



**GALAXY DIGITAL HOLDINGS LTD.**

**ANNUAL INFORMATION FORM**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022**

**March 28, 2023**

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## TERMS OF REFERENCE

In this annual information form, a reference to the “**Company**”, “**Galaxy**”, “**we**”, “**us**”, “**our**” and similar words refer to Galaxy Digital Holdings Ltd., its subsidiaries and affiliates, or any one of them, as the context requires.

All references to trade names and trademarks of other companies, which trade names and trademarks are the property of their respective owners.

C\$ means a dollar of lawful money of Canada. US\$ or \$ means a dollar of lawful money of the United States.

## CURRENCY AND EXCHANGE RATE INFORMATION

The following table sets forth for each period indicated: (i) the exchange rates in effect at the end of the period; (ii) the high and low exchange rates during such period; and (iii) the average exchange rates for such period, for the U.S. dollar, expressed in Canadian dollars, as quoted by the Bank of Canada.

	<u>Year Ended December 31</u>		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
	<b>CAD\$</b>	<b>CAD\$</b>	<b>CAD\$</b>
Closing	1.2678	1.2678	1.2732
High	1.3856	1.2942	1.4496
Low	1.2451	1.2040	1.2718
Average	1.3011	1.2535	1.3415

On March 27, 2023, the daily exchange rate as quoted by the Bank of Canada was US\$1.00 = CAD \$1.37

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS AND RISK FACTORS

Certain statements and other information contained in this annual information form (“**AIF**”) constitute forward-looking information under Canadian Securities Laws (collectively “**forward-looking statements**”). These forward-looking statements relate to future events or future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe”, “future”, “continue” or similar expressions or the negatives thereof. Such forward-looking statements include, but are not limited to statements related to:

- the business of GDH LP (as defined below) will be conducted by GDH GP (as defined below) and GDH GP will be liable for all debts and obligations of GDH LP;
- the Reorganization (as defined below);
- the Company’s strategic focus for Galaxy overall;

- the Company’s expectation that asset management, investment banking and mining operating businesses will become drivers of our financial results;
- development of the Company’s custody and prime brokerage service operations;
- the Company’s continued use of our scale, expertise and balance sheet to identify and execute acquisitions across our business lines;
- the Company’s growth strategy;
- the Company’s digital assets lent may be owned outright by GT (as defined below), borrowed or represent counterparty collateral;
- the Company’s estimate of the size of the digital asset industry focused investment banking addressable market;
- the purchase of new mining equipment and the sale of the Company’s existing equipment;
- the Company’s expectation that GPI’s (as defined below) areas of focus will remain primary targets;
- the Company’s expectation that competition will further intensify;
- the reevaluation of the Company’s Environmental, Social and Governance (“ESG”) focus areas;
- the Company’s belief that Bitcoin innovations will permeate and improve all aspects of our global economy;
- the Company providing a Bitcoin financial service platform for miners;
- the Company’s assessment of risk exposure;
- dividends;
- the Exchangeable Notes (as defined below); and
- GDH LP’s approval of a Related Party’s (as defined below) transaction.

By their very nature, forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this AIF should not be unduly relied upon. These statements speak only as of the date of this AIF.

The forward-looking statements in this document are based on what the Company currently believes are reasonable assumptions, including the material assumptions set out in the management discussion and analysis (“**MD&A**”) and press releases of the Company (such documents are available under the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com)). Other material factors or assumptions that were applied in formulating the forward-looking statements contained herein include or relate to the following: the business and economic conditions affecting the Company’s operations in their current state, including, general levels of economic activity, regulations, taxes and interest rates; Galaxy Digital Holdings LP’s (“**GDH LP**”) ability to profitably manage its digital assets, comprised of cryptocurrencies and blockchain-based assets, inventory as required; historical prices of digital assets; the emerging cryptocurrency and blockchain markets and sectors; the absence of adverse regulation or law; anticipated timing and

completion of acquisitions and other transactions; and that there will be no material changes in the legislative, regulatory or operating framework for GDH LP's existing and anticipated business.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Some of the risks that could cause outcomes and results to differ materially from those expressed in the forward-looking statements include:

- Galaxy is a common equity holder in GDH LP. Galaxy's business is conducted through GDH LP and its subsidiaries. All risks of GDH LP are risks of Galaxy.
- The market price and trading volume of Galaxy's Ordinary Shares (as defined below) may be volatile. Market volatility may affect the value of an investment in our Ordinary Shares and could subject us to litigation.
- GDH LP is controlled by our Founder (as defined below), whose interests may be different from those of holders of Ordinary Shares of the Company (collectively, the "**Shareholders**").
- Changes in law could cause the Ordinary Shares to be de-listed from the Toronto Stock Exchange (the "**TSX**") or any other exchange on which we are listed or cause Galaxy to undergo costly restructuring, liquidation or sale. Further, we may need or want to raise additional capital, but we may be unable to do so due to changes in law, regulation or interpretation.
- The market price of our Ordinary Shares may be subject to downward pressure due to redemptions or exchanges of B Units (as defined below), exercises of outstanding options, exchanges of Exchangeable Notes (as defined below) or from additional issuances of Ordinary Shares.
- Galaxy will be required to pay former partners of GDH LP for certain tax benefits that Galaxy may claim, and the amounts that Galaxy may pay could be material.
- If the Company were to lose status as a foreign private issuer, it could affect the value of the Ordinary Shares and have adverse consequences.
- If we are deemed to be an investment company under the Investment Company Act of 1940 (the "**Investment Company Act**"), applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.
- Our Shareholders will generally not benefit from protections of investment company statutes in various jurisdictions, and may suffer from the restrictions that such statutes place on the liquidity of Ordinary Shares and on Galaxy's fundraising, businesses or other activities.
- Holders of Ordinary Shares may be prevented from exercising voting power commensurate with their economic interests in Galaxy.
- Galaxy and GDH LP are required to indemnify directors and certain officers or other agents against a wide range of potential liabilities and these indemnification obligations could be material.
- The holding of, or trading in, Ordinary Shares may be, or become, illegal in certain countries or other jurisdictions.
- Ordinary Shares are generally not permitted to be acquired by U.S. Benefit Plan Investors, which could reduce Ordinary Shares' liquidity. Conversely, if U.S. Benefit Plan Investors were to acquire sufficient numbers of Ordinary Shares notwithstanding and in contravention of this limitation, Galaxy could be materially and adversely affected.

- We have limited operating history. Our business lines are nascent, unproven and subject to material legal, regulatory, operational, reputational, tax and other risks in every jurisdiction and are not assured to be profitable.
- Our operating results have and will significantly fluctuate due to a variety of factors, including the highly volatile nature of cryptocurrency.
- Our operating results are dependent on the prices of digital assets and volume of transactions that we conduct. If such price or volume declines, our business, operating results, and financial condition would be adversely affected.
- A determination that a digital asset is a “security” for the purpose of the U.S. federal securities laws could adversely affect the value of that digital asset and potentially digital assets generally, and could therefore adversely impact our business, financial condition and results of operations as well as the market price of Ordinary Shares.
- A determination that a digital asset is a “security” for purposes of the U.S. federal securities laws could have adverse regulatory consequences for us, and could therefore adversely impact our business, financial condition and results of operations as well as the market price of the Ordinary Shares.
- Our process for analyzing whether or not a particular digital asset is a security for purposes of the U.S. federal securities laws may not yield results that are consistent with subsequent determinations by the U.S. Securities and Exchange Commission (the “SEC”) or U.S. federal courts, or with similar determinations made by our competitors.
- We are highly dependent on our key personnel, including the Founder, which exposes stockholders to material and unpredictable “key man” risk.
- Our Founder’s public profile makes it more likely that we will attract material regulatory scrutiny, which would be costly and distracting regardless of whether we have engaged in any unlawful conduct.
- If we fail to develop, maintain and enhance our brand and reputation, our business operating results and financial condition may be adversely affected.
- If we are unable to successfully identify, hire and retain qualified individuals, we will not be able to implement our growth strategy successfully.
- We operate in a highly competitive industry and we compete against unregulated or less regulated companies and companies with greater financial and other resources, and our business, operating results, and financial condition may be adversely affected if we are unable to respond to our competitors effectively.
- Due to the unregulated nature and lack of transparency surrounding the operations of digital asset trading platforms, they may experience fraud, security failures or operational problems, which may adversely affect the value of digital assets traded on those digital asset trading platforms and, consequently, our investments and our Ordinary Shares.
- In the event that our employees, contractors or any of our affiliates engage in misconduct or commit errors, it may materially adversely impact our business, operating results and our reputation.
- We or our subsidiaries and affiliates are and may continue to be subject to substantial litigation, including individual and class action lawsuits, and regulatory risks.

- If we cannot keep pace with rapid industry changes to provide new and innovative products and services, the use of our products and services, and consequently our revenue, could decline, which could adversely impact our business, operating results, and financial condition.
- We are exposed to a concentration of assets in a particular asset class, which could increase volatility, investment and market risk.
- Our business relies on third-party service providers and subjects us to risks that we may not be able to control or remediate.
- Unexpected market disruptions may cause major losses for us.
- Operational risk may materially and adversely affect our performance and results and we may not be effective in mitigating any such risk.
- Because our long-term success depends, in part, on our ability to expand our sales to customers outside the United States, our business is susceptible to risks associated with international operations.
- Fluctuations in currency exchange rates could harm our operating results and financial condition.
- Pandemics, such as the COVID-19 pandemic, and resulting impacts on the global economy may materially and adversely affect us.
- We may be adversely affected by natural disasters, pandemics, and other catastrophic events, and by man-made problems such as terrorism, that could disrupt our business operations, and our business continuity and disaster recovery plans may not adequately protect us from a serious disaster.
- Managing different business lines could present conflicts of interest.
- Changes in the value levels of the assets may cause our assets under management, revenue and earnings to decline.
- The asset management business is highly regulated and regulators may apply or interpret these regulations with respect to digital assets in novel and unexpected ways.
- Increased competition may cause our assets under management, revenue and earnings to decline.
- Our principal investments business, including any associated lending activities, is subject to substantial risk.
- We are subject to risks in connection with our mining business, including risks associated with counterparties.
- The digital asset mining industry has seen rapid growth and innovation, and is becoming increasingly competitive and GM (as defined below) may be unable to compete effectively.
- We are not obligated to hedge our exposures, and, if we do, hedging transactions may be ineffective or reduce our overall performance.
- We may fail to develop and execute successful investment or trading strategies.
- We may make, or otherwise be subject to, trade errors.

- Our trading orders may not be timely executed.
- The success of our investment banking business will depend on our ability to generate and maintain ongoing, profitable client demand for our services and our ability to remain competitive in the digital asset investment banking space.
- Because of regulatory uncertainty regarding how transactions in digital assets or digital securities by broker-dealers are or should be regulated, GIB (as defined below) does not currently engage in underwriting services or private placement services with respect to offerings involving digital assets, tokens, cryptocurrencies, digital securities or initial coin offerings, nor does it accept digital assets, tokens, cryptocurrencies or digital securities as payment for broker-dealer related services.
- Our trading business and the various activities we undertake expose us to counterparty credit risk.
- The continuing development and acceptance of digital assets and distributed ledger technology are subject to a variety of risks.
- Digital assets represent a new and rapidly evolving industry, and the market price of our Ordinary Shares has in the past and may in the future be impacted by the acceptance of bitcoin and other digital assets.
- The prices of digital assets are extraordinarily volatile.
- Due to a lack of familiarity and some negative publicity associated with digital asset trading platforms, existing and potential customers, counterparties and regulators may lose confidence in digital asset trading platforms.
- Many digital asset transactions are irrevocable and stolen or incorrectly transferred digital assets may be irretrievable. As a result, any incorrectly executed digital asset transactions could adversely affect the price of our Ordinary Shares.
- Political or economic crises may motivate large-scale sales of digital assets, which would result in a reduction in values and materially and adversely affect us.
- The value of cryptocurrencies and other digital assets may be subject to momentum pricing risk.
- Short sales and borrowings of digital assets pose additional risks.
- Lending of digital assets pose additional risks.
- Blockchain networks, digital assets and the digital asset trading platforms on which these assets are traded are dependent on internet and other blockchain infrastructure and susceptible to system failures, security risks and rapid technological change.
- If the digital asset award for mining blocks and transaction fees for recording transactions on a digital asset network is not sufficiently high to incentivize miners, or if certain jurisdictions continue to limit mining activities, miners may cease expanding processing power or demand high transaction fees, which could negatively impact the value of the digital asset and the market price of our Ordinary Shares.
- From time to time, we may encounter technical issues in connection with changes or upgrades to the underlying digital asset networks of supported cryptocurrencies or protocols, and more broadly, such changes or upgrades may be delayed or unsuccessful, any of which could materially and adversely affect our investments and trading strategies, our financial condition and results of operations.

- Changes in the governance of a digital asset network may not receive sufficient support from users and miners, which may negatively affect that digital asset network’s ability to grow and respond to challenges.
- A temporary or permanent “fork” could adversely affect the market price of our Ordinary Shares.
- We engage in DeFi (as defined below) activities and may suffer losses if the DeFi protocols, or our activities thereon, do not function as expected.
- The emergence of DeFi subjects us to evolving risks and uncertainties relating to our investments and our services.
- DeFi protocols and digital assets used in DeFi protocols pose heightened regulatory concerns even beyond those that face digital asset networks and digital assets generally.
- If a malicious actor or botnet obtains control of more than 50% of the processing power on a digital asset network, or otherwise obtains control over a digital asset network through its influence over core developers or otherwise, such actor or botnet could manipulate the blockchain of such digital asset to adversely affect the market price of our Ordinary Shares or our ability to operate.
- Adverse developments affecting financial institutions could adversely affect our industry and business.
- Any inability to maintain adequate relationships with affiliates, third-party banks and trading venues with respect to, and any inability to settle customer trades related to, our cryptocurrency offerings, may adversely affect our business, financial condition and results of operations.
- Competing industries may have more influence with policymakers than the digital asset industry, which could lead to the adoption of laws and regulations that are harmful to the digital asset industry and our business.
- We currently offer services involving, and expect to continue to support, certain smart contract-based digital assets. If the underlying smart contracts for these digital assets do not operate as expected, they could lose value and our business could be adversely affected.
- The value of non-fungible tokens (a “NFT”), and any investment in NFTs, and the regulation of NFTs are uncertain and may subject us to unforeseeable risks.
- Private keys are required to access or transfer cryptocurrencies held in custody for GPL (as defined below) and GPL customers and the loss or destruction of such private keys may cause complete loss of the ability to retrieve or transfer such cryptocurrencies. If our custodian is unable to access the private keys and any backups thereto or if it experiences a cybersecurity breach, hack or other data loss that would restrict its ability to access any cryptocurrencies held in custody, we could become subject to reputational harm, legal claims, regulatory scrutiny, and other losses.
- The financial services industry is subject to government regulation in the United States, and our failure or inability to comply with these regulations or regulatory action against us could adversely affect our results of operations, financial condition or business.
- Regulatory changes or actions by the U.S. Congress or any U.S. federal or state agencies may affect our business or restrict the use of one or more digital assets, mining activity or the operation of the digital asset trading platform in a manner that adversely affects our business.

- Regulatory changes or actions in foreign jurisdictions may affect our business or restrict the use of one or more digital assets, mining activity or the operation of their networks or the digital asset trading platform market in a manner that adversely affects our business.
- If regulators or public utilities take actions that restrict or otherwise impact mining activities, there may be a significant decline in such activities, which could adversely affect digital asset networks, our business and the market price of our Ordinary Shares.
- Our businesses may require regulatory licenses and qualifications that we do not currently have and that may be costly and time-consuming to obtain and, if obtained, may subsequently be revoked.
- Many of the digital assets in which we facilitate trading are subject to regulatory authority by the Commodity Futures Trading Commission (the “**CFTC**”). Any fraudulent or manipulative trading activity in a digital asset could subject us to increased regulatory scrutiny, regulatory enforcement, and litigation.
- Certain transactions in digital assets may constitute “retail leveraged commodity transactions” subject to regulation by the CFTC as futures contracts. If digital asset transactions we facilitate are deemed to be such retail commodity transactions, we would be subject to additional regulatory requirements, licenses and approvals, and potentially face regulatory enforcement, civil liability, and significant increased compliance and operational costs.
- Particular digital assets or transactions therein could be deemed “commodity interests” (e.g., futures, options, swaps) or security-based swaps subject to regulation by the CFTC or the SEC, respectively. If a digital asset that we facilitate trading in is deemed a commodity interest or a security-based swap, we would be subject to additional regulatory requirements, licenses and approvals, and potentially face regulatory enforcement, civil liability, and significant increased compliance and operational costs.
- Cybersecurity incidents and other issues related to our information systems, technology and data may materially and adversely affect us.
- We obtain and process sensitive customer data. Any real or perceived improper use of, disclosure of, or access to such data could harm our reputation, as well as have an adverse effect on our business.
- We are subject to stringent laws, rules, regulations, policies, industry standards and contractual obligations regarding data privacy and security and may be subject to additional related laws and regulations in jurisdictions into which we expand. Many of these laws and regulations are subject to change and reinterpretation and could result in claims, changes to our business practices, monetary penalties, increased cost of operations or other harm to our business.
- We may face particular privacy, data security, and data protection risks as our business expands into the United Kingdom and the European Union (the “**EU**”) in connection with the EU General Data Protection Regulation (the “**GDPR**”) and other data protection regulations.
- Our use of technology, proprietary and nonproprietary software, data and intellectual property may be subject to substantial risk.
- The need to adopt technology in response to changing security threats poses a challenge to the safekeeping of our digital asset holdings.
- Any failure to obtain, maintain, protect, defend or enforce our intellectual property and other proprietary rights could adversely affect our business, financial condition and results of operations.

