assets	\$ 6,104	\$ 14,176
Collateral payable - Cash	6,168	6,168
Collateral payable associated with derivatives	\$ 12,272	\$ 20,344

Collateral payable represent assets to which the Partnership has the right to rehypothecate.

11. INVESTMENTS

Investments

The Partnership's holdings of investments generally are not traded in active markets. Investments are accounted for as financial assets which are initially recognized at fair value and subsequently measured at fair value through unrealized profit or loss. Below are the Partnership's investments as of December 31, 2022 and December 31, 2021:

(in thousands)	December 31, 2022	December 31, 2021
Common stock	\$ 61,648	\$ 271,293
Convertible notes	12,649	9,768
LP/LLC interests	255,799	383,280
Pre-network launch	5,500	6,393
Preferred stock	258,462	382,182
Warrants/Trust units/Trust shares	1,064	16,860
Total	\$ 595,122	\$ 1,069,776

Common Stock: Class of ownership in a corporation that entitles the holders to a claim on the assets and future earnings of the corporation, as well as certain voting and governance rights over the operations of the corporation.

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Convertible Notes: Class of debt that entitles the holders to convert such debt into equity of the issuer under certain circumstances.

Limited Partnership ("LP") / Limited Liability Company ("LLC") Interests: Class of ownership in a LP or LLC that entitles the holders to a claim on the assets and future earnings of the LP or LLC, as well as certain voting or governance rights over the operations of the LP or LLC.

Pre-network launch: Contributions made to companies or start-up blockchain projects, typically documented via a SAFE-T, that entitles the holder to receive cryptocurrency at a future date once the related company or project has completed its token generated event or network launch. These investments are accounted for as executory contracts and held at cost less impairment.

Preferred Stock: Class of ownership in a corporation that typically entitles the holder to a priority claim on the assets and future earnings of the corporation above that of common stock holders, as well as certain voting and governance rights over the operations of the corporation.

Warrants / Trust Units / Trust Shares: Warrants represent a security that entitles the holders to purchase the underlying stock of the issuing company at a pre-determined price until the stated expiry date. Trust units are a class of ownership in a unit trust (typically an unincorporated mutual fund) that entitles the holders to a claim on the assets and future earnings of the trust as well as certain voting and governance rights over the operations of the trust. Trust shares represent investments in traditional investment vehicles that enable investors to gain exposure to price movements of underlying assets.

Continuity schedule of investments

The below table shows components of the change in investments for the period ended December 31, 2022 and year ended December 31, 2021:

(in thousands)	Investments
Balance as at December 31, 2020	\$ 260,383
Purchases	340,472
Proceeds and distributions from investments ⁽¹⁾	(301,968)
Net change of investments due to deconsolidation of funds	(6,842)
Transfer to digital assets	(2,500)
Net realized gain on investments	235,622
Net unrealized gain on investments	540,516
Other ⁽²⁾	4,093
Balance as at December 31, 2021	1,069,776
Purchases	152,993
Proceeds and distributions from investments ⁽¹⁾	(200,238)
Additions from deconsolidation of funds	56,256
Transfer to digital assets	(12,500)
Net realized gain on investments	19,696
Net unrealized loss on investments	(490,869)
Other ⁽²⁾	8
Balance as at December 31, 2022	\$ 595,122

⁽¹⁾ Proceeds from investments includes cash and stock proceeds from the sale of investments and other realization events.

⁽²⁾ Other for the years ended December 31, 2022 and December 31, 2021 includes capitalized interest on convertible notes. Other also includes stock received upon acquisition of an investment for the year ended December 31, 2021.

The Partnership's realized gain or loss on an investment is calculated as the proceeds received from the sale of the investment less its original cost. The Partnership's unrealized gain or loss on an investment consists of both the change in fair value on an investment from the beginning of the period and the reversal of any previously recognized unrealized gain or loss on an

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investment sold during the period.

Investments sold short

Investments sold short are accounted for as financial liabilities, which are both initially recognized and then subsequently measured at fair value through unrealized profit or loss. The fair value of the Partnership's investments sold short as of December 31, 2022 was \$0.1 million (December 31, 2021 - \$11.6 million). The unrealized loss on the Partnership's investments sold short for the year ended December 31, 2022 was \$5.7 million (December 31, 2021 - unrealized gain of \$6.5 million).

The Partnership's realized gain or loss on an investment sold short is calculated as the proceeds from the sale of the investment sold short less the cost of the repurchase. The Partnership's unrealized gain or loss on an investment sold short consists of both the change in fair value on an investment sold short from the beginning of the period and the reversal of any previously recognized unrealized gain or loss on an investment sold short during the period. The realized gain of the Partnership's investments sold short for the year ended December 31, 2022 was \$22.3 million (December 31, 2021 - realized loss of \$4.2 million).

12. RECEIVABLES

The following table represents the Partnership's fiat receivables balance as of December 31, 2022 and December 31, 2021. The Partnership's digital asset receivables and digital asset loans receivable are described in Note 8 and Note 9, respectively.

(in thousands)	December 31, 2022	December 31, 2021
Interest receivable	\$ 1,983	\$ 2,786
Receivables from investments sold	3,142	18,251
Other ⁽¹⁾	5,762	5,628
Total	\$ 10,887	\$ 26,665

⁽¹⁾ Includes receivables related to non-consolidated funds management and advisory activities.

13. PREPAID EXPENSES AND OTHER ASSETS

The following table represents the Partnership's prepaid expenses and other assets as of December 31, 2022 and December 31, 2021:

(in thousands)	December 31, 2022	December 31, 2021
Prepaid rent and security deposits	\$ 1,377	\$ 845
Prepaid mining expenses	5,296	16,616
Current tax assets and receivables	15,354	3,608
Prepaid acquisition cost	5,400	—
Other	5,391	4,699
Total	\$ 32,818	\$ 25,768

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14. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

The following table represents activity within the Partnership's property and equipment asset classes for the periods ended December 31, 2022 and December 31, 2021:

(in thousands)	Corporate Assets ⁽¹⁾	Mining Equipment	Mining Infrastructure	Land	WIP / Construction in Progress ⁽³⁾	Total Property and Equipment
Balance as of December 31, 2020	\$ 3,693	\$ —	\$ —	\$ —	\$ —	\$ 3,693
Additions	797	—	—	—	59,092	59,889
Depreciation	(682)	(1,685)	—	—	—	(2,367)
Transfers	—	17,151	—	—	(17,151)	—
Impairment ⁽²⁾	(3,028)	—	—	—	—	(3,028)
Balance as of December 31, 2021	\$ 780	\$ 15,466	\$ —	\$ —	\$ 41,941	\$ 58,187
Additions	2,461	—	67,351	10,490	119,400	199,702
Depreciation	(666)	(10,557)	—	—	—	(11,223)
Transfers	5,182	23,141	—	—	(28,323)	—
Disposals	—	(4,853)	—	—	—	(4,853)
Impairment ⁽²⁾	—	(2,897)	—	—	(30,378)	(33,275)
Balance as of December 31, 2022	\$ 7,757	\$ 20,300	\$ 67,351	\$ 10,490	\$ 102,640	\$ 208,538

⁽¹⁾ Corporate assets balances primarily relate to computer equipment, leasehold improvements, and furniture and fixtures.