- Third parties may initiate legal proceedings alleging that we are infringing, misappropriating or otherwise violating their intellectual property rights, the outcome of which would be uncertain and could have a material adverse effect on our business, financial condition and results of operations, or adversely affect the operations of portfolio companies and digital asset networks.
- Our business depends on our ability to effectively invest in, implement improvements to, and properly maintain the uninterrupted operation, security and integrity of, our operating platform and other information technology and business systems.
- Disruptions of the information technology systems or infrastructure of certain of our third-party vendors and service providers could also disrupt our businesses, damage our reputation, increase our costs, and have a material adverse effect on our business, financial condition and results of operations.
- Some of our products and services contain open source software, which may pose particular risks to our proprietary software, products and services in a manner that could harm our business.
- Disruptions in our, or our service providers', disaster recovery systems or management continuity planning could limit our ability to operate our business effectively.
- If we fail to comply with our obligations under license or technology agreements with third parties or are unable to license rights to use technologies on reasonable terms, we may be required to pay damages and could potentially lose license rights that are critical to our business.
- We may be subject to claims that we have wrongfully hired an employee from a competitor, or that our employees, consultants or independent contractors have wrongfully used or disclosed confidential information of third parties or that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.
- If we are unable to protect the confidentiality of our trade secrets, know-how and other proprietary and internally developed information, the value of our technology could be adversely affected.
- The nature of our business requires the application of complex financial accounting rules, and there is limited guidance from accounting standard setting bodies. If financial accounting standards undergo significant changes, our operating results could be adversely affected.
- Our historical financial statements do not reflect the potential variability in earnings that we may experience in the future relating to digital asset holdings.
- In connection with our preparation of GDH LP's consolidated financial statements, we identified material weaknesses in our internal control over financial reporting. If we are unable to remediate these material weaknesses or if we fail to establish and maintain effective internal control over financial reporting, we may be unable to produce timely and accurate financial statements, and we may conclude that our internal control over financial reporting is not effective, which could adversely impact our investors' confidence and the market price of our Ordinary Shares.
- We are exposed to losses due to lack of perfect information. Valuation involves significant risks and uncertainties, including the fact that methodologies involve subjective judgments.
- Changes in, or the development of guidance relating to, accounting standards governing the preparation of Galaxy or GDH LP's financial statements and future events could have a material impact on our reported financial condition, results of operations, cash flows and other financial data.
- U.S. holders of Ordinary Shares of Galaxy may suffer adverse tax consequences if we are characterized as a Passive Foreign Investment Company (a "PFIC").

- Future distributions may not be sufficient to catch up to tax distributions.
- The U.S. federal income tax treatment of transactions in digital assets is unclear.
- The state, local and non-U.S. tax treatment of digital assets is unclear.
- The current structure of Galaxy and GDH LP is based in part on current U.S. tax law, which is subject to change, possibly on a retroactive basis.

Some of the risks that could cause results to differ materially from those expressed in the forward-looking statements are further described under the heading titled “Risk Factors” in this AIF.

The forward-looking statements contained in this AIF are expressly qualified by this cautionary statement. Except as required by law, the Company does not undertake any obligation to publicly update or revise any forward-looking statements.

## **CORPORATE STRUCTURE**

The Company, formerly Bradmer Pharmaceuticals Inc. (“**Bradmer**”), was originally formed under the Ontario Business Corporations Act on February 10, 2006 by the amalgamation of a private company, Blue Devil Pharmaceuticals Inc., and a predecessor company also named Bradmer Pharmaceuticals Inc. By the end of 2009 and up to the date of the closing of the plan of arrangement on July 31, 2018 (the “**Arrangement**”), all significant business activities and operations of Bradmer had been terminated.

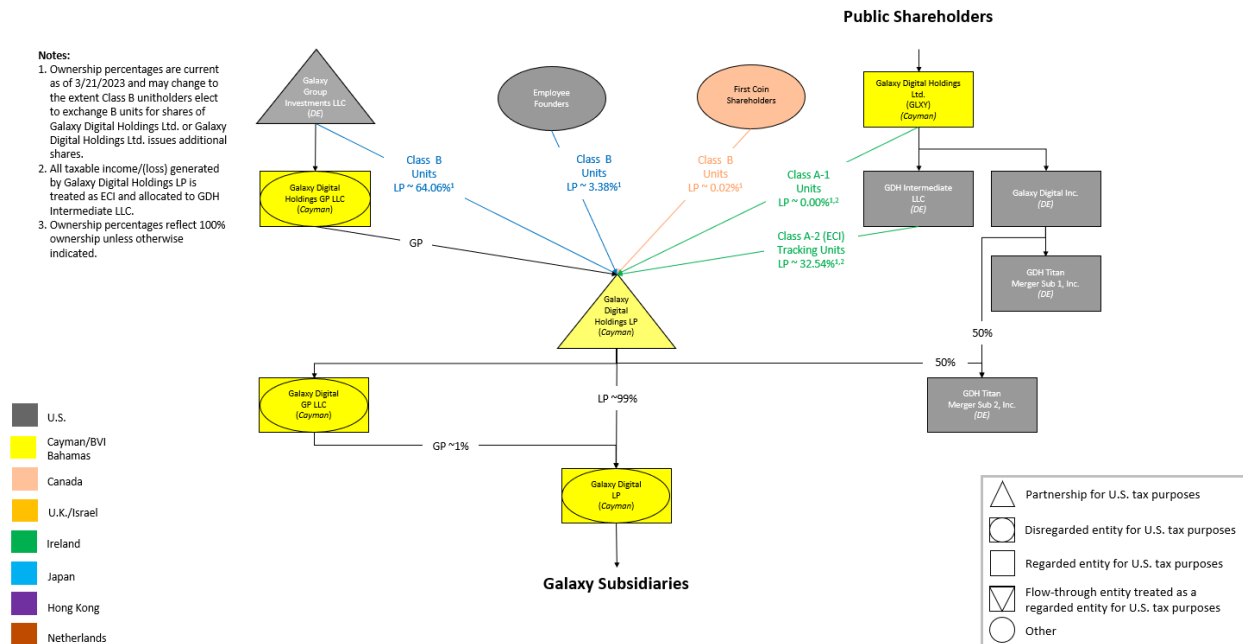
Upon completion of the Arrangement (i) the Company changed its name from “Bradmer Pharmaceuticals Inc.” to “Galaxy Digital Holdings Ltd.”, (ii) the Company continued out of the Province of Ontario to become a company existing under the laws of the Cayman Islands and (iii) the Company’s constating documents were amended and restated by the articles of association (the “**Articles of Association**”).

The Company’s head office address is 300 Vesey Street, New York City, New York, 10282. The Company’s registered office is PO Box 309, Uglan House, Grand Cayman, KY1-1104. Beyond the New York City headquarters, the Company has global offices across North America, Europe and Asia.

The Company’s ordinary shares (the “**Ordinary Shares**”) are publicly listed on the TSX under the symbol “GLXY”.

### **Intercorporate Relationships**

The activities of the Company are conducted through its subsidiaries and affiliates. The following diagram illustrates the structure of the Company and its interest in GDH LP. As described below, GDH LP holds all of the issued and outstanding limited partnership interests of Galaxy Digital LP, an exempted limited partnership formed under the laws of the Cayman Island (“**Galaxy LP**”) and the Company’s five primary business lines: trading, asset management, investment banking, mining and principal investments are conducted through subsidiaries of Galaxy LP.



## Galaxy Digital Holdings LP

GDH LP is constituted as a Cayman Islands exempted limited partnership under the Exempted Limited Partnership Law (2018 Revision) of the Cayman Islands (the “**ELP Law**”). A Cayman Islands exempted limited partnership is constituted by the signing of the relevant partnership agreement and its registration with the Registrar of Exempted Limited Partnerships in the Cayman Islands.

Notwithstanding registration, an exempted limited partnership is not a separate legal person distinct from its partners. Under Cayman Islands law, any rights or property of an exempted limited partnership (whether held in that partnership’s name or by any one or more of its general partners) shall be held or deemed to be held by the general partner, and if more than one then by the general partners jointly, in trust as an asset of the exempted limited partnership in accordance with the terms of the partnership agreement. Any debts or obligations incurred by Galaxy Digital Holdings GP (“**GDH GP**”), the general partner of GDH LP following the Arrangement, in the conduct of GDH LP’s business are the debts and obligations of GDH LP. Registration under the ELP Law entails that GDH LP becomes subject to, and holders of units of GDH LP (“**GDH LP Units**” and “**GDH LP Partners**”, respectively) therein are afforded the limited liability (subject to the partnership agreement) and other benefits of, the ELP Law.

Subject to the limitations and considerations described below, the business of GDH LP will be conducted by GDH GP, who will be liable for all debts and obligations of GDH LP to the extent that GDH LP has insufficient assets. As a general matter, a limited partner of an exempted limited partnership, such as GDH LP, will not be liable for the debts and obligations of the exempted limited partnership save: (i) as provided in the partnership agreement; (ii) if such limited partner becomes involved in the conduct of the partnership’s business and holds itself out as a general partner to third parties; or (iii) if such limited partner is obliged pursuant to the ELP Law to return a distribution made to it where the exempted limited partnership was insolvent and the limited partner had actual knowledge of such insolvency at that time.

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

1. Class A units (the “**A Units**”), having such terms, rights and restrictions as set out in the fifth amended and restated limited partnership agreement of Galaxy Digital Holdings dated November 24, 2022 (“**GDH LPA**”), which are subdivided into Class “A-1” limited partnership units (“**A-1 Units**”), all of which are held by the Company and Class “A-2” limited partnership units (“**A-2 Units**”), all of which are held by GDH

Intermediate LLC, a wholly owned subsidiary of the Company established as a tax-efficient blocker corporation or similar entity for U.S. tax purposes (the “**U.S. Blocker Subsidiary**”); and

2. Class B units (the “**B Units**”), having such terms, rights and restrictions as set out in the GDH LPA, which are held by Galaxy Group Investments LLC, a limited liability company existing under the laws of Delaware (“**Galaxy Group**”), employee founders of GDH LP as part of the B Units issuable pursuant to the equity-based compensation arrangements of GDH LP and certain former shareholders (“**First Coin Shareholders**”) of First Coin Capital Corp. B Units of GDH LP do not entitle the holder the right to vote in meetings of the securityholders of the Company, but are, pursuant to the GDH LPA and subject to certain limitations, exchangeable for Ordinary Shares on a one-for-one basis subject to customary adjustments for stock splits, stock dividends and reclassifications and other similar transactions. For more information regarding the classes of GDH LP Units, see “*Capital Structure – B Units*”.

#### *GDH GP*

GDH GP, a limited liability company formed under the laws of the Cayman Islands and a wholly owned subsidiary of Galaxy Group, is the general partner of GDH LP.

#### *Galaxy Digital LP*

GDH LP holds all of the issued and outstanding limited partnership interests of Galaxy LP, with Galaxy Digital GP LLC (“**Galaxy GP**”) as its sole general partner. Galaxy GP, a limited liability company existing under laws of the Cayman Islands, is a wholly owned subsidiary of GDH LP.

The table below lists the principal subsidiaries of Galaxy LP as December 31, 2022.

<u>Name</u>	<u>Jurisdiction</u>	<u>Primary Business Line</u>
Galaxy Digital Ventures LLC	United States	Principal Investments
Galaxy Digital LP	Cayman Islands	Trading
Galaxy Digital LLC	United States	Trading
Blue Fire Capital Europe Coöperatief U.A.	Netherlands	Trading
Galaxy Digital Qualified Opportunity Zone Business, LLC	United States	Mining

The Company and GDH LP have other subsidiaries, but the assets and revenues of such subsidiaries individually did not exceed 10%, and in the aggregate did not exceed 20%, of the Company’s or GDH LP’s consolidated assets or consolidated revenues as at and for the year ended December 31, 2022. The table above also includes subsidiaries and affiliates that represent the Company’s business lines.

## GENERAL DEVELOPMENT OF THE BUSINESS

### Three Year History

2023

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 Galaxy's board of directors (the "**Board**").

On February 23, 2023, the Company legally acquired the assets of GK8, a secure institutional digital asset self-custody platform, through a sale process executed in connection with Celsius Network LLC's Chapter 11 bankruptcy for approximately \$44 million.

2022

On January 28, 2022, the Company announced that it had publicly filed a registration statement on Form S-4 with the SEC relating to the proposed Reorganization (as defined below). The Company intends to list on the Nasdaq upon completion of the ongoing SEC review and subject to stock exchange approval of such listing.

On March 2, 2022, the Company announced the appointment of Jane Dietze to the Board.

On May 16, 2022, the Company announced that the TSX has approved the Company's plan to commence a normal course issuer bid (the "**NCIB**") to purchase up to 10,596,720 Ordinary Shares.

At the annual general meeting of the Shareholders on June 29, 2022 all seven members of the Board named as nominees in its information circular dated May 26, 2022 (the "**2022 Circular**") were elected as directors: Michael Novogratz, Bill Koutsouras, Nereida Flannery, Theagenis Iliadis, Dominic Docherty, Michael Daffey and Jane Dietze. Shareholders also approved the appointment of KPMG LLP as the Company's auditor.

On August 15, 2022, the Board voted to exercise the right to terminate the previously announced BitGo merger agreement in accordance with the terms of the agreement. The Company has not accrued any costs in relation to the termination. Notwithstanding the termination, the Company intends to complete the Reorganization, and subsequently list on the Nasdaq stock market ("**Nasdaq**"), upon completion of the review, receipt of shareholder approval and subject to stock exchange approval of such listing.

On October 24, 2022, the Company completed its repurchase pursuant to the NCIB of a total of 10,596,720 shares, the maximum number of shares under the NCIB, for a total cost of \$53.3 million.

On November 24, 2022, the GDH LPA was amended (the "**GDH LPA Amendments**") to (i) introduce a direct exchange mechanism whereby the Company or the U.S. Blocker Subsidiary may elect to effect the exchange of all or any portion of B Units subject to an exchange for cash, and (ii) allow for the consolidation of A Units in certain circumstances. For further information regarding the GDH LPA Amendments, see "Capital Structure – GDH A Units" and "Capital Structure – GDH B Units".

On December 28, 2022, the Company announced, that it has agreed to acquire the Helios bitcoin mining facility and its related operations from Argo Blockchain plc for approximately \$65 million.

2021

On April 1, 2021, the Company announced that it had appointed Alex Ioffe as its new Chief Financial Officer.

On April 16, 2021, the Company announced that it had appointed Michel Daffey as Senior Advisor and Chair of the Board, effective September 1, 2021.

On May 5, 2021, the Company announced that the Board had approved the reorganization and domestication (the “**Reorganization**”) of the Company and GDH LP. Under the current proposed terms of the Reorganization, subject to ongoing SEC review, stock exchange approval and approval of Shareholders:

- The Company and GDH LP will redomicile from the Cayman Islands to Delaware.
- The corporate and capital structure of the Company and GDH LP will be reorganized so as to normalize it on the basis of frequently used Up-C structure in the United States.
- The Reorganization will include the following steps:
  - Galaxy Digital Inc. (formerly know as Galaxy Digital Pubco Inc.), a Delaware holding company, will become the successor public company of the Company (“**PubCo**”), with all outstanding Ordinary Shares becoming Class A shares of PubCo (the “**Class A Shares**”).
  - Michael Novogratz, the CEO and Founder of the Company (the “**Founder**”), who currently controls the general partner of GDH LP, will transfer control of GDH LP’s general partner to PubCo.
  - PubCo will issue new voting securities to entities controlled by the Founder and to other holders of B Units that will entitle them to vote (but not hold any economic rights) at the PubCo level, as though they had converted their existing B Units of GDH LP for shares of PubCo.
- The “variable voting rights” attached to the Ordinary Shares that currently restricts the aggregate votes that may be cast by U.S. shareholders will be eliminated.
- Pubco intends to apply to list the Class A Shares on the Nasdaq.

On May 19, 2021, Galaxy legally acquired Vision Hill Group Inc. and Vision Hill Advisors, LLC (together, “**Vision Hill**”). Vision Hill is a Delaware limited liability company and is an asset manager in the digital assets space with four distinct business units: a family of crypto hedge fund indices; a crypto asset manager intelligence database called “VisionTrack”; a bespoke consulting business for allocators; and a fund manager for fund of funds.

On May 21, 2021, the Board adopted the long term incentive plan (the “**LTI Plan**”). The LTI Plan was approved by the Company’s disinterested shareholders at the Company’s annual meeting held on June 29, 2021 and further amended by the Board on August 13, 2021. The LTI Plan was adopted to promote a further alignment of interests between officers, employees and other eligible service providers and the shareholders of the Company, to associate a portion of the compensation payable to officers, employees and other eligible service providers with the returns achieved by shareholders of the Company and to attract and retain officers, employees and other eligible service providers with the knowledge, experience and expertise required by the Company.

On November 29, 2021, the Company announced that GDH LP agreed to issue and sell \$500 million aggregate principal amount of 3.00% Exchangeable Senior Notes due 2026 (the “**Exchangeable Notes**”). For further description of the terms of the Exchangeable Notes, see “*Capital Structure – Debt – Exchangeable Notes*”.

Effective August 13, 2021, Davidson & Company LLP, at the request of Galaxy, resigned as auditors of the Company and KPMG LLP (“**KPMG**”) was appointed as auditors of the Company to fill this vacancy.

2020

On May 11, 2020, the Company announced that it had been conditionally approved to be listed on the TSX via TSX Sandbox.

On June 10, 2020, the Company and Bakkt®, the digital asset derivatives trading and custody platform majority-owned by Intercontinental Exchange, jointly announced their partnership to launch a collaborative white-glove service for asset managers looking to acquire, build positions in and store Bitcoin.

In June 2020, Galaxy Digital Asset Management (“**GDAM**”) announced a strategic partnership with CAIS, the industry-leading alternative investment platform, to provide financial advisors with streamlined access to Galaxy Digital Capital Management L.P.’s (“**GDCM LP**”) investment products, plus educational resources spanning blockchain and digital assets. The CAIS platform offers financial advisors access to a complete end-to-end solution, including a broad selection of alternative investment funds and products, independent due diligence from Mercer, tools and analytics, a streamlined investment process, and integration with custodians for greater reporting accuracy.

Additionally, in June 2020, Galaxy Digital Investment Banking (“**GDIB**”) served as sell-side advisor to Blockfolio on its sale to FTX Trading Limited for \$150.0 million.

At the annual general meeting of the Shareholders on June 25, 2020, (the “**Meeting**”) all five members of the Board named as nominees in its management information circular were elected as directors: Michael Novogratz, Bill Koutsouras, Nereida Flannery, Theagenis Iliadis and Dominic Docherty. Former directors Jack Lee and Pierre Lagrange did not stand for re-election and their term as directors expired at the Meeting. Christopher Ferraro was also appointed a manager of Galaxy Digital Holdings GP LLC.

On July 2, 2020, the Company announced that it would begin trading on the TSX on July 6, 2020.

On August 14, 2020, the Company announced, among other things, the expected transition of the leadership of its Investment Banking business in the fourth quarter of 2020 when Ian Taylor, current Head of Investment Banking, left the firm.

In September 2020, the Company launched Galaxy Digital Mining (“**GDM**”) with the hiring of Amanda Fabiano as Head of Mining.

On September 29, 2020, the Company announced that it appointed Damien Vanderwilt to be its Co-President and Head of Global Markets. Mr. Vanderwilt joined Galaxy Digital in December 2020, working alongside fellow Co-President Christopher Ferraro. Additionally, Rhonda Medina was appointed to the Board of Managers of Galaxy Digital Holdings GP LLC.

On November 12, 2020, the Company announced that it closed a private placement financing for total gross proceeds of US\$50,000,000.

On November 13, 2020, the Company acquired two leading cryptocurrency trading firms: DrawBridge Lending (“**DrawBridge**”), an innovator in digital asset lending, borrowing, and structured products, and Blue Fire Capital (“**Blue Fire**”), a proprietary trading firm specializing in market-making and two-sided liquidity for digital assets.

On November 27, 2020 the Company obtained receipt for the filing of a short form base shelf prospectus with securities regulatory authorities in each of the provinces and territories of Canada to allow us and certain of its security holders to qualify the distribution by way of prospectus in Canada of up to US\$100 million of Ordinary Shares, debt securities, warrants, subscription receipts, units, share purchase contracts, rights or any combination thereof, during the 25-month period that the base shelf prospectus is effective.

On December 16, 2020 we announced that our affiliate, Galaxy Digital served as the sub-advisor to the CI Galaxy Bitcoin Fund (the “**Fund**”), a closed-end investment fund listed on the TSX by CI Global Asset Management, one of Canada’s largest investment management companies.

In December 2020, GDAM launched the Fund (Ticker: BTCG), a TSX-listed closed end mutual fund, in partnership with CI Financial.

Additionally, in December 2020, the Bloomberg Galaxy Bitcoin Index (Ticker: BTC) went live.

## DESCRIPTION OF THE BUSINESS

### Our Company

Galaxy is a digital asset and blockchain leader providing institutions, startups, and qualified individuals access to the crypto economy. Our full suite of financial services is custom-made for a digitally native ecosystem, spanning multiple synergistic business lines: Trading, Asset Management, Investment Banking, Mining, and Principal Investments.

Our mission is engineering a new economic paradigm. At Galaxy, we are systems thinkers, connecting financial expertise with technological sophistication, institutions with Web3 innovations, and Silicon Valley agility with Wall Street savvy.

We are capitalizing on market opportunities made possible by the rapid evolution of the digital assets ecosystem.

Our clients are institutions and other qualified individuals. We do not provide services to retail investors. We assembled a diverse, multi-disciplinary team that balances extensive experience throughout the legacy financial services industry with a deep appreciation for the most important aspects of the rapidly emerging cryptocurrency and blockchain industry, namely technological innovation, purpose, and community.

Galaxy is diversified across both institutional client-focused operational business lines and direct investments in the digital asset ecosystem, which ensures we benefit from most innovations and developments as the ecosystem grows and matures.

Our business generates revenue primarily from the sale of digital assets, as well as from net gains on digital assets, investments and derivatives trading. To date, the majority of Galaxy's revenue has been derived from our trading and principal investments, which are our most mature business lines. In addition to engaging in proprietary quantitative, arbitrage and macro trading strategies, our trading business provides spot and derivative executions, as well as liquidity to institutional clients, counterparties and venues that transact in cryptocurrencies and other digital assets. None of our over 930 trading counterparties represent a significant concentration risk to the firm. Our counterparty-facing trading activities have demonstrated strong revenue contribution to our trading business, and the strategic focus for Galaxy overall is growing these trading revenues. Our principal investment business generates revenue through gains attributable to positions held in our venture portfolio. Principal investment losses in 2022 were driven by unrealized fair value adjustments.

Advisory, management and performance-based fees are generated by our asset management and investment banking segments. Mining is our newest business, having launched in 2020, and generates revenue from mining bitcoin as well as from fees related to delivering financial services to miners, including liquidity, hedging, asset leasing and financing, and advisory services. Over time, we expect these other operating businesses to become important drivers of our financial results.

### Our Products and Services

We operate in the following businesses that complement each other:

- **Trading:** Our trading business, Galaxy Trading (“GT”) (formerly referred to as “Galaxy Digital Trading” or “GDT”), which we currently operate primarily through Galaxy Digital LLC, its subsidiaries, and certain other affiliates, provides spot and derivative executions, as well as liquidity to institutional clients, counterparties and venues that transact in cryptocurrencies and other digital assets. GT provides access to over 100 globally traded cryptocurrencies for over 930 counterparties across a full suite of service offerings, including: over-the-counter (“OTC”) spot liquidity provision, on-exchange liquidity provision, OTC options trading, and bespoke lending and structured product

offerings. GT also engages in proprietary quantitative, arbitrage and macro trading strategies. GT does not currently hold or custody assets for the benefit of, or on behalf of, third parties.

- **Asset Management:** Our asset management business, Galaxy Asset Management (“**GAM**”) (formerly referred to as “**Galaxy Digital Asset Management**” or “**GDAM**”), which we currently operate primarily through GDCM LP, manages capital on behalf of third parties in exchange for management fees and performance-based compensation. GAM creates products that provide clients with seamless access to digital assets investments through both passive and active fund strategies, solving custodial, technical and regulatory obstacles. GAM uses qualified third-party custodians to maintain and safeguard client assets one-to-one in cold storage with insurance protection. GAM’s differentiating factors are its long-tenured professionals with institutional experience managing third party capital across a variety of traditional asset classes, an acute focus on risk management and compliance, strong relationships with key counterparties, and deep connectivity throughout the blockchain and cryptocurrency ecosystem. We have a track record of bringing differentiated products to market in a timely manner to address the evolving needs within the ecosystem. GAM partners with prominent asset management industry players including CI, CAIS, Bloomberg, Morgan Stanley, Itau and Invesco to accelerate product development, speed-to-market, distribution, and to reach global scale.
- **Investment Banking:** Our investment banking business, Galaxy Investment Banking (“**GIB**”) (formerly referred to as “**Galaxy Digital Investment Banking**” or “**GDIB**”), which we operate through Galaxy Digital Partners LLC (“**GDP**”), is a leader in financial and strategic advisory services for the digital asset, cryptocurrency and blockchain technology sector. GIB serves public and private clients globally with a full spectrum of financial advisory services, including general corporate, strategic, M&A, divestitures, and restructuring advisory services, as well as equity, debt and project finance capital markets services. GIB provides traditional investment banking services such as capital raising and advisory for M&A and debt financing, whilst adding specialist knowledge about the inner workings of the cryptocurrency and blockchain technology sector. GIB maintains and continues to build on its systematic coverage of the highest quality businesses operating across the blockchain ecosystem, with the ultimate goal of forming long-lasting and trusted relationships.
- **Mining:** Our mining business, Galaxy Mining (“**GM**”) (formerly referred to as “Galaxy Digital Mining” or “**GDM**”), which we primarily operate through Galaxy Digital Mining LLC, in partnership with third-party data center providers, hosts our proprietary bitcoin mining equipment with the intended goal of helping to secure the Bitcoin network while generating low-cost basis bitcoin through block rewards and network transaction fees. The December 2022 acquisition of the Helios bitcoin mining facility, along with the construction of a proprietary Galaxy site, has expanded Galaxy’s mining capacity. Additionally, GM, utilizing its deep experience in the sector, seeks to “sell the firm” by partnering with other Galaxy businesses to deliver financial services to miners, including liquidity, hedging, asset leasing and financing, as well as advisory services.
- **Principal Investments:** Our principal investments business, Galaxy Principal Investments (“**GPI**”) (formerly referred to as “**Galaxy Digital Principal Investments**” or “**GDPI**”), which we currently operate primarily through Galaxy Digital Ventures LLC (“**GDV**”) and certain other affiliates, manages a diverse portfolio of largely private investments across the digital assets industry. GDV is not currently registered as a broker-dealer. Our venture portfolio invests in traditionally structured companies as well as companies building digital asset networks capitalized by tokens. GPI’s investment objective is to identify, invest in, and support category-defining companies and networks that we anticipate will grow the cryptoeconomy and shape the adoption of the ecosystem. We believe that a core piece of Galaxy’s edge in the ecosystem is the information and connectivity generated by our principal investment activity. Our areas of investment focus evolve alongside developments in the digital assets space. A key differentiator for GPI is our ability to leverage Galaxy’s broader operating businesses to identify opportunities and address needs in the digital assets space. We take a similar approach in our relationships with our portfolio companies by engaging with them on a regular basis to maintain an in-depth knowledge of the digital assets ecosystem, and to continue to identify and target valuable solutions. Additionally, we make strategic investments in the equity and debt of companies operating in similar or

adjacent businesses to Galaxy with an eye towards future commercial relationships and/or strategic alignment of interests. Finally, we allocate our balance sheet to warehouse investments and provide seed capital for future asset management strategies, which we believe puts us at an advantage relative to many of our competitors.

In addition to the above business lines, Galaxy is also focused on developing its custody and Prime Brokerage service operations, to supplement our current GT offerings. Prime Brokerage will be provided with Galaxy's planned rollout of GalaxyOne Prime ("**GalaxyOne**"), a new digital assets product offering for institutional investors that will integrate trading and lending of spot and derivatives alongside access to multiple qualified custodians through a unified tech platform. GalaxyOne includes the GalaxyOne Prime LLC ("**GPL**", formerly named "Galaxy Digital Prime Services" or "**GDPS**") legal entity, which is a Financial Crimes Enforcement Network ("**FinCEN**") registered money services business with multiple state money transmission licenses, launched in 2022. Galaxy holds its customers' cash balances in omnibus client custodial accounts with one or more banks that are members of the Federal Deposit Insurance Corporation ("**FDIC**"). To the extent that client cash balances are subject to lending arrangements with Galaxy, where Galaxy has the right to rehypothecate, the cash for the loaned balances is then moved into Galaxy's accounts with one or more banks that are members of the FDIC. GPL holds digital assets either in omnibus accounts for the benefit of its clients at one or more digital asset custodians, or in custodial wallets at one or more digital asset trading platforms, as agreed with each customer. Galaxy does not itself hold digital assets in custody. Digital asset trading platforms and custodians may employ hot/warm wallets or cold storage to hold these assets. Aggregate client omnibus account balances held with custodians can be viewed on the blockchain, however, specific client ownership of assets is not delineated or viewable on the blockchain. GPL maintains an internal ledger that records and tracks ownership of customer assets on behalf of customers and performs daily reconciliation of total assets maintained in each omnibus account.

## The Cryptoeconomy

### *Cryptocurrencies and Blockchain Technology Already Span Multiple Sectors within the Global Economy*

Bitcoin and other cryptocurrencies were the first widely used applications of blockchain technology. Though we believe that the use of digital assets, including bitcoin, for payments and as stores of value (often referred to as "digital gold") alone represents a large opportunity for the adoption of blockchain technologies, the use cases of blockchain technology have widened far beyond this.

Blockchain technology allows a network of computers to agree at regular intervals on a set of facts, namely, the state of a distributed ledger. Such ledgers can contain different types of shared data, such as transaction records, data records (for example, medical records), attributes of transactions, credentials, and other pieces of information. The ledger is often secured through a mix of concepts from cryptography and game theory and, if properly implemented, does not require centralized trusted entities (such as financial institutions) to maintain it. This decentralization ensures that innovations on blockchain networks are not limited by geographic and geopolitical constraints.

### *Features and Applications of Digital Assets, Cryptocurrency, and Blockchain Technology*

- Decentralized, Distributed Networks: On a blockchain, changes to the database (i.e., transactions) are recorded chronologically, forming an immutable chain. Transactions can be more or less private or anonymous depending on how the technology is implemented. The ledger is distributed across many participants in the network—it does not exist in one place. Instead, copies exist with and are simultaneously updated by every fully participating node in that blockchain's ecosystem, making it difficult or impossible to alter the transaction history.
- Secure and Efficient Means of Recording and Propagating Wide-Ranging Sets of Data: A block could contain transactions and data of many types—currency, intellectual property, identity, or property titles, just to name a few. The types of databases that could be implemented on the blockchain are broad and include, among others, databases similar to a bank ledger that record statements of accounts or transactions, or any other digital record of asset ownership, an identity system, land registry or even the

rights and obligations defined in a contract. Blockchain-focused applications in use and under development include asset title transfers, secure timestamping, counterfeit and fraud detection systems, secure document and contract signing, distributed cloud storage and identity management.