⁽²⁾ Recognized in general and administrative expenses on the consolidated statements of income (loss) and comprehensive income (loss). The Partnership recorded impairment losses on mining equipment and due to the exit of the premises prior to the end of a lease term during the periods ended December 31, 2022 and December 31, 2021, respectively.

⁽³⁾ WIP / Construction in Progress balances primarily relate to mining equipment of \$90.8 million and mining infrastructure under construction of \$11.8 million.

The following table represents property and equipment balances, accumulated depreciation and impairment (as applicable) for the periods ended December 31, 2022 and December 31, 2021:

(in thousands)	December 31, 2022	December 31, 2021
Corporate assets	\$ 13,350	\$ 5,707
Mining equipment	35,439	17,151
Mining infrastructure	67,351	—
Land	10,490	—
WIP / Construction in progress	133,018	41,941
Property and equipment, gross	\$ 259,648	\$ 64,799
Less: Accumulated depreciation	(14,807)	(3,584)
Less: Impairment	(36,303)	(3,028)
Property and equipment, net	\$ 208,538	\$ 58,187

Goodwill

As of December 31, 2022 and December 31, 2021, the Partnership's Goodwill balance was \$24.6 million. Goodwill of \$15.5 million and \$9.1 million was allocated to the Trading and Asset management segments, respectively, attributable to prior acquisitions. No impairment on goodwill was recorded for the period ended December 31, 2022 and 2021.

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Intangible and Right of use assets

The following table represents activity within the Partnership's intangible and right of use assets for the periods ended December 31, 2022 and December 31, 2021:

(in thousands)	Software Technology ⁽¹⁾	Indefinite-lived Intangible Asset ⁽³⁾	Total Intangible assets	Right of Use Assets
Balance as of December 31, 2020	\$ 2,406	\$ —	\$ 2,406	\$ 4,573
Additions	332	1,761	2,093	12,489
Amortization	(1,412)	—	(1,412)	(1,353)
Impairment ⁽²⁾	—	—	—	(1,565)
Lease liability reduction	—	—	—	(2,398)
Balance as of December 31, 2021	\$ 1,326	\$ 1,761	\$ 3,087	\$ 11,746
Additions	4,963	—	4,963	4,498
Amortization	(1,102)	—	(1,102)	(2,509)
Balance as of December 31, 2022	\$ 5,187	\$ 1,761	\$ 6,948	\$ 13,735

⁽¹⁾ Intangible assets recognized through acquisitions and internally developed software.

⁽²⁾ Recognized in General & Administrative expenses on the consolidated statements of income (loss) and comprehensive income (loss). During the periods ended December 31, 2021, the Partnership recorded impairment losses on right of use assets due to the exit of the premises prior to the end of the lease term.

⁽³⁾ Represents website domain name purchased in 2021.

The following table represents intangible assets and accumulated amortization as of the periods ended December 31, 2022 and December 31, 2021:

(in thousands)	December 31, 2022	December 31, 2021
Software technology	\$ 7,700	\$ 2,738
Indefinite-lived intangible asset	1,761	1,761
Intangible assets, gross	9,461	4,499
Less: Accumulated amortization	(2,513)	(1,412)
Intangible assets, net	\$ 6,948	\$ 3,087

The following table represents right of use assets activity and balances for the periods ended December 31, 2022 and December 31, 2021:

(in thousands)	December 31, 2022	December 31, 2021
Right of use assets, gross	\$ 22,719	\$ 18,221
Less: Accumulated amortization	(5,021)	(2,512)
Less: Impairment	(1,565)	(1,565)
Less: Lease liability reduction	(2,398)	(2,398)
Right of use assets, net	\$ 13,735	\$ 11,746

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15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following table represents the Partnership's accounts payable and accrued liabilities balances as of December 31, 2022 and December 31, 2021:

(in thousands)	December 31, 2022	December 31, 2021
Compensation and compensation related	\$ 32,566	\$ 62,143
Interest	2,342	8,055
Professional fees	14,270	17,925
Profit share arrangement	—	16,568
Payable for investment purchased	500	1,500
Accrued transaction fees	—	21,775
Accounts payable	12,532	4,509
Deferred revenue	2,020	25
Other	2,851	13,743
	<u>\$ 67,081</u>	<u>\$ 146,243</u>

Payables to Customers

During the year ended December 31, 2021, the Partnership commenced its prime brokerage business. As of December 31, 2022, there was \$9.6 million, including accrued interest, due to customers for prime brokerage (December 31, 2021 - \$142.4 million). The corresponding fiat currency and loan agreements are not restricted on the statements of financial position as the Partnership has the full right to rehypothecate the funds at any time.

16. EQUITY

Issued Partnership Capital

GDH LP has two classes of ownership interests, representing limited partner interests:

- (i) GDH LP Class A Units, which were subdivided into GDH LP A-1 Units, all of which are held directly by GDH Ltd., and GDH LP A-2 Units, all of which are held indirectly by GDH Ltd., through GDH Ltd.'s wholly owned U.S. subsidiary, GDH Intermediate LLC; and
- (ii) GDH LP Class B Units, all of which are held by GGI, employees of GDH LP as part of GDH LP employee compensation plan and certain former shareholders.

The GDH LP Class A Units and GDH LP Class B Units rank pari passu to all distributions from GDH LP.

Under the terms of the LPA, GDH LP Class B Units will, subject to certain limitations, be exchangeable for GDH Ltd. shares on a one-for-one basis subject to customary adjustments for stock splits, stock dividends and other similar transactions or, at the election of GDH LP, GDH LP may deliver an amount of cash in lieu of GDH Ltd. shares to an exchanging GDH LP Class B Unit holder. On receipt of a request to exchange, the Partnership or the General Partner will cancel the Class B Units and will cause GDH Ltd. to issue ordinary shares. In addition, GDH LP will issue Class A Units to GDH Ltd. for the same amount of ordinary shares issued by GDH Ltd. The historical Class A and Class B Unit Capital ending balances presented on the statement of changes in equity have been adjusted to correct immaterial amounts. There are no changes to historical total equity balances presented.

Private Investment in Public Equity ("PIPE")

On November 12, 2020, GDH Ltd. closed a PIPE of \$50.0 million of aggregate gross proceeds (\$49.3 million net of cash share issuance costs of \$0.7 million). As part of the PIPE, GDH Ltd. issued 19,070,000 shares and 4,767,500 warrants. Each warrant was exercisable into an ordinary share of the Company for a term of two years from the date of issuance at an exercise price of C\$8.25.