- Distributed Nature Reduces Costs and Enables New Business Models: Blockchain technology can reduce the cost of verifying transaction data. The advantage of blockchains is the ability to launch and operate a marketplace without the need for an intermediary. A blockchain allows a decentralized network of economic participants to achieve consensus about the true state of shared data. Together these features enable the development of exchanges, marketplaces and digital platforms that can allow for new types of business models without intermediaries that operate globally.
- Reduced Need for Centralized and Traditionally Limited Access Points to Capital: The resulting marketplaces are characterized by increased competition, lower barriers to entry, faster innovation, higher transparency, and reduced censorship risk. Participants within the ecosystem can invest to support and operate shared infrastructure without assigning market power to a platform operator. Blockchains challenge the existing revenue models and accumulated knowledge and resources of incumbents, while opening opportunities for startup fundraising, the provision of public goods and software protocols, distributed data ownership and licensing, auctions accessible to wide participation, and reputation systems. These resulting marketplaces for tokens, cryptocurrencies and even artwork continue to grow in popularity despite recent trading volumes.
- Removal of Geographic and Geopolitical Constraints: As decentralized global networks are built to be trustless and secure against the actions of any one participant, they benefit from being agnostic to operating in any one region or nation, as a centralized organization would. One benefit of this structural feature is that the impact any one external actor can have in imposing its views, political or otherwise, on a network is reduced significantly. Another benefit is that network participants do not need to implicitly attribute value to any ideology or sovereignty in order to interact with, hold, or transact in digital assets and cryptocurrencies. We believe this is the first true technology for the people.

### *Expansion of Cryptocurrency Universe*

After the launch of the Bitcoin network in 2009, and as bitcoin increased in popularity, the idea of decentralized and encrypted currencies spread, and the first alternative cryptocurrencies began to appear. These “altcoins” (meaning, “alternative to Bitcoin”) generally tried or claimed to improve on the original Bitcoin design by offering greater speed, anonymity, or some other advantage. Among the first to emerge were Namecoin and Litecoin. Later, cryptocurrency usage began to expand beyond just the peer-to-peer currency transfer abilities to add other functionalities, such as supporting the decentralized and autonomous operation of software.

The second largest public blockchain protocol, Ethereum, debuted in 2015 and became the first large scale network for decentralized computing and smart contract functionality. The Ethereum network supports the creation of persistent, autonomous software which gives developers the ability to build open, decentralized applications accessible to the public. This generalized, distributed computing capability has enabled the rise of phenomena like tokenization and decentralized finance (“**DeFi**”).

### *Tokenization*

The next evolution for the cryptoeconomy was the rise of tokenization, the process of digitally representing real-world value or information and enabling digitally enforceable agreements and automated functions. We see the world of tokenization as split into fungible and non-fungible assets. When we say two or more items are fungible, we generally mean that they are interchangeable, so that a seller can deliver either item to a purchaser, and the purchaser is obligated to accept either in satisfaction of a contractual sale and purchase obligation. As an example, money is fungible whereas artwork is not. Native digital assets, like bitcoin and ether, are fungible but do not represent the use of “tokenization,” as their value is not derived from representing another asset.

## Stablecoins

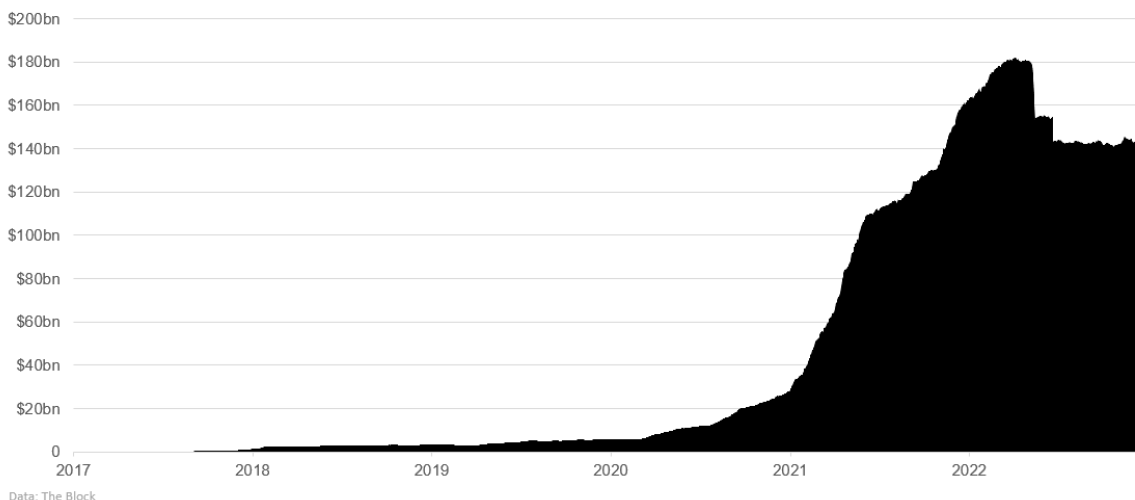
While many uses for tokenization exist (including equity shares, coupons, monies), the clearest functioning use of non-native fungible tokens today is the stablecoin. In its most common form, a stablecoin is a digital asset designed to track the price of an underlying asset, such as fiat currency or an exchange-traded commodity, and is collateralized by reserves. While these fiat-backed stablecoins are not issued by central governments, and are not legal tender, they are intended to allow fiat currencies to transact on a blockchain by combining the features of a digital asset with the stability of an underlying fiat currency. Today, the largest stablecoin tokens by market capitalization, such as Tether (USDT), USD Coin (USDC) and Binance USD (BUSD), are each designed to track the price of the U.S. dollar.

A stablecoin's issuer would typically receive a deposit of fiat currency from a customer, and issue to the customer a number of stablecoins equal to the amount of such deposit. The stability of a fiat-backed stablecoin results from the underlying assets backing the stablecoin that are held by the stablecoin's issuer in segregated accounts, and the ability of a holder to redeem the stablecoin from its issuer for underlying collateral. The issuers of certain stablecoins currently retain broad discretion to determine the composition and amounts of assets held in the issuers' accounts backing those stablecoins, and to substitute assets other than the fiat currency that is initially deposited. In certain circumstances, the issuer reserves the right to redeem its stablecoin by making in-kind redemptions of assets other than the fiat currency which the stablecoin is designed to track. These are also known as algorithmic stablecoins. Policymakers around the world, including in the United States, are increasingly putting forth proposals to regulate the stablecoin market which could help bring additional safety and transparency, helping to further spur adoption. See *"Risk Factors—Risks Related to Cryptocurrencies and Digital Assets—The prices of digital assets are extraordinarily volatile"*.

The value of circulating U.S. dollar stablecoins stood at more than \$138 billion as of December 31, 2022, as shown in the figure below, up 4.7 fold since January 2021.

### Stablecoin Total Supply (USD)

Source: Galaxy Research



## NFTs

Assets that are non-fungible are those that are not perfectly interchangeable – simply put, they are unique – such as artwork, real estate, identity, or bespoke contracts. NFTs are digital tokens that represent unique items. While many use cases for NFTs exist, digital collectibles have gone mainstream as the most common exhibition of the technology, introducing both artists and collectors to the concept of digital scarcity.

We continue to see demand for collectible NFTs, and are also seeing the emergence of specialized artistic ventures expressed as NFTs. Examples of projects with significant traction include curated Photography NFTs with strong communities, like the Twin Flame project from photographer Justin Aversano and generative projects from reputable digital artists and developers like Chromie Squiggle, from the founder of Art Blocks, a platform focused on the curation of programmable generative art works. Major brands across the fashion, sports, entertainment, consumer goods, and restaurant industries have embraced digital collectibles and notable demand remains despite a contraction in overall transaction volumes.

In October 2022, we released our inaugural NFT project, The Explorer Collection, in collaboration with TIMEPieces, a Web3 community initiative from TIME. The Explorer Collection consists of 3,210 unique “Explorers,” which are derived from our logo and feature generative artwork created by our artist partners. The project underscores our commitment to building the Web3 community and, in partnership with TIME, aims to educate the public on the metaverse. See *“Risk Factors—Risks Related to Cryptocurrencies and Digital Assets—The value of NFTs, any investment in NFTs, and the regulation of NFTs are uncertain and may subject us to unforeseeable risks” for additional information regarding our U.S. securities law analysis with respect to our NFT collection.*”

In the figure below are illustrative examples of NFTs owned by Galaxy Digital and its related parties as of December 31, 2022, including Chromie Squiggle #2381 (which was purchased by Galaxy Digital LP, a wholly-owned subsidiary of GDH LP, for 26 ETH on November 4, 2021), Twin Flames #87 and matching Cyanotype (which were purchased by Galaxy Interactive Fund I (a non-consolidated entity in which GDH LP manages and holds a minority investment) for 282.4 ETH on September 1, 2021), and collectible NFT CryptoPunk #8466 which (which was purchased by Galaxy Digital LP for 98.5 ETH on October 30, 2021). Other notable CryptoPunk owners include American rapper, songwriter and producer Jay-Z and payments processor Visa.

## Digital Collectibles NFTs Have Reached Mainstream Adoption



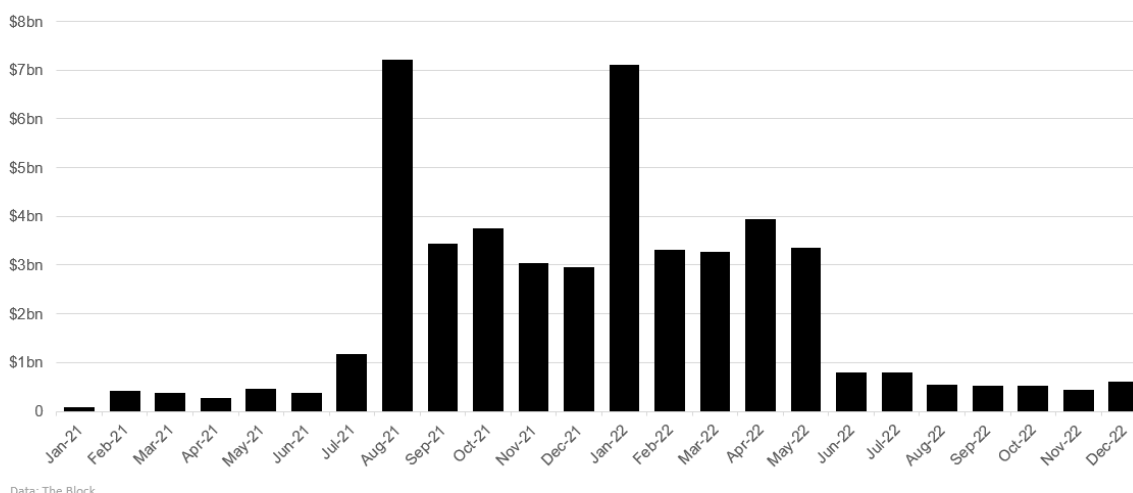
Sources from top left: Justin Aversano, Cryptopunks, Chromie Squiggle.

### *NFT Transactions & Trading Volumes*

December 2022 saw more than \$618 million in NFT sales across market places, as shown in the figure below.

## Monthly NFT Trading Volume

Source: Galaxy Research



### *Emergence of Decentralized Finance*

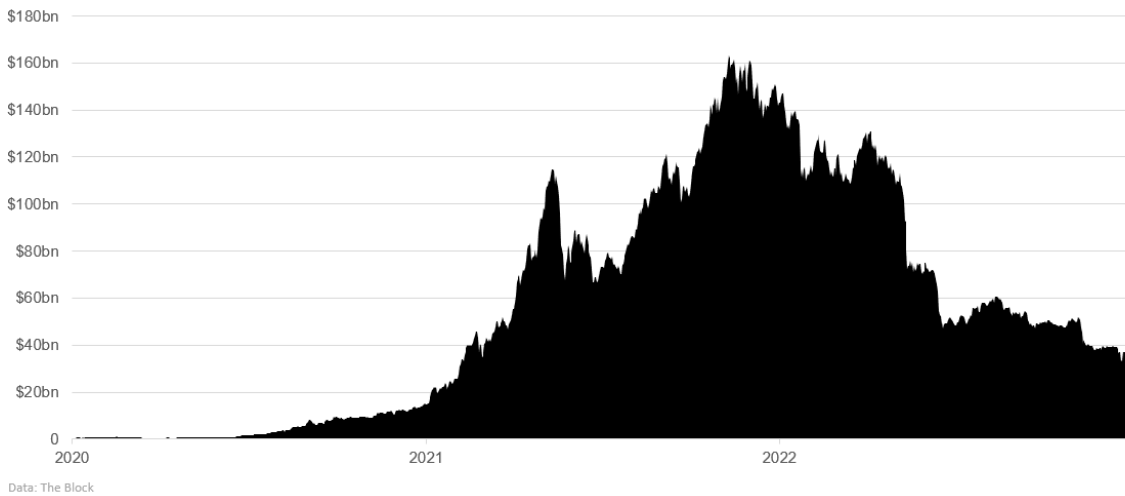
With the development of blockchain networks that can distribute infrastructure roles, costs and reliable recordkeeping of most forms of data, a significant use case for digital assets has emerged in the form of DeFi. DeFi refers to a variety of blockchain-based applications or protocols that provide for peer- to-peer financial services using smart contracts and other technology reducing the need for the traditional intermediaries, such as banks, brokers or marketplace operators. In many cases, DeFi protocols remove intermediaries and hand control of their upgrades and features to users themselves through a governance process in which token holders vote on important issues. Common DeFi applications include borrowing/ lending digital assets and providing liquidity or market making in digital assets. DeFi applications and ecosystems are demonstrating how public blockchains and smart contracts can revolutionize financial services. The benefits of DeFi include improved efficiency, transparency and speed for flow of capital, reduced costs for all parties, improved security, and curtailed human biases.

The creation of “The DAO” in 2015 marked the beginning of DeFi, and later led to the use of cryptocurrency for lending and borrowing. MakerDAO, founded in 2015, was the first platform to enable the scaled use of cryptocurrency as collateral for financial arrangements. MakerDAO published its first formal white paper in 2017, introducing the original DAI Stablecoin System, which launched in December 2017.

DeFi’s adoption accelerated during 2020, as platform growth and adoption of cryptocurrencies expanded access to capital for users. This also reduced the need to move funds out of the ecosystem (given availability of financing arrangements to support liquidity needs). The U.S. dollar value of assets locked into smart contracts for DeFi use cases (“TVL”) reached more than \$250 billion during 2021 and stands at approximately \$36.5 billion as of December 31, 2022, as shown in the figure below. Throughout the failures of centralized digital asset trading platforms and lenders in 2022, DeFi applications performed admirably and without disruption, highlighting the benefits of financial applications devoid of human administrators. While TVL is down significantly from its 2021 all-time highs, we believe the efficacy of decentralized financial applications has never been more apparent.

## DeFi Total Value Locked (TVL), USD

Source: Galaxy Research



### Transacting on DeFi

While we recognize the tremendous opportunity presented by DeFi, we also recognize the inherent risks with transacting on digital asset trading platforms and protocols that are not managed by traditional intermediaries.

To limit the potential risks with transacting on DeFi, we perform a risk assessment and thorough due diligence on each DeFi protocol or platform we transact upon.

Such risk assessment and due diligence involves senior executives, including members of the legal and compliance, finance, operations, risk, technology and security departments.

We transact on DeFi protocols and platforms solely on a proprietary basis. In order to transact on any such DeFi protocol or platform, we require the following pre-trade procedures:

- A comprehensive understanding of the underlying protocol or platform, which may include a review and analysis of the whitepaper and software architecture, the leadership team, the pricing oracles and the blockchain infrastructure.
- The identification of the relevant smart contracts and the underlying, dependent smart contracts where our assets will be deployed.
- A review of the security framework of the protocol or platform's underlying smart contract construction, which may include utilizing third-party audit reports, if available.
- An evaluation of any custody implications and operational workflows with regards to the disbursement of digital assets within each protocol or platform so that we are able to maximize security controls.
- A historical anti-money laundering (“AML”)/Know your transaction (“KYT”) review and analysis of the digital assets deposited and withdrawn on the protocol or platform.

- Setting balance or exposure limits to any single protocol or platform.

After the initial deployment of assets to a protocol or platform, we require the following post-trade procedures:

- Continuous security monitoring of the protocol or platform, utilizing third party tools that identify vulnerabilities and live exploit exposure.
- Continuous AML/KYT monitoring of the digital assets deposited or withdrawn for any protocol or platform where our assets are deployed.

While we intend to only transact on DeFi protocols or platforms that we believe to be secure and to have adequate AML/KYT controls, there can be no assurance that we will not lose assets as a result of an exploit or an attack and it is possible that we may inadvertently transact on a protocol or platform that includes bad actor participants. See “*Risk Factors—Risks Related to Cryptocurrencies and Digital Assets.*”

Certain DeFi protocols also include native digital assets that provide their holder with certain governance rights over the operation of the DeFi protocol. While we have voted on certain governance proposals in the past, we have not voted on any such proposals recently, and are assessing the legal and regulatory consequences of exercising such rights in the future in light of recent CFTC enforcement activity. See “*Risk Factors—Risks Related to Cryptocurrencies and Digital Assets—DeFi protocols and digital assets used in DeFi protocols pose heightened regulatory concerns even beyond those that face digital asset networks and digital assets generally*” for further discussion of the related risks.

#### *Limitations of the Current Financial System that Created the Conditions for the Ecosystem’s Development*

The infrastructure, laws, and processes of our current global financial system are complex, costly, and limit accessibility for many. The systems themselves vary significantly from country to country, are linked through a complicated network of intermediaries, and are controlled by centralized authorities with disparate politics, priorities, and policies. These complexities can lead to roadblocks for global commerce, unequal access to savings and payments technologies, barriers to innovation, and inefficiencies that hamper everyone from retail users to multi-national organizations. The current global financial system solves for this through a patchwork network of banks, custodians, central clearing organizations, payments networks and financial market-makers, but these intermediaries add cost and friction for capital and innovation—they reduce access by the average person and help to aid in the accrual of high rents to the largest and already most wealthy market participants. Blockchain technology and cryptocurrency have emerged as solutions to many of the limitations of the existing global financial system, including:

- Slow and Costly Flow of Funds: According to The World Bank, the average cost of cross-border global remittance was equal to 6.3% of the value of the transaction as of the second quarter of 2021. Using banks as remittance service providers was even more expensive, at an average cost of 10.6% in the same period. This is because sending money globally typically requires service providers to coordinate and make guarantees with multiple third-party financial institutions on behalf of the customer, which adds cost to compensate the involved counterparties and can lead to long settlement times for customers.
- Significant Underbanked Populations: Bank accounts are the default mode for accessing today’s global financial system. However, unbanked, and underbanked populations have been a constraint of the existing financial system. According to the World Bank, 1.4 billion people globally did not maintain bank accounts due in large part to related fees and minimums set by banks as of 2021. According to the FDIC, in the United States alone, an estimated 4.5% of households (approximately 5.9 million) were unbanked as of 2021. Moreover, as of 2021, an additional 18.7 million U.S. households were considered underbanked, meaning they have bank accounts but need to resort to non-traditional financial services providers such as payday lenders or check cashers to meet their financial obligations. The FDIC also believes the unbanked population skews heavily toward minority, disabled and less educated communities.

- Monetary and Fiscal Policy Have a Significant Impact on Asset Values: Central banks have wide-ranging mandates to adjust monetary policy to meet the goals set by the governing leaderships of their respective countries. As goals can change based on political leadership, economic instability and reductions in the value of assets held in related fiat currencies are potential outcomes. Moreover, the interconnected nature of a centralized financial system can expose central banks, monetary policy authorities and other institutions to systemic risk, as evidenced by the cascading effects that modern-era financial shocks in 2007-08 and 2019-20 had on the global financial markets. Blockchain technology has enabled the creation of alternative global monetary systems, which has opened-up monetary policy for innovation, with the Bitcoin network as the most recognized example. Alternative non-state monetary systems allow for investor and user choice and can protect against central-bank or policy-led inflation.

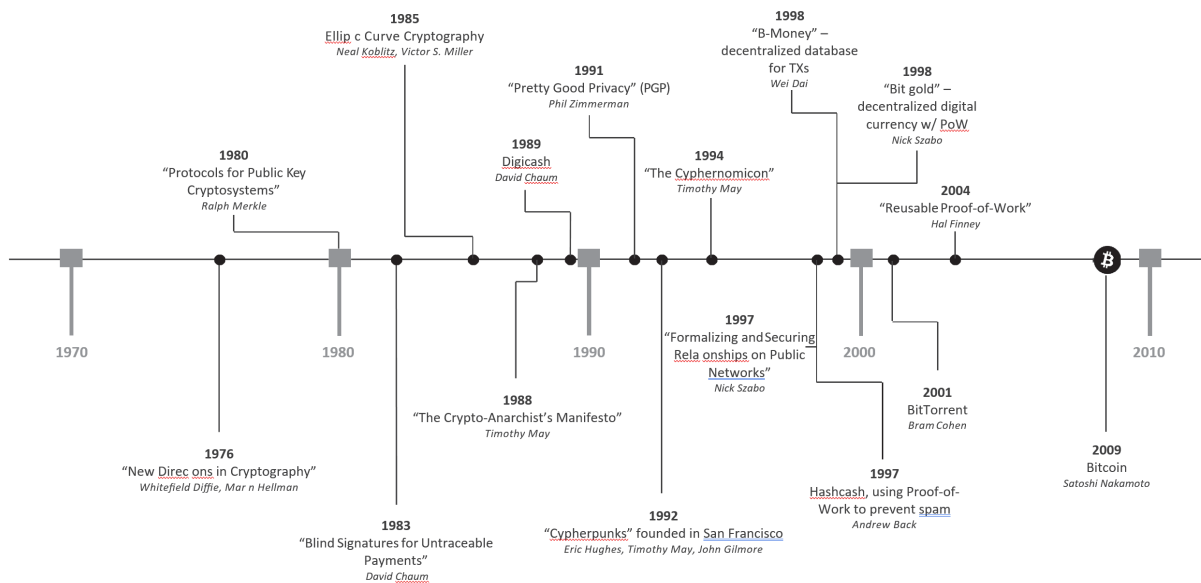
Varied financial technology companies attempt to offer solutions to these wide-ranging problems. However, often these solutions are layered on top of, or rely heavily on, the same legacy financial infrastructure. As a result they are typically limited in how they can fundamentally solve for these systemic problems without adding or replacing costs, complexity, and time. Blockchain technology seeks to attack the problem from its foundation.

### The History of Bitcoin and Digital Assets

Creating a digitally native currency has been a goal of internet pioneers for decades. Early on, an experimental HTTP error status (“402: Payment Required”) was added in anticipation of a native internet currency, though it remains unused today. For the last 40 years, cryptographers originally known as “the Cypherpunks” have worked to develop digitally scarce money based on cryptography. Much of their work was also used throughout the internet technology stack and enabled the development of secure computing and the rise of e-commerce. Cryptocurrencies like bitcoin are a natural step in the progress of global networking, a continuation and evolution of the broader internet project, as demonstrated in the figure below.

### Bitcoin Prehistory

#### Bitcoin Prehistory



Source: Galaxy Digital Research

Bitcoin debuted in 2009 when a pseudonymous person or group known as Satoshi Nakamoto released the first iteration of the Bitcoin software. Satoshi Nakamoto sought to create a new digital currency, one that was public, global and

could not be controlled by any single authority. Bitcoin remains the oldest and most valuable public blockchain protocol. The original goal of Bitcoin, as outlined by the seminal white paper *Bitcoin: A Peer-to-Peer Electronic Cash System*, was to create a purely peer-to-peer electronic system without relying on intermediaries or financial institutions by using a distributed ledger, an ongoing hash-based timestamp mechanism and cryptographic digital signatures. Bitcoin addressed the issue of achieving distributed consensus in a potentially adversarial environment (otherwise known as the Byzantine Generals Problem, in which a network must agree on decisions despite the presence of imperfect information) and the double-spend problem (a flaw of pre-existing digital cash systems, including the traditional banking system, in which the same asset can be spent more than once). Although bitcoin was the first established cryptocurrency, Satoshi built upon the innovations of the Cypherpunks, incorporating concepts pioneered by famed cryptographers like Hal Finney, Adam Back, Wei Dai, and David Chaum, and innovating on previous attempts to create digital cash like B-Money and Bit Gold, which were formulated but never fully developed or deployed.

Bitcoin transactions must be confirmed by the Bitcoin network. The Bitcoin network is a network of computers, with each computer individually referred to as a node. Transactions are broadcast to the network by users and nodes, who seek to transfer bitcoin or messages, and are batched together in “blocks.” Nodes on the Bitcoin network that seek to confirm transactions, sometimes referred to as “miners”, approve these blocks by using computing power to solve a difficult, cryptographic puzzle. Once a solution to the puzzle has been found, the block and the transactions within them are confirmed by the network and added to Bitcoin’s ledger. The Bitcoin network adjusts the puzzle’s difficulty up or down to ensure that blocks are produced every 10 minutes on average. The blocks are cryptographically bound together in a chronological “chain,” hence the term “blockchain.” (It’s worth noting that Satoshi called this a “timechain”).

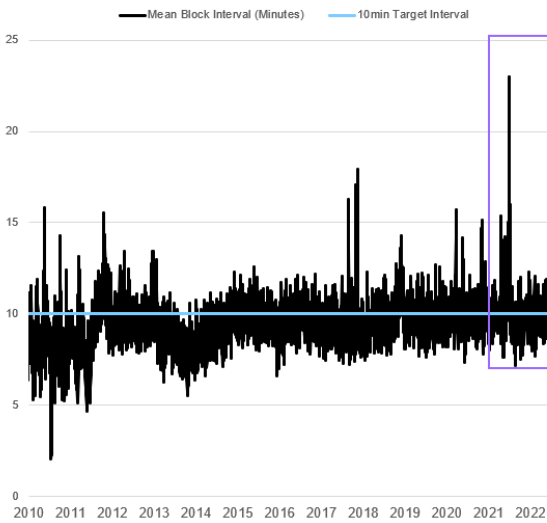
#### *Attributes and Features of the Bitcoin Network*

- Proof-of-work Security Mechanism: The consensus process by which miners perform computations is also known as “proof-of-work.” Miners who solve blocks and confirm transactions are rewarded with newly minted bitcoin and the transaction fees paid by users whose transactions are included in the block. The process is completely open, with anyone able to submit hash rate to the network and participate in mining. The invention of an open consensus mechanism was a major step forward for distributed computing.
- Difficulty Adjustment with Proven Track Record of Resiliency: The bitcoin mining difficulty adjustment ensures that blocks are produced approximately every 10 minutes, an essential feature that helps maintain Bitcoin’s network stability, security, and predictable monetary policy. The strength of the design has kept Bitcoin’s block times extremely consistent over more than 10 years despite enormous network expansion and even disruptions. As a notable example, China enacted a crackdown on bitcoin mining in June and July 2021, which caused many Chinese bitcoin miners to shut off their machines. The network’s available mining processing power (“hash rate”) dropped more than 50% in a short period of time, causing the time between blocks to briefly grow well above the 10-minute target. However, Bitcoin’s difficulty adjustment automatically reduced the mining difficulty, allowing those miners who had remained on the network to find blocks more easily, which brought block times back to the 10-minute target, as seen in the figure below. Despite an enormous disruption caused by one of the world’s biggest centralized actors, the Bitcoin system automatically adjusted and continued functioning as normal.

*Bitcoin Block Time (minute), Daily Avg.*

**Bitcoin Block Time (minutes), Daily Avg.**

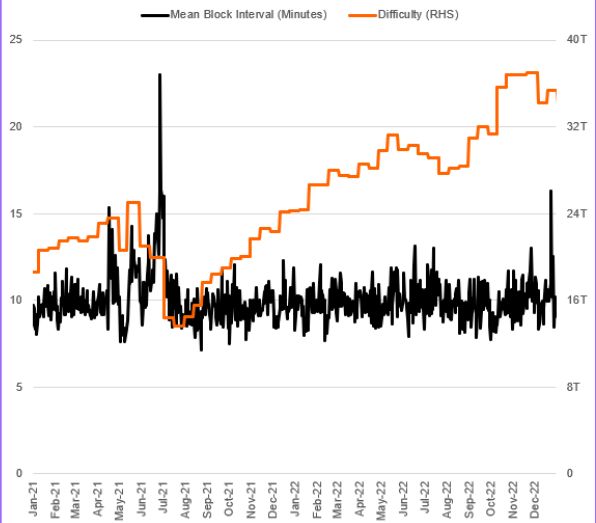
Source: Galaxy Research



Data: Coin Metrics

**Bitcoin Block Time vs. Mining Difficulty**

Source: Galaxy Digital Research



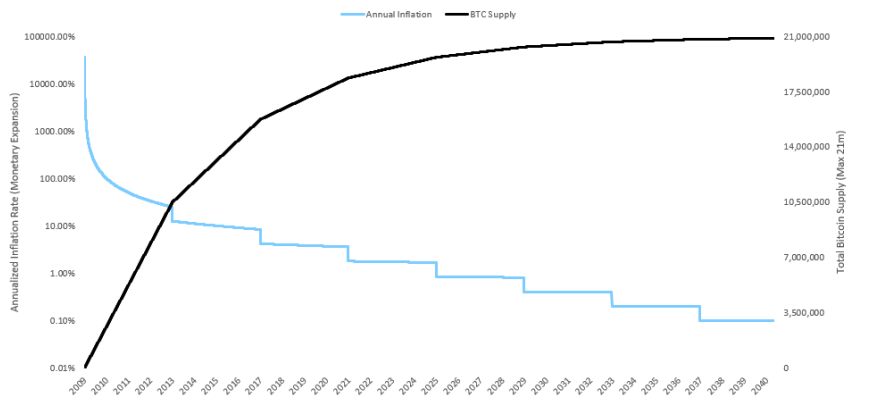
Data current through December 31, 2022

- Fixed Coin Supply:** Nakamoto designed Bitcoin to have a maximum supply of 21 million coins, and the amount of newly minted bitcoin awarded to miners halves every 210,000 blocks (approx. every 4 years) until a total supply of 21 million is reached. Bitcoin’s fixed supply is one of its most distinguishing features and gives it the “hard money” properties that have led some proponents to label it as “digital gold,” as demonstrated in the figure below that shows bitcoin’s supply versus the annualized inflation rate.

*Bitcoin’s Stability and Predictable Monetary Policy*

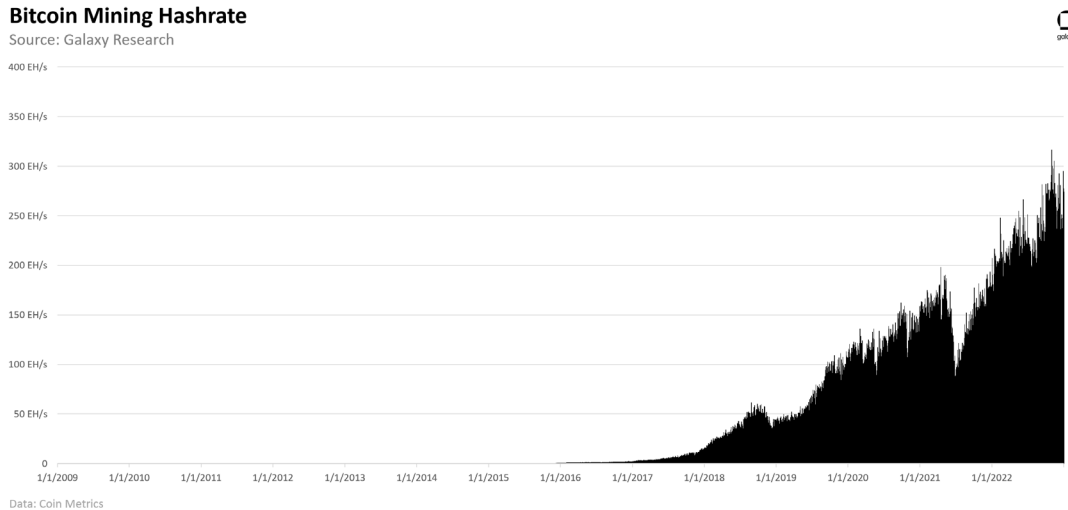
**Bitcoin Supply vs. Annual Issuance Rate**

Source: Galaxy Research



- **Decentralization That Adds Security:** Miners compete to solve the puzzle, generate blocks, and win the associated reward and fees. The race among miners to add processing power is a feature of Bitcoin that keeps the Bitcoin network secure. The protocol underlying Bitcoin operates safely so long as no single entity gains control of more than 50 percent of the available hash rate. Anyone can join the network as a miner, and bitcoin mining has proliferated around the globe. The network itself is becoming more transparent with the entrance of publicly traded mining companies. The growth in and wide distribution of hash rate makes it continuously more difficult and expensive for a nefarious miner to gain control of more than 50 percent of the network’s processing power, and hash rate is expected to become less jurisdictionally concentrated in the coming years, making the network even more secure.
- **Adoption That Correlates to Network Security and Evolution:** Since January 2016, the hash rate of the network has increased from less than 1 exahash/second (EH/s) to about 275 EH/s as of December 31, 2022, as seen in the figure below. The growth in network hash rate indicates a significant increase in network security and the continued development of the infrastructure that underpins Bitcoin.

### *Bitcoin Mining Hash rate*



- **Full On-Chain Visibility and Single-Direction Flow of Transactions:** The Bitcoin blockchain is a distributed database where anyone can independently verify the chain of ownership of every bitcoin amount, the holdings and historic transactions of all wallets, and the contents of the historical database (albeit on a pseudonymous basis). Each Bitcoin network node stores its own copy of the blockchain, which prevents a bad actor from manipulating the network and maintains the integrity of the network. The Bitcoin ledger has been developed to be tamper-proof and immutable, as transaction data or balances cannot be changed.