Under the terms of the LPA, the Partnership issued a Class A Unit for each GDH Ltd. ordinary share issued and any liability associated with the warrant was pushed down to the Partnership. On initial recognition, the warrants were valued at \$6.5 million and were recorded as a derivative financial liability. There were no warrants outstanding as at December 31, 2022 (warrant liability as of December 31, 2021 - \$20.5 million) as all the outstanding warrants expired in November 2022. The gain related

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to the warrant liability, recognized in the statement of comprehensive income for the year ended December 31, 2022 was \$20.3 million (December 31, 2021 - \$45.6 million loss).

The fair value of the warrant liability was calculated using the Black-Scholes Option Pricing Model. A continuity table for the change in the liability-classified warrant and the inputs used to value the warrant liability as at December 31, 2021 is included in Note 23. During the year ended December 31, 2022, 23,838 of the warrants were exercised at an exercise price of C\$8.25. At December 31, 2022, there were no warrants outstanding (December 31, 2021 - 1,647,556).

Exchangeable Notes

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

The Partnership determined that the conversion feature represented a derivative financial instrument embedded in the "Debenture". The accounting treatment of derivative financial instruments requires that the Partnership record the fair value of that derivative financial instrument as a discount to the value of the Debentures as of the inception date. Accordingly, the Partnership recorded an aggregate initial discount of \$71.0 million for the fair value of the derivative liability at inception of the convertible debentures. The Exchangeable Notes and the associated derivative liability are shown as Notes payable in the Partnership's consolidated statements of financial position. In the year ended December 31, 2022, the Company purchased and cancelled \$55 million of Exchangeable Notes for a consideration of approximately \$30 million. As of December 31, 2022 the total amount for Notes payable was \$384.5 million (December 31, 2021 - \$475.3 million) and the gain (loss) recognized in the Company's consolidated statements of income (loss) and comprehensive income (loss) for the year ended December 31, 2022 was \$58.0 million (December 31, 2021 - \$12.1 million).

On initial recognition, debt issuance costs of \$13.4 million were recognized as a reduction of Notes payable and are being accreted over the term of the debt. The interest expense from the Exchangeable Notes for the year ended December 31, 2022 was \$37.0 million (December 31, 2021 - \$1.8 million).

Issued Capital

Class A Units

During the year ended December 31, 2022, the Partnership issued 14,131,494 (December 31, 2021 - 10,301,987) Class A Units to GDH Ltd. on exchange of Class B Units, on exercise of stock options, on exercise of warrants and restricted share units vesting.

Ordinary share repurchase

On May 16, 2022, GDH Ltd announced that the TSX approved the Company's plan to commence a normal course issuer bid (a "Bid") to purchase up to 10,596,720 ordinary shares (10% of the Company's public float as of May 10, 2022).

GDH Ltd. began repurchasing shares on May 18, 2022. The Company completed its normal course issuer bid program on October 24, 2022. As of December 31, 2022, GDH Ltd. repurchased a total of 10,596,720 shares for a total cost of \$53.3 million. All repurchased shares of GDH Ltd. and the equivalent number of Class A Units in the Partnership were cancelled. In addition, 273,729 ordinary shares were cancelled, representing the ordinary shares that were withheld for tax obligations on exercise of the RSUs.

Class B Units

During the year ended December 31, 2021, 10,055,909 Class B Units (December 31, 2021 - 667,895) were exchanged for ordinary shares of GDH Ltd and 2,671,350 Class B units redeemed for \$8.0 million.

As of December 31, 2022, there were 104,811,539 (December 31, 2021 - 101,550,494) Class A Units and 215,943,369 (December 31, 2021 - 228,110,373) Class B Units outstanding. The change during the year ended December 31, 2022 was due to exchanges of Class B Units for ordinary shares of GDH Ltd. (and into Class A Units of GDH LP), issuance of Class A Units as a result of the exercise of PIPE warrants, stock options and restricted share units vesting, and the repurchase of ordinary shares.

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Distributions

During the year ended December 31, 2022, the General Partner made pro-rata tax distributions of \$184.3 million (December 31, 2021: \$65 million). The majority of the recipients of the distributions are related parties (Note 21).

Equity Based Compensation

The Partnership has awarded compensatory Class B Units, stock options and restricted share units (equity instruments) to eligible officers and employees. For the year ended December 31, 2022 and 2021, equity based compensation expense was recognized as follows:

(in thousands)	Year ended December 31, 2022	Year ended December 31, 2021
Stock options	\$ 26,598	\$ 32,076
Restricted Units ⁽¹⁾	74,137	35,899
Compensatory Class B Units	943	2,879
Stock options awarded to directors included in equity based compensation	—	37
	101,678	70,891
Stock options awarded to directors included in general and administrative	737	699
Total ⁽²⁾	\$ 102,415	\$ 71,590

⁽¹⁾ Includes expense associated with restricted stock issued in connection with the Partnership's acquisition of Vision Hill in May 2021.

⁽²⁾ The forfeiture rate assumed for equity based compensation ranged from 10% - 33% (December 31, 2021: 10% - 40%). Forfeiture rate is determined using historical data to estimate option exercise and employee terminations.

Compensatory Class B Unit Awards

The Partnership has awarded Class B Unit awards to eligible officers and employees. The following table summarizes the activity related to the compensatory Class B Units during the respective periods:

Description	Class B Units
Balance, December 31, 2020	15,251,886
Exchanged	(326,090)
Forfeited	(35,593)
Balance, December 31, 2021	14,890,203
Exchanged / Redeemed	(4,097,259)
Forfeited	—
Balance, December 31, 2022	10,792,944
Compensatory Class B Units exercisable, December 31, 2022	10,762,492
Compensatory Class B Units exercisable, December 31, 2021	14,299,496

Under the terms of the LPA, the General Partner may elect, at its sole discretion, to pay an amount of cash equal to the current market price of the applicable number of shares in lieu of delivering the applicable number of shares. However, as the Partnership does not have a present obligation to settle in cash, the Class B Units are accounted for as equity settled awards.

Equity Plan

The Partnership has granted stock options to employees, officers, directors and consultants of the Partnership under the GDH Ltd. stock option plan (the "Plan"), subject to the approval of the board of directors of GDH Ltd. In addition, the exercise price of each option may not be less than the market price of GDH Ltd.'s shares at the date of grant. Options granted under the Plan will have a term not to exceed 5 years and will be subject to vesting provisions as determined by the board of directors of GDH

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Ltd., who administer the Plan. On exercise of an option, the holder will receive one ordinary share in GDH Ltd. and GDH LP will issue one Class A Unit to GDH Ltd. The maximum number of shares reserved for issuance under the Plan is fixed at 45,565,739 shares of GDH Ltd. Following the approval of the Long Term Incentive Plan, the Company no longer makes grants under the Plan and future grants will be made from the Long Term Incentive Plan. The Plan reserve has been rolled over into the Long Term Incentive Plan.