### **Our Business Model**

We’ve constructed our business around three core pillars:

1. Our operating segments complement and reinforce the value of one another;
2. Our services meet client needs throughout their lifecycle of adoption of digital assets; and

3. Our exposure to digital assets, through both direct cryptocurrency holdings and equity positions in other participants, allows us to remain informed about the direction of this dynamic sector while delivering growth in shareholder value as global adoption of digital assets accelerates.

We focus primarily on the digital assets industry, leveraging our leadership’s nearly 10 years of cryptocurrency investing experience to develop, deploy, and support innovative products and services for institutions participating in the cryptoeconomy. We have established strong brand recognition from both the crypto-native community and traditional institutional leaders.

We apply a compliance-first mindset to our business by focusing on embedding all of our products and operational processes with robust recordkeeping and risk management. We have structured our businesses to move quickly while operating an institutional-grade compliance infrastructure that our institutional clients have come to expect. This has enabled our businesses to provide reliable service through varied market conditions.

We continuously evolve with the broader digital assets ecosystem and aim to maintain a ‘crypto-blue- chip’ leadership team comprised of veterans from Wall Street and Silicon Valley. Our existing team consists of experts spanning the capital markets, asset management, technology, investing and venture capital businesses.

We have completed a number of successful acquisitions that have diversified Galaxy’s product offerings and revenue sources, including acquisitions of two leading cryptocurrency trading firms in November 2020 (DrawBridge Lending and QPT, as defined below) and the addition of Vision Hill in May 2021. Most recently in December 2022, we acquired the Helios bitcoin mining facility and its operations. We continue to use our scale, expertise and balance sheet to identify and execute on acquisitions across our business lines; exploring various opportunities presented as a result of the current disruption to the crypto market. We closed our acquisition of GK8 assets on February 23, 2023.

Set forth below is a summary of our recently acquired businesses, and the products and services which they provide.

#### *DrawBridge Lending*

DrawBridge Lending offers two products: (i) fiat loans collateralized by cryptocurrency and (ii) commodity pools. With its fiat loans product, DrawBridge Lending offers short-term non-recourse cash loans collateralized by cryptocurrency, whereby borrowers deposit the cryptocurrency collateral into a third-party custodian account, and DrawBridge Lending issues a low interest rate fiat loan. DrawBridge Lending may also hedge its exposure to the loan. The commodity pools product line was comprised of (a) the Galaxy DBL Smart Beta and (b) the Galaxy DBL Crypto Vol. The Galaxy DBL Smart Beta is a commodity pool offered only to ECPs who invest cryptocurrency in the fund. The pool is designed to produce yield on in-kind cryptocurrency investments by selling short calls or entering into option collars fully covered by the in-kind investment. No leverage is permitted in this fund and all options are fully covered by the cryptocurrency investments. The pool is structured so as to segregate each investor’s investment, returns and losses from those of each other pool participant. The Galaxy DBL Crypto Vol is a second commodity pool that is only offered to Qualified Eligible Participants (as defined under CFTC Rule 4.7) who qualify as ECPs. This pool offers a range of cryptocurrency and digital asset options strategies, including the purchase and sale of cryptocurrency options. The Galaxy DBL Crypto Vol pool is designed for more aggressive strategies that deploy leverage to invest in OTC cryptocurrency options and other digital assets. All options are purchased and sold on the OTC market through ISDAs. In addition, digital assets are held by third-party custodians.

#### *Quantitative Principal Trading*

Blue Fire Capital Europe Cooperatief U.A. DBA Quantitative Principal Trading (“**Quantitative Principal Trading**” or “**QPT**”), registered in the Netherlands, is a proprietary quantitative trading firm operating as a wholly-owned subsidiary of Galaxy. QPT’s trading activity is conducted on digital asset trading platforms globally as well as the CME, where trading strategies utilizing the proprietary trading system and proprietary capital are deployed. Additionally, QPT also provides liquidity to Galaxy’s internal execution platforms, and does not otherwise offer or provide any standalone products or services to outside parties.

### *Vision Hill*

Following the acquisition of Vision Hill, a premier investment consultant and asset manager in the digital asset sector, Galaxy Vision Hill (“**GVH**”) was formed. GVH is an institutional-grade, multi-manager crypto fund of funds, or FOF, platform. The GVH Multi-Strategy FOF is a global, multi-strategy FOF investing in established cryptocurrency hedge funds. This product provides a dynamic and data-driven approach to manager selection, allocation and risk management. GVH Multi-Strategy FOF has diversified exposure across four pillars: fundamental, quant directional, market neutral and tactical beta. GVH Venture FOF is a global multi-manager venture FOF franchise that invests in the long-term disruptive nature of blockchain technology and Web3. GVH Venture FOF focuses on Web3, DeFi, Metaverse, NFTs/digital goods, gaming/P2E and infrastructure and services. This product diversifies venture exposure across sub-sectors, geographic focus and investment stages.

### *Helios*

On December 28, 2022, Galaxy acquired the Helios bitcoin mining facility and its related operations from Argo Blockchain plc. Helios is a large-scale bitcoin mining facility located in Dickens County, Texas, that currently has the ability to operate up to 180 megawatts (MW) of mining capacity and could be expanded to provide as much as 800MW of capacity.

### **Our Opportunity**

Our opportunity is to continuously address the full needs of institutions and qualified individuals, as they adopt digital assets and seek cutting-edge insights into where and how blockchain technology is infiltrating and upending legacy intermediary-driven systems.

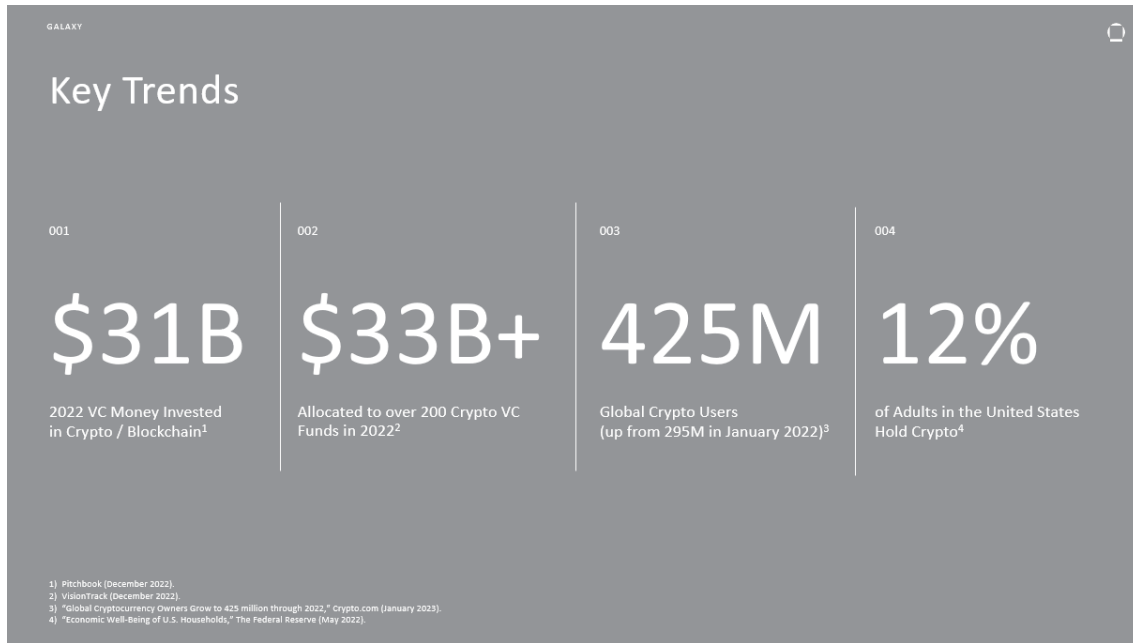
The cryptoeconomy experienced rapid growth in 2021 driven by the simultaneous widespread adoption of digital assets, expanded use of cryptocurrencies and broader blockchain innovations including DeFi and the growth of NFTs as a prominent form of tokenization. The initially retail-driven adoption of cryptocurrencies has evolved to include institutional holders, utilizing digital assets as both a store of value and for commercial applications. The number of individual cryptocurrency users was 425 million as of January 2023, up from 295 million in January 2022.

Our operational business lines both facilitate client adoption of digital assets and fulfill their needs across the lifecycle of the cryptoeconomy, and we invest directly in the asset class via digital assets and cryptocurrency holdings, and strategic venture capital investments.

### *Asset Prices, Investment Trends, and Adoption Milestones Point to Strong Secular Tailwinds*

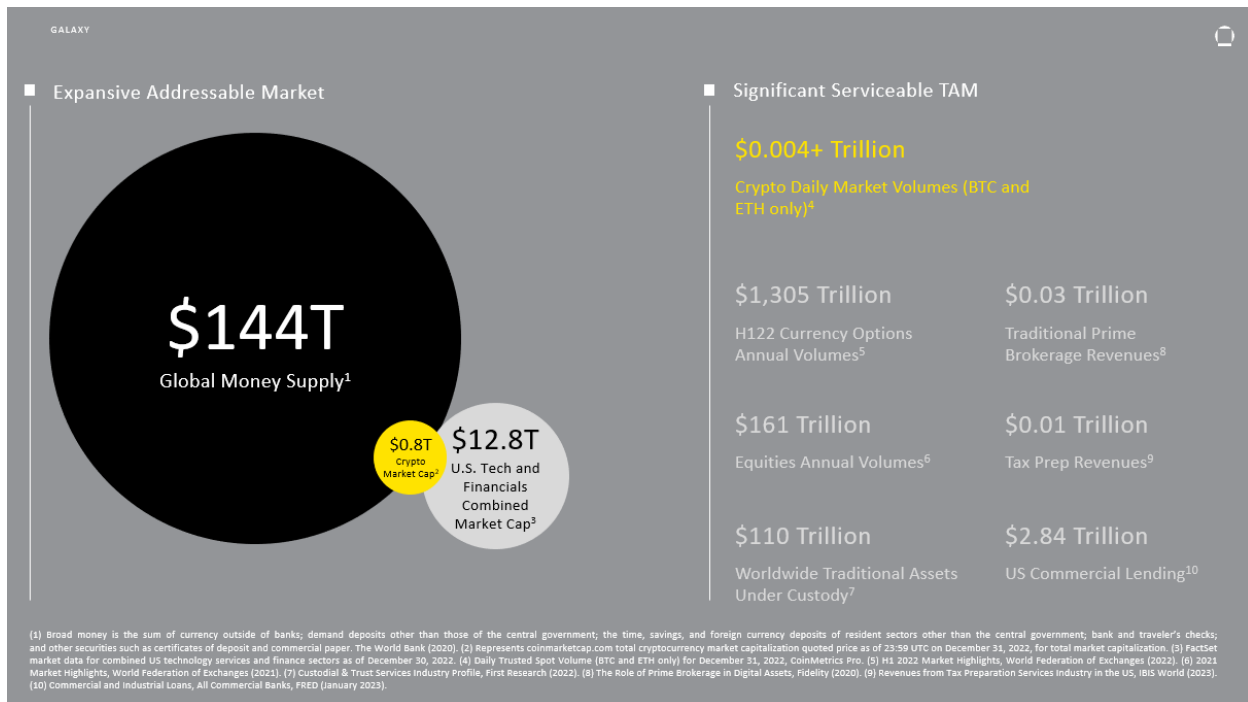
According to *The Block*, the trailing 5-year compounded annual growth rate in Bitcoin and blockchain investment reached 34% as of 2020. There have also been continuous record-breaking levels of investment and fundraising in the digital assets economy. As reported by Pitchbook, there was nearly \$6 billion of investment activity in cryptocurrencies and blockchain startups in 2020. This trend continued in 2021 with over \$32 billion of investment activity in cryptocurrencies and blockchain startups, and in 2022, with \$31 billion of investment activity in the year as of December 31, 2022.

The industry’s evolution has been marked equally by the robust pace of investment and the incorporation of cryptocurrency and digital assets services at companies within the technology, industrial, and financial technology sectors.



### Expansive Addressable Market

According to *Fidelity Digital Assets*, more than 70% of institutional investors plan to buy or invest in digital assets in the future. We believe the serviceable Total Addressable Market (“TAM”) is expansive, given daily cryptocurrency market volumes of nearly \$4 billion as of December 2022, the market capitalization of cryptocurrencies of \$794 billion as of December 31, 2022, and the robust pace of venture investment in crypto- related companies and directly in blockchain projects. We also believe the addressable market opportunity is largely untapped and has the potential to increase exponentially as applications of blockchain technology for facilitation of broader trade and commerce become a reality.



## Our Growth Strategy

Our mission is to offer a technology-driven platform that meets all institutional, corporate and qualified individuals' needs within the digital assets ecosystem, positioning ourselves to grow at a pace in excess of the broader adoption of the cryptoeconomy. We believe the adoption of digital assets, cryptocurrencies, and blockchain technology remains at an early stage, based on investment trends and prevalence within the financial and technology sectors. Between our operating businesses and our investing activities, we are able to gain exposure to most of the cryptoeconomy. The breadth of expertise we gain from that exposure supports our goal of being the first call and one-stop platform for institutions and corporates looking to access and utilize features of the sector. Our positioning also increases the likelihood that we participate in the upside resulting from widespread adoption of most use cases for digital assets, as compared to platforms that focus on a subset of opportunities. Our growth strategy is focused on the following:

- *Deepening Relationships with Existing Clients:* We see significant opportunity for organic growth through increasing adoption of crypto-related services and products by existing clients. We have over 930 trading counterparties, and numerous other clients across our five operating businesses today, the majority of which only utilize one of our products and services.
- *Adding New Clients:* Each of our client-facing business lines is comprised of dedicated product development, execution-oriented, and sales and distribution team members. We operate our business intending to be the platform of choice for new clients entering the ecosystem and make relationship development and management a top priority for our sales and distribution team members. Our development and execution teams work with our distribution team members to ensure we continuously offer the widest range of in-demand products to clients, and that we remain competitive across our trading, asset management, advisory, and financing offerings. We are incrementally growing our global presence with the buildout of a sales and distribution effort in Europe, staffed by a regional management team hired in 2021.
- *Client-Centric Product Innovation:* Since 2019, we have invested significantly in the development of a unique, integrated single-dealer platform and prime services offering so that clients can navigate the cryptoeconomy with an unfragmented set of solutions. This focus on product innovation and track record for building solutions in an ecosystem that demands bespoke development sets us apart as a platform.
- *Diversify Revenue Mix:* We are still early in our monetization journey, and as investment has accelerated ahead of adoption, our results to date have reflected outsized benefit from improved valuations of our principal holdings of digital assets and venture portfolio companies. By scaling and investing in our five existing operating segments, our capital allocation and resulting revenue generation will evolve to reflect the growing permanent and repeatable adoption of cryptoeconomy services.
- *Expanding Into Additional In-Demand Products and Technologies:* The digital assets, cryptocurrency, and blockchain industry continues to expand, and we are well-positioned to develop new businesses and products as the industry matures. Our close partnerships with industry leaders and ecosystem innovators across the breadth of the cryptoeconomy have allowed us to examine thousands of potential opportunities to widen our exposures in-line with innovation and development trends across the ecosystem. This vantage point allows us to incubate, support, and scale ideas that we believe can ultimately crystalize into new and compelling businesses to offer to our clients. We have actively participated in the research and development of applications with strong adoption signals, such as NFTs through Candy Digital, LLC (“**Candy Digital**”), and DeFi through investments in portfolio companies such as Inch and Sealance among others. We also see opportunities to benefit from additional developments across Layer 1 and Layer 2 infrastructure. Product development continues at a robust pace within the cryptoeconomy, and we will continue to invest and participate to ensure we know how to best serve clients across our platform and within the ecosystem.

Expanded description of Galaxy's five complimentary business lines:

## *Trading*

Our trading business, GT, which we currently operate primarily through Galaxy Digital LLC, its subsidiaries, and certain other affiliates, provides spot and derivative executions, as well as, liquidity to institutional clients, counterparties and venues that transact in cryptocurrencies and other digital assets. GT acts as an institutional -grade liquidity provider with market expertise and global access to over 100 different cryptocurrencies for over 930 counterparties. GT aims to provide the most complete and expansive suite of products that leverage our expertise and knowledge. GT engages in a number of activities, on behalf of our customers and for its own account, around the buying, selling, lending and borrowing of cryptocurrencies and other digital assets. GT's full suite of service offerings includes: OTC spot liquidity provision, and on-exchange liquidity provision, OTC derivatives options trading, and bespoke lending and structured product offerings and lending. GT also engages in proprietary quantitative, arbitrage and macro trading strategies. GT is a diversified revenue stream that can have varied and/or little correlation with cryptocurrency and digital asset market prices. The correlation of GT's results to the values of cryptocurrencies and digital assets can vary significantly, due to its implementation of derivatives and hedging strategies, market-neutral trading activities, and other quantitative strategies. Moreover, GT's counterparty-facing trading activities, while impacted at times by the underlying values of cryptocurrencies and digital assets, can also result in profitmaking during periods of elevated volatility that would drive prices higher or lower, or conversely, could result in losses. GT's suite of product offerings expanded in November 2020 due to Galaxy's November 2020 acquisition of two leading cryptocurrency trading firms: DrawBridge, an innovator in digital asset lending, borrowing, and structured products, and QPT, a proprietary trading firm specializing in providing two-sided liquidity for digital assets. These acquisitions also added veteran trading and lending market talent to GT's leadership team.

Our willingness to make markets, commit capital and take risk across numerous cryptocurrencies and digital assets is crucial to our relationships. We provide liquidity on a principal basis and play a critical role in price discovery, thereby improving the efficiency of cryptocurrency markets for all our clients, counterparties and industry participants.

GT maintains a list of centralized exchanges that are approved as trading counterparties and platforms, and with whom our team spends extensive time working to electronically integrate for access and information flow. The approval of such exchanges is based on due diligence of such exchanges that considers whether the exchange conducts anti-money laundering and know-your-client due diligence ("KYC"), its regulatory jurisdiction and its cybersecurity measures. Additionally, GT engages a service that continuously monitors the public website of the exchanges for observable data on compromised systems, security diligence, user behavior, and data breaches, and computes a security rating on each exchange. GT's in-house engineering team has built and continues to enhance a sophisticated and proprietary trading platform that hosts and facilitates these activities, which we believe differentiates us from the rest of the market, including traditional financial institutions that operate in significantly larger scale with expensive, legacy technology stacks. GT's proprietary trading platform is custom-built to allow institutional clients to access liquidity in the cryptocurrency markets, sourced from GT's numerous onboarded exchange and non-exchange trading venues. All onboarded trading counterparties that access our electronic platform, in addition to first going through our comprehensive screening, anti-money laundering, and onboarding process, sign an additional electronic trading agreement. GT's trading platform offers trading clients the ability to view spot prices, trade in firm-approved tokens, and view trade and settlement history. Our trading platform is currently available only for clients of our trading business, and is used by GT clients who want the option to trade electronically. Approximately 17% of our over 930 GT clients are onboarded to our trading platform. GT's trading platform includes proprietary pricing data, market research, portfolio management tools, reporting, and settlement services, and connects with clients' cryptocurrency and digital asset wallets, custodial relationships, and fiat banking accounts. GT does not currently hold or custody assets for the benefit of or on behalf of third parties.

GT also maintains strong relationships with a large number of spot and futures exchanges, digital asset trading platforms and custodians, and fiat banking partners, which enables it to move capital and assets around efficiently in order to provide competitively priced liquidity and achieve cross-market opportunities. GT has consistently added to its over 930 onboarded counterparties list. Our business grew alongside digital asset markets in 2021 and continued to add trading counterparties through 2022. These new counterparties are becoming increasingly institutional in terms of size and sophistication, including a diverse and strategic group of proprietary trading companies, cryptocurrency and digital asset trading platforms operators, the largest crypto and venture capital investment funds, digital asset mining companies, coin protocols and foundations, family offices, and high and ultra-high net worth individuals.

GT is firmly committed to compliance with all applicable laws and regulations currently in existence. GT also strives to be a thought leader in providing information and assistance to global regulators, and to establish industry-wide best practices as the industry matures. GT has adopted policies, procedures and controls that are designed to prevent and detect money laundering and any activity that facilitates money laundering, the funding of terrorist activities, or violations of regulations promulgated by applicable government agencies.

As it pertains to GT's trading counterparties, we require that any counterparty undergo screening under GT's anti-money laundering program, which includes:

- conducting due diligence to verify each potential counterparty identity to the extent reasonable and practicable;
- obtaining representations and warranties from such counterparty relating to the source of funds being transacted, compliance with all applicable legal requirements, and any other representations and warranties as GT's anti-money laundering Compliance Officer may deem appropriate;
- conducting due diligence efforts to screen the names and addresses of counterparties and, where relevant, the beneficial owners of such counterparties against the List of Specially Designated Nationals and Blocked Persons maintained by the Office of Foreign Assets Control ("OFAC") by the U.S. Department of the Treasury and refusing to transact with such counterparty or accept investments from any such listed persons;
- screening payments and transactions for those prohibited by U.S. law because they involve a person or entity that (i) is a citizen or resident of, (ii) has a place of business in, or is organized under the laws of, or (iii) is the government of, a country or territory subject to a U.S. trade embargo administered by OFAC;
- obtaining representations to confirm that a counterparty or an investor in a fund is not a "foreign shell bank," which is generally defined as a foreign bank without a physical presence in any country; and
- carrying out such other procedures as may be necessary to assure GT's compliance with all applicable laws and regulations.

We also have internal procedures to address buying and selling of digital assets that raise, or might potentially raise, significant governmental, policy or regulatory concerns or are subject or likely subject to a specialized regulatory regime, such as the U.S. federal securities or commodities laws or similar laws in other significant jurisdictions, in order to ensure such trading complies with applicable laws. See "*Market Controls and Regulations*" below for more information.

We borrow and originate unsecured and secured fiat and cryptocurrency-denominated loans. GT borrows fiat and digital assets from ECPs (as defined by the CEA) for general liquidity purposes, including but not limited to inventory for its trading businesses, counterparty trade settlement, collateral management and lending. Such borrowings typically occur on an unsecured and short-term basis (i.e., less than one year) and the majority are callable/overnight. Typical borrowing restrictions include standard limitations for use of proceeds and prohibitions on use of the assets for specific activities.

GT lends fiat and digital assets to ECPs who use the assets for growth capital, market making, general liquidity or inventory for trade ideas. GT typically lends fiat and digital assets to ECPs on an oversecured basis against other fiat and digital assets as collateral. The loans are generally short term (i.e., less than one year), and the majority are callable/overnight and have Loan-to-Values ("LTVs") that range from 50% to 75%. In certain circumstances, such as where there are asymmetric risk profiles that favor GT, we will also consider lending at LTV's up to 100%. Typical loan restrictions include standard limitations for use of proceeds and prohibitions on use of the assets for specific activities. GT will only consider lending unsecured on a limited basis with only a select few counterparties who are approved by GT for unsecured lending given their credit profile, track record and risk management expertise. GT

limits these relationships to specific notional credit figures and manages the aggregate amount lent unsecured against the broader portfolio. GT limits the types of collateral it will accept, which typically includes a limited list of the most liquid and largest market capital digital assets such as BTC, ETH and USDC as well as U.S. dollars and other fiat currencies. GT has aggregate asset-specific liquidity limits based on the average daily volume (“ADV”) of the assets accepted as collateral, which are not exceed a certain percentage of daily volume. Though GT may consider accepting assets that are not part of the standard aforementioned digital asset list or U.S. dollars and other fiat currencies, such assets are considered at lower LTVs and are accepted infrequently.

In addition to the lending and borrowing restrictions mentioned above, GT typically limits borrowed and lent asset amounts to less than 10-20% of the ADV depending on the LTV of the loans. ADV figures are calculated using real volume data and typically focus on U.S.-based exchange liquidity (e.g., Coinbase). GT typically underwrites notional amounts lent and collateral to less than 10-20% of the 1-day ADV. In some rare instances, GT may exceed the 10-20% of the ADV figure in conjunction with lower LTVs on the loans as such loans have more collateral. GT typically calculates historical volumes over a certain number of days and estimates liquidity impacts based on the notional amounts if it needs to mitigate risk over a few days as opposed to one day in an adverse event. Additionally, GT may limit the assets borrowed or loaned based on certain market events or other factors, which may include pending airdrops, hard forks (either contentious or non-contentious) and particular dynamics around funding markets (such as perpetual swap funding) as these events can have risk or economic implications. Furthermore, in the general course of our business, we participate in networks with proof-of-stake consensus algorithms, and we may earn rewards in the form of the native token of the network. We continue to legally own the staked digital assets and can control their use, and record any staking revenue we generate as a component of Income from digital asset lending.

As digital asset markets and the ecosystem grew in 2020 and 2021, so did our businesses. During that growth, we required additional capital for trading businesses, counterparty trade settlement, collateral management and lending. GT’s lending business grew as well with increased demand for institutional borrowing. As such, GT increased the amount of digital assets borrowed and lent during 2020, 2021 and 2022 facilitate the growth of our businesses. As of December 31, 2022, GT had \$50.0 million of digital assets on loan and \$170.6 million of digital assets borrowed for firmwide activities. Approximately \$3.7 million of the \$50.0 million of digital assets on loan were lent unsecured. On December 31, 2022, GT’s unsecured lending was approximately 1.7% of its live loan balances when including active dollar loans (and excluding undrawn capacity in facilities) of approximately \$213.6 million.

Digital assets borrowed and lent are restricted to digital assets approved for transacting by GT internal policies and procedures. As of December 31, 2022, approximately 83% of the digital assets that we borrow were concentrated between Bitcoin (62%), Tether (13%) and Ether (8%) and USDC and USDT constitute approximately 92.5% of the digital assets that we lend. GT calculates the amount of digital assets lent based on the prevailing market rate on the date of issuance from an aggregate pricing source unless otherwise specified with the counterparty pursuant to a mutually agreed upon master lending agreement. Digital assets lent may be owned outright by GT, borrowed or represent counterparty collateral. Collateral received from our borrowers is typically a small portion of the aggregate collateral held of that asset or assets where Galaxy has extensive liquidity. All digital assets borrowed and lent are liquid and trade on multiple venues. We are an institutional borrower and lender. We do not engage in microloans.

Galaxy conducts its lending activities through Galaxy Digital, LLC and Galaxy DBL LLC (“**Galaxy DBL**”) (which was formerly known as Drawbridge Lending prior to Galaxy’s acquisition of Drawbridge). The lending activities performed by such entities are substantially the same, and the entities can originate loans interchangeably. Galaxy utilizes Galaxy DBL to originate loans in states where Galaxy DBL holds the license required to engage in regulated lending activity within such state and Galaxy Digital, LLC does not hold such license.

### *Asset Management*

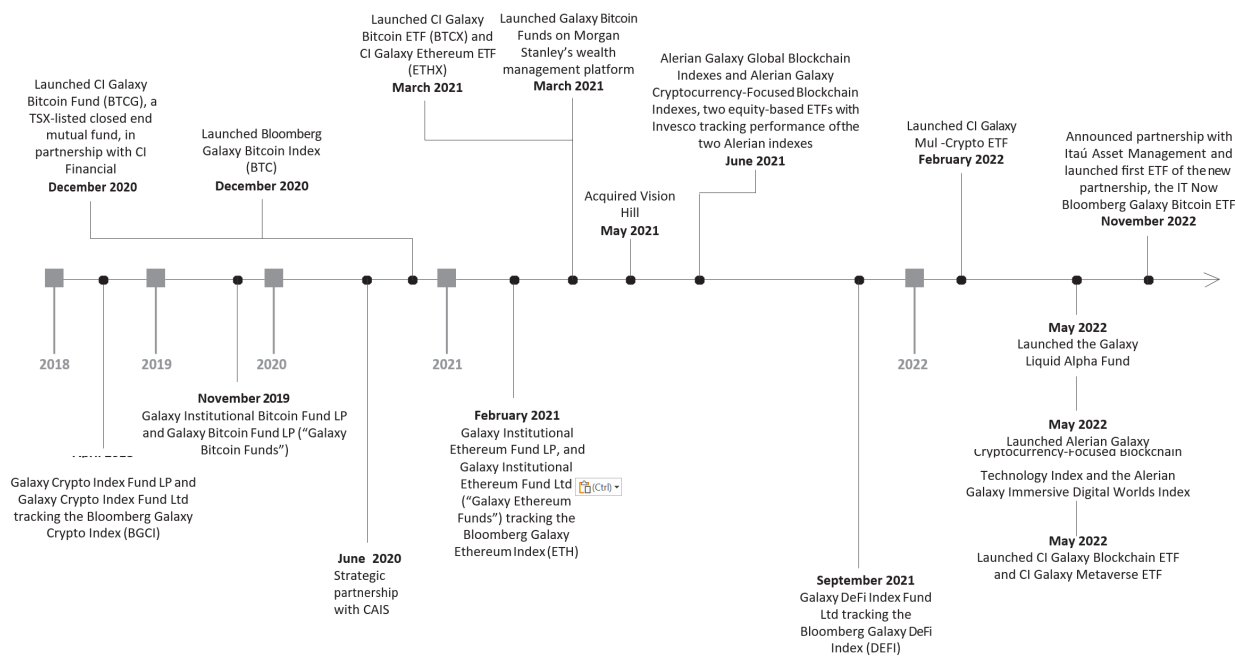
Our asset management business, GAM, which we currently operate primarily through GDCM LP, manages capital on behalf of third parties in exchange for management fees and performance-based compensation. GAM creates products that provide clients with seamless access to digital assets investments through both passive and active fund strategies; solving custodial, technical and regulatory obstacles. GAM assets uses qualified third-party custodians to maintain and safeguard our Asset Management client assets one-to-one in cold storage with insurance protection. GAM’s differentiating factors are its long-tenured professionals with institutional experience managing third party capital

across a variety of traditional asset classes, an acute focus on risk management and compliance, strong relationships with key counterparties and a deep connectivity throughout the blockchain and cryptocurrency ecosystem. We have a track record of bringing differentiated products to market in a timely manner to address the evolving needs within the ecosystem. GAM partners with prominent asset management industry players including CI, CAIS, Bloomberg, Morgan Stanley, Itaú and Invesco to accelerate product development, speed-to-market, distribution, and to reach global scale.

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

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

### GAM Timeline



- In April 2018, GFM launched the Galaxy Crypto Index Fund LP and the Galaxy Crypto Index Fund Ltd. These Funds are tracked against the Bloomberg Galaxy Crypto Index (Ticker: BGCI)
- In November 2019, GFM launched the Galaxy Institutional Bitcoin Fund LP and the Galaxy Bitcoin Fund LP (collectively, the “Galaxy Bitcoin Funds”)
- In June 2020, GFM announced a strategic partnership with CAIS, the industry-leading alternative investment platform

- In December 2020, GFM launched the CI Galaxy Bitcoin Fund (Ticker: BTCG), a TSX-listed closed end mutual fund, in partnership with CI Financial
- Additionally, in December 2020, GFM launched the Bloomberg Galaxy Bitcoin Index (Ticker: BTC)
- In February 2021, GFM launched the Galaxy Institutional Ethereum Fund LP, and Galaxy Institutional Ethereum Fund Ltd. These funds track the newly launched Bloomberg Galaxy Ethereum Index (Ticker: ETH)
- In March 2021, GFM launched the CI Galaxy Bitcoin ETF (Ticker: BTCX) and the CI Galaxy Ethereum ETF (Ticker: ETHX)
- Additionally, in March 2021, GFM announced the launch of the Galaxy Bitcoin Funds on Morgan Stanley’s wealth management platform
- In May 2021, Galaxy Digital acquired Vision Hill, a premier investment consultant and asset manager in the digital asset sector, to create GVH. GVH funds include, the Venture Fund of Funds I, and the Multi-Strategy Fund of Funds
- In June 2021, GFM announced the build of two index families with Alerian, the Alerian Galaxy Global Blockchain Indexes and the Alerian Galaxy Cryptocurrency-Focused Blockchain Indexes. Additionally, GFM announced the launch of the two equity-based ETFs with Invesco that will track the performance of the two Alerian index families
- In September 2021, we announced a strategic partnership with Invesco to develop a comprehensive suite of U.S.-listed, physically backed, digital asset ETFs
- In February 2022, GFM launched the CI Galaxy Multi-Crypto ETF (Ticker: CMCX)
- In May 2022, GFM launched the Galaxy Liquid Alpha Fund
- In May 2022, GFM partnered with VettaFi to launch the Alerian Galaxy Cryptocurrency-Focused Blockchain Technology Index and the Alerian Galaxy Immersive Digital Worlds Index
- In May 2022, GFM partnered with CI Financial on the launch of two equity-based ETFs: the CI Galaxy Blockchain ETF (Ticker: CBCX) and CI Galaxy Metaverse ETF (Ticker: CMVX)
- In November 2022, GFM announced a strategic partnership with Itaú Asset Management to develop a comprehensive suite of Brazilian-listed, physically backed, digital asset exchange traded funds and launched the first ETF of the new partnership, the IT Now Bloomberg Galaxy Bitcoin ETF (Ticker: BITI11).