Long Term Incentive Plan

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

Non-Treasury Plan

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

The fair value of the options granted was measured using the Black-Scholes option pricing model with the following weighted average inputs.

Inputs to the Black-Scholes Model	December 31, 2022	December 31, 2021
Share price ⁽¹⁾	C\$4.83 - C\$20.40	C\$19.15 - C\$29.12
Exercise price	C\$5.39 - C\$21.3	C\$20.00 - C\$35.00
Expected annual volatility ⁽²⁾	98% - 120%	95% - 98%
Expected term (years)	5.00	5.00
Dividend yield	0%	0%
Risk-free interest rate ⁽³⁾	2.48% - 3.00%	0.82% - 1.44%

⁽¹⁾ The closing price of GDH Ltd. shares on the respective grant dates were used.

⁽²⁾ Volatility was selected based on the holdings of the Partnership and a review of the historical volatility of digital assets and academic studies of historical venture equity volatility. In addition, the historical trading volatility of the shares of GDH Ltd. was also considered.

⁽³⁾ The risk-free interest rate was calculated by interpolating Government of Canada bond yields over the expected terms of the respective option grants.

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The following table summarizes the activity related to the stock options during the years ended December 31, 2022 and December 31, 2021:

Description	Number of Options	Weighted Average Exercise Price (C\$)
Balance, December 31, 2020	31,565,634	4.03
Granted	5,025,000	24.25
Exercised	(5,293,963)	2.86
Forfeited	(883,326)	1.77
Balance, December 31, 2021	30,413,345	7.64
Granted	1,565,000	19.63
Exercised	(2,627,053)	2.68
Forfeited	(1,698,749)	11.26
Balance, December 31, 2022	27,652,543	8.56
Options exercisable as of December 31, 2022	14,180,883	
Options exercisable as of December 31, 2021	8,702,604	

The weighted average fair value for stock options granted during the year ended December 31, 2022 was \$19.63 per option (December 31, 2021 - \$24.25 per option). There were 2,627,053 options exercised during the year ended December 31, 2022. There were 5,293,963 options exercised for the year ended December 31, 2021. For stock options outstanding as of December 31, 2022, the weighted average remaining contractual life is 2.62 years (December 31, 2021 - 3.43 years).

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

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

Under certain circumstances, the options may be settled by cash payments at the election of the Partnership. However, as the Partnership does not have a present obligation to settle in cash, the stock options are accounted for as equity settled awards.

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The following table summarizes the activity related to the restricted and deferred share units for the periods ended December 31, 2022 and December 31, 2021:

Description	Number of Units	Fair value per unit (C\$)
Balance, December 31, 2020	—	—
Granted	8,038,345	23.31
Vested	—	—
Forfeited	(204,686)	23.04
Balance, December 31, 2021	<u>7,833,659</u>	23.32
Granted	6,718,554	18.13
Vested	(1,425,013)	22.99
Forfeited / Cancelled	(1,664,283)	22.04
Balance, December 31, 2022	<u>11,462,917</u>	20.5
Units vested as of December 31, 2022	1,463,456	
Units vested as of December 31, 2021	—	

During the year ended December 31, 2022, the Partnership granted 830,305 restricted share units under the Non-Treasury Share Unit Plan that will be settled in cash. The restricted share units vest over three to four years with varying vest schedules and had a fair value of \$10.1 million at grant date. The outstanding liability related to cash settled units as of December 31, 2022 was \$1.5 million.

Net Income (Loss) per Unit

The tables below present total Class A and B income (loss) per unit for the years ended December 31, 2022 and December 31, 2021 as Class A Units and Class B Units rank equal in all economic respects.

(in thousands, except unit and per unit data)	December 31, 2022	December 31, 2021
Basic income (loss) per unit	\$ (3.13)	\$ 5.38
Diluted income (loss) per unit	(3.13)	4.88
Net income (loss) used in the calculation of basic income (loss) per unit	\$ (1,021,577)	\$ 1,714,277
Net income (loss) used in the calculation of diluted income (loss) per unit	(1,021,577)	\$ 1,704,214
Weighted average number of units for the purposes of basic income (loss) per unit	326,024,679	318,659,926
Weighted average number of units for the purposes of diluted income (loss) per unit	326,024,679	349,318,648

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Reconciliation of weighted average number of units for the purposes of basic income (loss) per unit to weighted average number of units for the purposes of diluted income (loss) per unit:

	Year ended December 31, 2021
Weighted average number of units for the purposes of basic income (loss) per unit	318,659,926
Diluted units:	
Compensatory Class B Unit awards	4,375,077
Stock options	22,353,262
Restricted share units	1,027,757
Held back shares	144,798
Warrants	1,853,933
Exchangeable notes	903,895
Weighted average number of units for the purposes of diluted income (loss) per unit	349,318,648

For the period ended December 31, 2021, the weighted average number of total units for the purposes of diluted income per unit assumes the potential vesting of the Compensatory Class B Units, dilutive stock options, warrants, restricted share units and held back shares under the GDH LP equity compensation plan, and potential conversion of Exchangeable notes.

17. STRUCTURED ENTITIES

Non-controlling interests liability

As a result of a reduction of ownership percentage or amendments to the underlying partnership agreements, as of December 31, 2022, the Partnership no longer consolidated any of its sponsored investment funds.

Non-consolidated structured entities

The following table illustrates the Partnership's maximum exposure to unconsolidated funds which is limited to the fair value of its investments and unfunded commitments as of period end.

(in thousands)	December 31, 2022			December 31, 2021		
	Fair Value of Investment	Unfunded Commitments	Maximum Exposure	Fair Value of Investment	Unfunded Commitments	Maximum Exposure
Non-Consolidated Sponsored Investment Funds	\$ 141,439	\$ 69,169	\$ 210,608	\$ 151,370	\$ 21,511	\$ 172,881
Other Non-Consolidated Structured Entities	98,400	14,481	112,881	206,891	12,114	219,005
Total	\$ 239,839	\$ 83,650	\$ 323,489	\$ 358,261	\$ 33,625	\$ 391,886

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18. PROFESSIONAL FEES

The following table represents the Partnership's professional fee expenses for the years ended December 31, 2022 and 2021:

(in thousands)	Year ended December 31, 2022	Year ended December 31, 2021
Legal	\$ 21,624	\$ 14,734
Audit and related	11,314	13,820
Tax	2,214	2,258
Consulting ⁽¹⁾	(7,434)	21,762
Valuations	505	755
Total	\$ 28,223	\$ 53,329

⁽¹⁾ Transaction fees of \$12 million related to the BitGo acquisition were reversed during the year ended December 31, 2022 as they were contingent on completion of the acquisition.

19. GENERAL AND ADMINISTRATIVE

The following table represents the Partnership's general and administrative expenses for the years ended December 31, 2022 and 2021:

(in thousands)	Notes	Year ended December 31, 2022	Year ended December 31, 2021
Technology		\$ 14,918	\$ 8,239
Depreciation and amortization	14	14,835	5,132
Marketing		9,525	6,968
Mining hosting fees	20	11,800	1,416
Impairment loss ⁽¹⁾		33,418	4,593
FTX related losses ⁽²⁾		37,753	—
Provision for credit losses	8	10,123	122
Insurance		4,534	1,517
Fund administration		1,598	1,818
Directors fees	16, 21	812	775
Other		24,639	6,850
Total		\$ 163,955	\$ 37,430

⁽¹⁾ Includes impairment of mining equipment in 2022 and impairment of right-of-use asset in 2021.

⁽²⁾ Related to cash held in the Partnership's account at FTX. See Note 7 for discussion of realized losses of digital assets held at FTX.

For the year ended December 31, 2022, the Partnership recognized GDH Ltd. reimbursable expenses of \$2.5 million (December 31, 2021 - \$4.2 million).

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20. DIGITAL ASSET MINING AND MINING FINANCE

The following table represents the Partnership's income and expenses from digital asset mining for the years ended December 31, 2022 and 2021:

(in thousands)	Year ended December 31, 2022	Year ended December 31, 2021
Income from digital asset mining	\$ 29,911	\$ 10,922
Expenses from digital asset mining:		
Hosting fees ⁽¹⁾	(11,800)	(1,415)
Depreciation expense ⁽¹⁾	(10,556)	(1,685)
Loss on disposal of mining equipment ⁽¹⁾	(572)	—
Impairment loss of mining equipment ⁽¹⁾	(33,418)	—

⁽¹⁾ Included within General and administrative on the consolidated statements of income (loss) and comprehensive income (loss).

Mining equipment

The Partnership assesses mining equipment for impairment when market prices of similar equipment are below the Partnership's cost basis. During the year ended December 31, 2022, the Partnership recognized an impairment of \$33.4 million in relation to its mining equipment. The impairment was triggered by a prolonged reduction in value of Bitcoin, which affected the expected cash flows to be generated from the equipment. Impairment testing requires determination of recoverable amounts, which includes significant judgments related to the determination of fair value less costs to dispose and value in use of the relevant assets. The Partnership determined the recoverable amounts using the value in use of the mining equipment, which was deemed to be higher than the fair value less costs of disposal. The value in use was determined using an income approach where the projected mining revenue and expenses are discounted to present value. The Partnership determined the value in use of the mining equipment using the Bitcoin price and network difficulty as of December 31, 2022, expected power cost, and discount rate of 13.3% as key inputs.

Mining finance

As part of its mining business, the Partnership enters into lease agreements with counterparties as a lessor. Income related to mining lease agreements is recognized within Income from mining on the Partnership's consolidated statements of income (loss) and comprehensive income (loss). For the year ended months ended December 31, 2022 and 2021, leasing income from mining equipment was composed of the following:

(in thousands)	Year ended December 31, 2022	Year ended December 31, 2021
Operating lease	\$ 5,463	\$ 37
Finance lease interest income	10	29
Realized gain (loss) on finance leases	—	1,196

21. RELATED PARTY TRANSACTIONS

The Partnership's related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Partnership, directly or indirectly. Key management personnel include officers, directors, companies controlled by officers or directors and companies with common directors of the Partnership. The transactions the Partnership enters into with related parties are made on terms equivalent to those that prevail in arm's length transactions.

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Compensation of Key Management Personnel

Key management personnel include ten individuals (December 31, 2021 - twelve individuals). The following table represents compensation provided to key management personnel for the years ended December 31, 2022 and 2021:

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

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

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

Distributions

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

Sublease

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

Transactions with GDH Ltd.

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

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

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

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

Other

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

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management personnel, all of which was reflected in accounts payable at December 31, 2021 and was settled during the year ended December 31, 2022.

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

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

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

Investments in Galaxy Funds

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

22. REPORTABLE SEGMENTS

The Partnership has identified five reportable segments: trading, asset management, investment banking, mining and principal investments. The five reportable segments represent the five lines of business for which the Partnership expects to earn income, incur costs and allocate resources. 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. Certain reclassifications have been made based on how the chief operating decision-maker reviews the performance of the Partnership.

Trading

The trading group provides spot, derivative and financing liquidity to institutional clients, counterparties and venues that transact in cryptocurrencies. The Partnership engages in several trading strategies (Note 7). The trading segment includes the performance of the over the counter (OTC) trading and of the short term and long term positioning of the Partnership's digital assets.

Asset Management

The asset management business manages capital on behalf of third parties in exchange for management fees and performance-based compensation.

Investment Banking

The investment banking business partners with high quality businesses operating in and around the blockchain ecosystem. The investment banking business offers the full spectrum of investment banking, including, but not limited to: general corporate advisory, mergers and acquisition (M&A), transaction advisory, restructuring and capital raising.

Mining

The mining business hosted its machines at third-party data centers in the United States through December 2022 and established a proprietary bitcoin mining operation when it acquired the Helios facility. The mining business also provides novel and sophisticated financial tools to North American miners. It serves as a one-stop financial services platform for miners, drawing the firm's expertise in trading and risk management, investing and lending, managed hosting, and corporate advisory under one umbrella, tailored to the needs of the mining sector.

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Principal Investments

The principal investments business has a diverse portfolio of private principal investments across the blockchain ecosystem, including early- and later-stage equity, pre-network launch contributions, and other structured alternative investments (Note 11).

Corporate and Other consists of the Partnership's unallocated corporate overhead and other unallocated costs not identifiable to any of the five reportable segments.

The following table represents assets and liabilities by each of the reportable segments as of December 31, 2022:

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Total assets	\$ 1,333,985	\$ 634,121	\$ 32,749	\$ 24,797	\$ 241,743	\$ 78,748	\$ 2,346,143
Total liabilities	\$ 351,662	\$ 374	\$ 710	\$ 2,104	\$ 10,519	\$ 541,982	\$ 907,351

The following table represents assets and liabilities by each of the reportable segments as of December 31, 2021:

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Total assets	\$ 2,971,090	\$ 1,277,707	\$ 193,436	\$ 10,727	\$ 292,942	\$ 350,636	\$ 5,096,538
Total liabilities	\$ 1,666,488	\$ 174	\$ 171,784	\$ 122	\$ 3,202	\$ 656,417	\$ 2,498,187

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

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

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

(in thousands)	Trading	Principal Investments	Asset Management	Investment Banking	Mining	Corporate and Other	Totals
Income (loss)							
Advisory and management fees	\$ 254	\$ —	\$ 11,390	\$ 4,092	\$ —	\$ —	\$ 15,736
Net realized gain (loss) on digital assets	711,731	59,440	243,089	—	—	—	1,014,260
Net realized gain (loss) on investments	—	231,388	—	—	—	—	231,388
Income from lending	72,343	706	—	—	—	2	73,051
Net derivative gain (loss)	(14,239)	25,000	—	—	—	—	10,761
Income from mining	—	—	—	—	14,703	—	14,703
Other income	3,148	2,383	78	58	15	—	5,682
	773,237	318,917	254,557	4,150	14,718	2	1,365,581
Operating expenses	175,270	17,279	28,161	4,094	6,100	133,664	364,568
Net unrealized gain (loss) on digital assets	382,289	117,281	(47,315)	—	(790)	—	451,465
Net unrealized gain (loss) on investments	2,050	536,341	8,606	—	—	—	546,997
Net gain on notes payable - derivative	—	—	—	—	—	12,132	12,132
Net gain (loss) on warrant liability	—	—	—	—	—	(45,644)	(45,644)
Foreign currency gain	2,950	(358)	—	—	—	(2)	2,590
(Gain) loss attributable to non-controlling interests liability	—	—	(197,376)	—	—	—	(197,376)
	387,289	653,264	(236,085)	—	(790)	(33,514)	770,164
Income (loss) before income taxes	\$ 985,256	\$ 954,902	\$ (9,689)	\$ 56	\$ 7,828	\$ (167,176)	\$ 1,771,177
Income tax expense	—	—	—	—	—	56,900	56,900
Net income (loss) for the period	\$ 985,256	\$ 954,902	\$ (9,689)	\$ 56	\$ 7,828	\$ (224,076)	\$ 1,714,277
Foreign currency translation adjustment	—	—	—	—	—	367	367
Comprehensive income (loss) for the period	\$ 985,256	\$ 954,902	\$ (9,689)	\$ 56	\$ 7,828	\$ (223,709)	\$ 1,714,644

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Select statement of financial position information

The following table represents the fair value of select assets by reporting segment as of December 31, 2022:

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

The following table represents the fair value of select assets by reporting segment as of December 31, 2021:

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

23. FINANCIAL INSTRUMENTS, DIGITAL ASSETS AND RISK

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

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

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

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

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

(in thousands)	As of December 31, 2022				As of December 31, 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Digital assets	\$ —	\$ 566,690	\$ —	\$ 566,690	\$ —	\$ 2,416,633	\$ 4,144	\$ 2,420,777
Digital assets receivable	—	1,523	16,054	17,577	—	10,036	61,621	71,657
Digital assets posted as collateral	—	25,138	—	25,138	—	71,400	—	71,400
Derivative assets	—	17,719	—	17,719	—	45,669	—	45,669
Common stock	11,259	—	50,389	61,648	56,109	—	215,185	271,294
Convertible notes	—	—	12,649	12,649	—	—	9,768	9,768
LP/LLC interests	—	1,300	254,499	255,799	—	—	383,279	383,279
Pre-network launch	—	—	5,500	5,500	—	—	6,393	6,393
Preferred stock	—	—	258,461	258,461	—	—	382,182	382,182
Warrants/Trust units/Trust shares	—	—	1,065	1,065	7,963	—	8,897	16,860
Total	\$ 11,259	\$ 612,370	\$ 598,617	\$ 1,222,246	\$ 64,072	\$ 2,543,738	\$ 1,071,469	\$ 3,679,279
Liabilities								
Investments sold short	91	—	—	91	11,630	—	—	11,630
Derivative liabilities	—	16,568	—	16,568	—	25,567	—	25,567
Warrant liability	—	—	—	—	—	—	20,488	20,488
Embedded derivative - Notes payable	—	—	868	868	—	—	58,866	58,866
Total	\$ 91	\$ 16,568	\$ 868	\$ 17,527	11,630	25,567	79,354	116,551

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

Valuation of Assets / Liabilities that use Level 2 Inputs (“Level 2 Assets / Liabilities”). Consists of the Partnership’s investments in derivatives, digital assets and its digital assets posted as collateral, where quoted prices in active markets are available. For the digital assets, the fair value is determined by the volume-weighted average of prices across principal exchanges as of 23:59 UTC, per coinmarketcap.com*.

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

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

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

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

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

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

Other

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

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

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Level 3 Continuity

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

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

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

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

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

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

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

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

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

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

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Quantitative Information for certain Level 3 Assets and Liabilities

Financial Instrument	Fair Value at December 31, 2022 (in thousands)	Significant Unobservable Inputs	Range
Digital assets receivables	\$16,054	Marketability discount	1.9% - 60.6%
Common Stock	\$50,389	Marketability discount	17.5% - 25.0%
		Control discount	10.0%
		Time to liquidity event (years)	5.0
		Annualized equity volatility	90.0%
		Risk free rate	2.7% - 3.9%
		Expected dividend payout ratio	—%
		Convertible notes	\$12,649
		Scenario probability ⁽¹⁾ :	
		No deal closure and dissolution	98%
		Deal closure and partial default	—%
		Deal closure and full recovery	2%
		EV/Revenue multiple	1.0x
LP/LLC interests ⁽²⁾	\$254,499	Marketability discount	10%
		Control discount	10%
		Market adjustment discount	17.1% - 61.9%
		Time to liquidity (years)	5.0
		Annualized equity volatility	90.0%
		Risk free rate	3.2%
		Expected dividend payout	—%
Preferred stock ⁽³⁾	\$258,461	Market adjustment discount	15.0% - 65.0%
		Marketability discount	40.0%
		Time to liquidity event (years)	3.25 - 5.0
		Annualized equity volatility	90.0%
		Risk free rate	0.17% - 4.19%
		Expected dividend payout ratio	—%
		Enterprise value to revenue multiple	1.4x - 3.5x
		Discount rate	17.0%
		Exit multiple	4.0x
		Warrants/Trust Units	\$1,065
Embedded derivative - notes payable	\$868	Volatility	58.0%
		Time-Step	0.004 years
		Risk free rate	4.1%

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

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

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

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

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

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

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

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

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

Valuation Techniques

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

Category	Valuation Methods & Techniques	Key Inputs
Cryptocurrency	<ul style="list-style-type: none"> Black-Scholes option pricing model for discount for lack of marketability 	<ul style="list-style-type: none"> Volume-weighted average of trading prices Selected volatilities of subject cryptocurrencies Vesting period Risk-free rate Dividend yield
Pre-network launch	<ul style="list-style-type: none"> Prior transactions method 	<ul style="list-style-type: none"> Prior prices of subject pre-ICO cryptocurrencies
Convertible notes	<ul style="list-style-type: none"> Prior transactions method Guideline public company method Probability-weighted expected return model 	<ul style="list-style-type: none"> Prior prices of subject convertible note Enterprise value-to-revenue multiple Scenario probabilities Recovery rates
Preferred and common stock (private)	<ul style="list-style-type: none"> Prior transactions method Comparable transactions method Backsolve method in an option pricing model framework Discounted cash flows Control adjustments Marketability adjustments Guideline public company method Adjusted book value 	<ul style="list-style-type: none"> Prior prices of subject preferred or common stock Enterprise value-to-revenue multiple Expected time to exit Volatility of the company's total equity Risk free rate Expected dividend payout ratio Discount rate Selected discounts for lack of control Selected discounts for lack of marketability Changes in the valuations of venture investments by stage, observed private transactions, equity values of public companies and/or values of digital assets Net assets of subject company Discount to a previous funding round
Common stock (public)	<ul style="list-style-type: none"> Public closing price Marketability adjustments 	<ul style="list-style-type: none"> Public closing prices of subject securities Selected discounts for lack of marketability
LP/LLC interests	<ul style="list-style-type: none"> Prior transactions method Comparable transactions method Net asset value provided by fund Discounted cash flow Adjusted net assets method 	<ul style="list-style-type: none"> Prior prices of subject LP/LLC interests Net asset value provided by fund Volume-weighted average trading prices of digital assets Valuation changes of venture investments by stage Scenario probabilities Selected discount for lack of marketability Vesting period Volatility
Warrants/Trust Units/ Trust Shares	<ul style="list-style-type: none"> Public closing price Backsolve method in an option pricing model framework Prior transactions method 	<ul style="list-style-type: none"> Public closing prices of subject securities Selected volatility of underlying trust units Prior prices of subject trust shares

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Industry

As of December 31, 2022 and December 31, 2021, details of the industry composition of the Partnership's digital assets and investments are as follows:

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

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

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into, causing the other party to incur a financial loss. The Partnership's cash, receivables, receivable for digital asset trades, prepaid assets, assets posted as collateral, and loans (including digital asset loans) receivable are exposed to credit risk. The Partnership limits its credit risk by placing its cash with high credit quality financial institutions and with cryptocurrency exchanges on which the Partnership has performed internal due diligence procedures. The Partnership deems these procedures necessary as some exchanges are not subject to regulatory oversight. Furthermore, crypto-exchanges engage in the practice of commingling their clients' assets in exchange wallets. When crypto-assets are commingled, transactions are not recorded on the applicable blockchain ledger but are only recorded by the exchange. Therefore, there is risk around the occurrence of transactions or the existence of period end balances represented by exchanges. The Partnership's due diligence procedures around exchanges include, but are not limited to, internal control procedures around on-boarding new exchanges which includes review of the exchanges anti-money laundering ("AML") and know-your-client ("KYC") policies by the Partnership's chief compliance officer, obtaining a security ratings report by an independent third-party on certain exchanges, constant review of market information specifically regarding the exchanges' security and solvency risk, setting balance limits for each exchange account based on risk exposure thresholds and preparing daily asset management reports to ensure limits are being followed and having a fail-over plan to move cash and digital assets held on an exchange in instances where risk exposure significantly changes. The Partnership limits its credit risk with respect to its prepaids, receivables, receivables for digital asset trades, digital assets loans receivable and digital assets receivables by transacting with credit worthy counterparties that are believed to have sufficient capital to meet their obligations as they come due and, with regards to OTC and Master Loan Agreement (MLA) counterparties for the trading business, on which the Partnership has satisfactorily performed the relevant AML and KYC procedures and required the posting of collateral, if deemed necessary. As of December 31, 2022 and subsequently, the Partnership does not expect a material loss on any of its loans except for those for which it has recorded an allowance. As of each reporting period, the Partnership assesses if there are expected credit losses requiring recognition of a loss allowance. As of December 31, 2022, the Partnership is exposed to credit risk. While the Partnership intends to only transact with counterparties or exchanges that it believes to be creditworthy, there can be no assurance that a counterparty will not default and that the Partnership will not sustain a material loss on a transaction as a result.

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

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One exchange individually held more than 10% as of December 31, 2022 (December 31, 2021 - Three), holding approximately 13% of the Company's digital assets.

Derivative-related credit risk

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

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

Interest Rate Risk

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

Liquidity Risk

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as they come due, as well as the risk of not being able to liquidate assets at reasonable prices. The Partnership manages liquidity risk by maintaining sufficient cash balances to enable settlement of its liabilities. Accounts payable and accrued liabilities, other than accrued compensation, and payables for digital asset trades generally have maturities of 30 days or less or are due on demand, or in the case of digital assets loan payable, on 5 to 20 business days' notice or at the end of a set term unless renewed. The Partnership intends to manage its short-term liquidity needs through its available cash balance and cash inflows from its ongoing business activities. In addition, as of December 31, 2022, 97.0% (December 31, 2021 - 69.6%) of the Partnership's digital assets portfolio was in liquid, actively traded cryptocurrency markets which can be monetized at reasonable prices in short order.

Foreign Currency Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. To the extent these financial instruments are unhedged or not adequately hedged, the value of the Partnership's financial instruments may fluctuate with exchange rates. The value of the financial assets may therefore be unfavorably affected by fluctuations in currency rates and exchange control regulations. For the period ended December 31, 2022, the Partnership minimized exposure to foreign currencies by entering into foreign currency derivative instruments.

Market Risk

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

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

Digital Asset Risk

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

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

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

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

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

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

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

24. CAPITAL MANAGEMENT

The Partnership's objectives when managing capital are to safeguard its ability to continue as a going concern, to meet the capital needs of its ongoing operations and to maintain a flexible capital structure which optimizes the cost of capital. The Partnership considers current economic conditions as well as the risk profile of its portfolio and overall business when managing its capital structure. The Partnership has an ongoing process whereby actual expenditures and cash needs are compared against budgets to ensure that there is sufficient capital on hand to meet ongoing obligations. As of December 31, 2022 and December 31, 2021, the Partnership had \$1.4 billion and \$2.6 billion in equity, respectively. The Partnership has the flexibility to acquire or dispose of assets and to issue debt or equity to adjust its capital structure in the future. The Partnership is not subject to externally imposed capital requirements other than the minimum net capital requirement for its broker dealer of \$0.1 million, nor were there any changes to the Partnership's approach to capital management during the period ended December 31, 2022.

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25. COMMITMENTS AND CONTINGENCIES

Leases

As of December 31, 2022, the Partnership has lease commitments for the next five years as follows:

(in thousands)	Rent Due
2023	6,281
2024	4,442
2025	2,918
2026	2,557
2027	2,572
2028 and beyond	3,001
Total	\$ 21,771

For the year ended December 31, 2022, the Partnership recognized interest expense on the lease liability of \$1.5 million, respectively (2021 - \$1.1 million), which was recorded within interest expense.

Investment and loan commitments

As of December 31, 2022, the Partnership was obligated to 10 investment funds to fund up to \$83.6 million, of which \$0.3 million was funded subsequent to period end.

As of December 31, 2022, the Partnership had outstanding loan commitments of \$210.0 million (December 31, 2021 - \$157.5 million) under revolving credit agreements, out of which \$0 (December 31, 2021 - \$60.0 million) was funded.

Indemnification

The Partnership has provided standard representations for agreements and customary indemnification for claims and legal proceedings. Insurance has been purchased to mitigate certain of these risks. Generally, there are no stated or notional amounts included in these indemnifications and the contingencies triggering the obligation for indemnification are not expected to occur. Furthermore, often counterparties to these transactions provide comparable indemnifications. The Partnership is unable to develop an estimate of the maximum payout under these indemnifications for several reasons. In addition to the lack of a stated or notional amount in a majority of such indemnifications, it is not possible to predict the nature of events that would trigger indemnification or the level of indemnification for a certain event. The Partnership believes, however, that the possibility of making any material payments for these indemnifications is remote. As of December 31, 2022 and December 31, 2021, there was no liability accrued under these arrangements.

In the ordinary course of business, the Partnership and its subsidiaries may be threatened with, named as defendants in, or made parties to pending and potential legal actions. The Partnership does not believe that the ultimate outcome of these and any outstanding matters will have a material effect upon our financial position, results of operations or cash flows.

Financial Support of GDH Ltd.

In accordance with the LPA, the Partnership will reimburse or pay for all reimbursable expenses of GDH Ltd. (Note 5).

Tax Distributions

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

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

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

26. INCOME TAXES

GDH LP is a Cayman exempted limited partnership treated as a partnership for US Federal tax purposes and as such income taxes are generally the responsibility of the partners through an allocation of GDH LP's taxable income (loss), and not that of GDH LP. GDH LP is subject to a 4.0% entity level New York City unincorporated business tax ("UBT") on income allocated or apportioned to New York City. Foreign corporate subsidiaries are generally subject to taxes in the foreign jurisdictions where they are located. Accordingly, no provision for income taxes has been recorded in these consolidated financial statements other than for GDH LP's UBT obligation and for the entities in the consolidated GDH LP group subject to income taxes in the local jurisdictions in which they operate. The allocation of taxable income to members may vary substantially from net income reported in these consolidated financial statements.

The following table represents Income tax recognized on the Partnership's consolidated statements of income (loss) and comprehensive income (loss) for the years ended December 31, 2022 and 2021:

(in thousands)	Year ended December 31, 2022	Year ended December 31, 2021
Income taxes expense (benefit) - current	\$ (3,965)	\$ 41,053
Deferred income tax expense (benefit) :		
Deferred tax related to the origination and reversal of temporary differences	(29,285)	15,091
Effect of changes in tax rates or imposition of new income taxes	(2,702)	2,173
Benefit arising from previously unrecognized deferred tax assets	—	(1,417)
Income taxes expense (benefit) - total deferred	(31,987)	15,847
Income taxes expense (benefit)	\$ (35,952)	\$ 56,900

The effective income tax rate reported in the consolidated statements of earnings varies from the Cayman income tax rate of 0.0% for the following items:

(in thousands)	Year ended December 31, 2022		Year ended December 31, 2021	
Earnings before income taxes	\$ (1,057,529)		\$ 1,771,177	
Cayman statutory tax rate	—	— %	—	— %
Increase (decrease) in the income tax rate resulting from:				
Foreign rate differential on entity level partnership tax	(26,071)	2.47 %	52,351	2.96 %
Foreign subsidiaries taxed at different rates	(9,881)	0.93 %	4,549	0.25 %
Total income tax expense and effective income tax rate	\$ (35,952)	3.40 %	\$ 56,900	3.21 %

The effective income tax rate of 3.4% for the year ended December 31, 2022, was generally higher than the Cayman Island statutory rate of 0.0% due to the entity level UBT tax imposed by New York City and higher tax rates in certain jurisdictions where the Partnership's foreign corporate subsidiaries operate. The effective income tax rate for the year ended December 31, 2022 of 3.4% was generally lower than the effective income tax rate for the year ended December 31, 2021 of 3.1% primarily due to changes in the jurisdictional mix of earnings and changes to certain tax estimates.

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The following table represents the composition and changes in net deferred income tax assets (liabilities) for the years ended December 31, 2022 and 2021:

(in thousands)	2022					
	Basis Difference on Partnership Investments	Basis Difference on Digital Assets	Basis Difference on Investments	Other	NOL	Total
Balance, beginning of the year	\$ 7,478	\$ (20,927)	\$ (3,357)	\$ 1,457	\$ —	\$ (15,349)
Recognized in Statements of Comprehensive Income	(23,457)	5,875	1,122	2,013	\$ 46,434	\$ 31,987
Recognized in Statements of Changes in Equity	—	14	71	(279)	—	\$ (194)
Balance, end of the year	\$ (15,979)	\$ (15,038)	\$ (2,164)	\$ 3,191	\$ 46,434	\$ 16,444

(in thousands)	2021					
	Basis Difference on Partnership Investments	Basis Difference on Digital Assets	Basis Difference on Investments	Other	Total	
Balance, beginning of the year	\$ —	\$ —	\$ —	\$ —	\$ —	
Recognized in Statements of Comprehensive Income	7,478	(20,821)	(3,226)	722	\$ (15,847)	
Recognized in Statements of Changes in Equity	—	(106)	(131)	735	\$ 498	
Balance, end of the year	\$ 7,478	\$ (20,927)	\$ (3,357)	\$ 1,457	\$ (15,349)	

The following table represents the deferred tax assets and liabilities recognized on the Partnership's consolidated statements of financial position:

(in thousands)	December 31, 2022	December 31, 2021
Deferred tax assets	\$ 47,746	\$ 10,259
Deferred tax liabilities	(31,302)	(25,608)
Total	\$ 16,444	\$ (15,349)

Deferred tax is recognized on taxable temporary differences between the tax bases and the carrying amounts of assets and liabilities. Deferred income tax assets are recognized for deductible temporary differences, carry forwards of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses can be utilized. Management assesses the carrying amount of deferred income tax assets at each statement of financial position date based on estimates of future taxable income and as of December 31, 2022 believes it is probable the carrying value of the deferred tax assets are recoverable. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets are realized or the liabilities settled, using the tax rates and laws enacted or substantively enacted at the statement of financial position dates.

As of December 31, 2022, the Partnership recognized a deferred tax asset of \$46.4 million for tax loss carryforwards, none of which are subject to limitation.

27. SUBSEQUENT EVENTS

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

In January 2023, the Partnership acquired additional shares of Candy Digital, a related party, for approximately \$13 million. As a result of this transaction, the Partnership increased its ownership percentage but did not obtain control and continues to account for its investment using the equity method of accounting.

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On February 23, 2023, the Partnership acquired substantially all the assets of GK8, a secure institutional digital asset custody platform, for approximately \$44 million.

On March 12, 2023, Federal Deposit Insurance Corporation (“FDIC”) was appointed as the receiver of Signature Bank. The Partnership had a banking relationship with Signature Bank for its day-to-day operations. The receivership did not have an impact on the Partnership’s financials as the Partnership was able to retrieve its deposits from Signature Bank.