Galaxy Interactive makes venture capital investments in the interactive sector, targeting the intersection of content, technology and finance. The investment team categorizes the Galaxy Interactive landscape in three buckets—content, social, and technology/infrastructure—with a particular emphasis on the application of Web3 to these three areas. Galaxy Interactive currently manages three private venture capital funds. The first fund, Galaxy EOS VC Fund LP, launched in June 2018 with \$325 million of committed capital. After deploying substantially all of the capital in the first fund, Galaxy Interactive launched a commingled successor fund, Galaxy Interactive Fund I, LP, in April 2021. In early 2022, Galaxy Interactive launched its third fund, Galaxy Interactive Fund II, LP.

As of December 31, 2022, GAM had AUM of nearly \$1.7 billion consisting of approximately \$740 million in the Galaxy Fund Management products and approximately \$965 million of committed capital in Galaxy Interactive venture franchise.

## *Investment Banking*

Our investment banking business, GIB, which we operate through Galaxy Digital Partners LLC, is a leader in financial and strategic advisory services for the digital asset, cryptocurrency and blockchain technology sector. GIB serves public and private clients globally with a full spectrum of financial advisory services, including general corporate, strategic, M&A, divestitures, and restructuring advisory services, as well as equity, debt and project finance capital markets services. GIB's value proposition is to provide traditional investment banking services such as capital raising and advisory for M&A and debt financing, whilst adding specialist knowledge about the inner workings of the cryptocurrency and blockchain technology sector. GIB maintains and continues to build on its systematic coverage of the highest quality businesses operating across the blockchain ecosystem, with the ultimate goal of forming long-lasting and trusted relationships. On July 24, 2019, GIB was approved by FINRA to act as an underwriter to registered public offerings of equity, debt or other corporate securities in the United States, and is a member of the Securities Investor Protection Corporation. GIB has not been approved by FINRA to do a digital assets business and does not trade digital assets, nor digital asset securities, but rather is focused on providing services to companies that are themselves focused on the digital asset industry. GIB is currently authorized by FINRA to engage in the following types of businesses:

- Underwriting or selling group participation (corporate securities other than mutual funds);
- Placements of securities that, under SEC Regulation A or Regulation D, are not required to be registered under federal securities laws;
- Business advisory services to issuers or other institutional investors, such as mergers and acquisitions, debt financing, equity financing, leveraged buy-outs and distressed corporate advisory; and
- Referrals of broker-dealers, hedge funds and investors to unaffiliated broker-dealers for order execution, clearance and settlement.

GIB is a diversified revenue stream that can be uncorrelated with cryptocurrency and digital asset market prices. In November 2019, GIB completed its first two initial public offering mandates, acting as a Co-Manager for the Silvergate Capital Corporation NYSE-listing and as a Joint-Bookrunner for the Canaan Inc. NASDAQ debut. During 2020, GIB added key hires including Michael Ashe as Head of Investment Banking, and has made significant progress with several active mandates for clients across financing, mergers and acquisitions, and other strategic matters. Significantly, in June 2020, GIB served as a sell-side advisor to Blockfolio on its sale to FTX Trading Limited for \$150 million, and was instrumental in Galaxy Digital's acquisition of Vision Hill during the second quarter of 2021. During 2022, GIB continued to execute mandates within its pipeline of digital asset industry focused investment banking mandates which the Company estimates reflects a total addressable market of over \$1 billion.

Since December 31, 2021, GIB advised on the successful close of the following transactions:

- Exclusive financial advisor to Algorand and Hivemind on a take-private acquisition of Napster an entertainment and music streaming service company initially made popular in the early 2000s;
- Exclusive financial advisor and sole placement agent for Qredo's \$80 million Series A financing;
- Sole placement agent to Compute North on the \$85 million equity component;
- Exclusive financial advisor to Blockdaemon, a leading blockchain infrastructure company for node management and staking, on its acquisition of Gem;
- Additionally, GIB announced that the team served as financial advisor to Thunder Bridge Capital Partners IV, Inc. a SPAC, on its business combination agreement with Coincheck, a multi-cryptocurrency marketplace and digital asset trading platform; and

- Advised Blockdaemon on its acquisition of Sepior, a digital asset security provider that offers advanced MPC-based solutions.

### *Mining*

Our mining business, GM, which we operate through Galaxy Digital Mining LLC, hosts our proprietary bitcoin mining equipment with the intended goal of helping to secure the Bitcoin network while generating low-cost basis bitcoin through block rewards and network transaction fees. The December 2022 Helios facility acquisition will accelerate the expansion of GM's bitcoin mining operations and services, provide access to tax-efficient mining infrastructure, and reduce reliance on third-party hosting providers. The Helios facility is currently able to operate up to 180 megawatts ("MW") of mining capacity, with significant room for expansion. The existing 180 MW are expected to be fully energized by year end 2023, with a mix of capacity dedicated to hosting and proprietary mining. As announced in November 2022, GM is also in the process of building out a Galaxy owned mining site in Texas. Through 2022, GM mined on a proprietary basis at colocation facilities and third-party data center providers using our proprietary bitcoin mining equipment in North America.

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

Since its recent inception, GM has purchased bitcoin mining machines to be utilized for proprietary operations, miner finance, and resale to North American miners for the following primary business activities:

- *Proprietary Operations:* Through December 31, 2022 GM mined on a proprietary basis at colocation facilities in North America. All required energy was provided by these third party data centers. The Helios facility acquisition and buildout of another site expands Galaxy's capacity including capability to host other miners.
- *Miner Finance:* Offers state of the art credit underwriting for selected miners to finance machines. GM's services include:
- *Our tools:* We offer financing options to clients. For example, we offer equipment leases whereby we abstract ASIC procurement away from the miner by sending ASICs directly to the mining locations. We also offer sale-leasebacks and ASIC-backed loans, which provide miners a way to efficiently use capital to scale their business.
- *Credit underwriting:* Before selecting miners, we conduct diligence, including requiring prospective clients to complete detailed questionnaires regarding the company's mining operations and complete financial models of each miner's operations. GM may decide that prospective clients do not qualify for GM's miner financing services for a variety of reasons; for example, if the prospective client is already significantly leveraged, has significantly higher operating costs compared to other miners or evidences other signs of financial instability such that it may be unable to perform its obligations pursuant to the engagement.
- *Resale:* Re-sell purchased machines to other North American miners that require machines, but not financing.

From time to time, we may purchase new mining equipment based on our mining business needs and broader industry demand. In the event that GM's existing hardware becomes obsolete or is determined to be less profitable or unprofitable, we may either cease using the equipment and sell it on the secondary market or find an alternative use case for the equipment.

GM is also dedicated to managing its carbon footprint by increasing the use of clean energy and maintains a long-term goal to unitize an over 80% sustainable power mix for all mining operations.

GM is currently exclusively engaged in bitcoin mining and as of today has no intentions to mine other cryptocurrencies. Mined bitcoin may be utilized to fund operations across Galaxy businesses. GM receives regular reports regarding its operations, including information regarding the mined bitcoin and the number of miners.

### *Principal Investments*

Our principal investments business, GPI, which we currently operate primarily through Galaxy Digital Ventures LLC, and certain other affiliates, manages a diverse portfolio of largely private investments across the digital assets industry. GDV is not currently registered as a broker-dealer. Our venture portfolio invests in traditionally structured companies as well as companies building digital asset networks capitalized by tokens.

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

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

GPI's primary investment focus is on early-stage companies and networks, most of which are in the Seed and Series A stages. Of these early-stage companies and networks, GPI actively seeks what it calls "V2 Crypto" opportunities, which are crypto-native organizations built to utilize and embed the properties unique to blockchain within their products and services. While the first version of any internet business simply takes an offline business and puts it online; the V2 of an internet business leveraged the unique properties of the internet to create an experience that could not have been created without them. Examples of this include the first news websites, or the v1 of internet news, versus the News Feed, the V2 of internet news, a living feed of news curated by those you have selected to follow. For reference, GPI considers "V1 on-ramps" to be companies focused on bridging crypto and fiat ecosystems via single- or limited-use offerings like enabling the use of fiat bank accounts or credit cards on crypto trading platforms. V2 solutions build on the progress of V1 offerings, providing improved flexibility and integration to give users more seamless on-ramps into digital wallets and a more easily accessible set of applications for their assets once on-chain. An example of a "V2 on-ramp" crypto company in GPI's portfolio is Ramp. Ramp enables developers to integrate a fiat-to-crypto on-ramp directly into their apps with a few lines of code. This allows their users to be onboarded directly into an on-chain wallet by transferring user funds from a bank account or credit card directly into a crypto wallet. Importantly, users can also move fiat and digital assets into their wallets without leaving an integrated app.

Another example of a V2 opportunity is Galaxy's minority investment in Candy Digital. As of December 31, 2022, Galaxy held 30,859,462 shares of Candy Digital common stock representing a 14.53% direct investment. Galaxy subsequently acquired additional shares in Candy Digital in the first quarter of 2023 (remaining a minority interest). Galaxy Interactive, Galaxy's unconsolidated sponsored fund, holds an additional 3,428,830 shares, or 1.61%, of Candy Digital; therefore, Galaxy directly or indirectly holds a total investment of approximately 16.15% in Candy Digital as of December 31, 2022. Candy Digital sells officially licensed digital collectibles in the form of NFTs on its proprietary NFT platform. Similar to physical trading cards, Candy Digital NFTs depict licensed images and marks; Candy Digital sells NFTs that contain images of Major League Baseball ("MLB") players, MLB stadiums, player jerseys, World Series memorabilia and college athletes. Certain Candy Digital NFTs also take advantage of NFTs' digital properties and feature video animations, such as a video depiction of the "Play of the Day" selected by the MLB. Most of Candy Digital's NFTs are priced for a fixed amount of \$100 or less, although some Candy Digital NFTs have been sold via auction; the proceeds of some auctions have often been distributed to charities. Some Candy Digital NFTs are accompanied by physical assets or experiential rights, such as player signatures, or the right to participate in real-world events, such as in-stadium attendance. Collectors are informed prior to purchase of the physical components that may accompany a Candy Digital NFT. Candy Digital launched a secondary marketplace for

trading NFTs on January 15, 2022. Candy Digital earns a fixed fee on resales of its NFTs on certain third-party secondary marketplaces and its own secondary marketplace. Candy Digital does not provide or guarantee liquidity on any secondary marketplace. Like other digital assets, the determination of whether a particular NFT is regulated under the federal securities laws is complex, and a conclusion that any of Candy Digital's NFTs is a security could adversely affect its business. See *"Risk Factors – Risks Related to Our Operations"*.

GPI's investment areas of focus evolve alongside developments in the digital assets industry. The team currently is most interested in opportunities within the following areas, and anticipates they will remain primary targets in the short- to medium-term:

- *Decentralized Finance.* GPI is involved in the DeFi (decentralized finance) space, and considers DeFi to be any case where permissionless financial services are offered via smart contracts. GPI targets novel ideas and projects that will accelerate the next wave of adoption in DeFi, which it anticipates will occur within professionalized financial institutions as well as fintechs that will take an integrative approach.
- *Infrastructure.* GPI is focused on opportunities to further develop infrastructure across the sector, and classifies this opportunity into two categories. The first category is on-chain infrastructure, including companies and networks working on improving or enhancing the capabilities of existing blockchains, blockchain applications and cross-chain connectivity. The second category is off-chain infrastructure, which includes market-related infrastructure, data tools, custody, etc. Developer tooling fits within both categories and is also an area of focus for GPI.
- *Internet-Native Organizations.* Internet-native organizations encompass everything within the space of decentralized autonomous organization ("DAO"), the creator economy, and play-to-earn. These are organizations that exist on the internet, and that can operate successfully without an offline presence or in-person meetings among organization members.

By utilizing a robust, institutional-quality investment process that relies on organization, prioritization and deep-dive due diligence, Galaxy Digital continues to make selective principal investments across the ecosystem using freshly allocated capital as well as capital sourced from realization of existing and previous investments.

### **Our Material Challenges, Obstacles and Risks**

We are operating in a new industry that is highly innovative, rapidly evolving and characterized by healthy competition, experimentation, changing customer needs, and the frequent introductions of new products and services. It is subject to uncertain and evolving industry and regulatory requirements. Our business model is largely dependent on digital assets and the broader cryptoeconomy. Our operating results have and will continue to fluctuate due to a variety of factors, including the highly volatile nature of cryptocurrencies. While we believe we are well-positioned to capitalize on market opportunities made possible by the rapid evolution of the digital assets ecosystem, due to the relatively nascent stage of our industry and other challenges that we face, our business model also presents material risks. See *"Risk Factors—Risks Related to our Operations."*

All participants in the cryptoeconomy, including direct investors, consumers and providers of goods and services related to this industry, may be subject to additional costs associated with participating in this industry, as compared with participation in established commerce, due to the rapidly evolving landscape. The potentially higher costs associated with the cryptoeconomy include, but are not limited to, elevated legal and financial advisory fees, use of significant resources to monitor and maintain compliance with applicable laws and regulations, as well as elevated and unpredictable costs of custody, transactions, insurance and theft. Other material risks specific to this industry include a lack of adoption or acceptance of digital assets and blockchain technology, the extraordinarily volatile prices of digital assets, exposure to malicious actors and platform vulnerabilities, and uncertainties in the tax and accounting treatment of digital assets, among others. See *"Risk Factors—Risks Related to Cryptocurrencies and Digital Assets"*.

## Competition

We operate in a rapidly evolving industry, and accordingly, we expect competition to further intensify in the future as existing competitors introduce new products or enhance existing products, and as new competitors emerge. We compete against a number of companies operating both within the United States and abroad, both those that focus on traditional financial services and those that focus on crypto-based services. Among our discrete business lines, we face competition from the following sources:

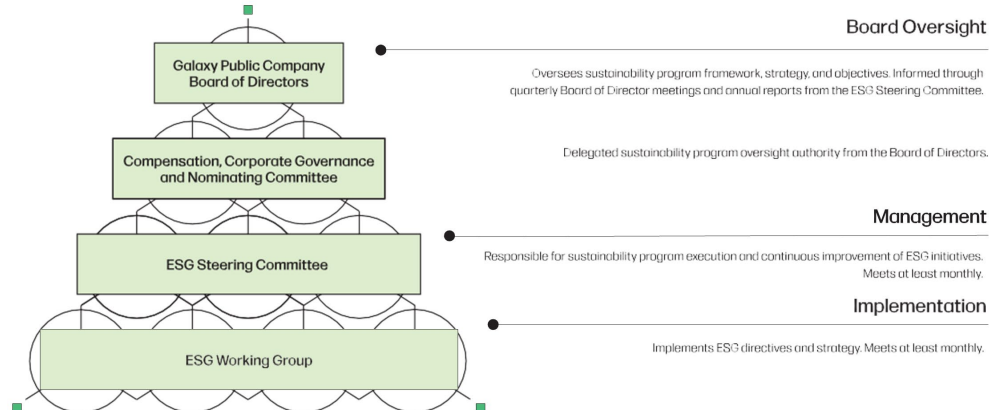
- *Trading.* Our trading business competes with an inter- and multi-national set of spot, prime, proprietary, and derivatives OTC providers and exchanges, and our lending business competes with a variety of both traditional and non-traditional financing suppliers. Our business lines also compete against DeFi lending and trading platform protocols and applications.
- *Asset Management.* Our asset management business competes with other asset manager and advisory businesses that provide both retail and institutional clients passive and active exposure to digital assets and blockchain companies in the ecosystem.
- *Investment Banking.* Our investment banking business competes with investment banking advisory teams and firms ranging in size and scope, from boutiques focused on the crypto or fintech sectors to bulge bracket providers of advisory and underwriting services across multiple sectors and asset classes.
- *Mining.* Our mining business competes with other proprietary miners, public and non-public mining companies, as well as companies offering financial services and infrastructure to miners.
- *Principal Investments.* Our principal investments business competes with an inter- and multi- national set of investment firms that include crypto and blockchain venture firms, generalist venture capital firms with dedicated crypto funds, and growth investors investing in equity, debt, and cross- asset structures.

## Sustainability Program Oversight

Galaxy is committed to responsible ESG practices as we build our business and help shape a new economic paradigm. Galaxy is led by a diverse, knowledgeable, and experienced Board with deep expertise in capital markets, asset management, digital assets, investing, ESG, and technology. Our Board and its Compensation, Corporate Governance and Nominating Committee (the “**CGN Committee**”) oversee our sustainability framework, strategy, and objectives. The Board and its CGN Committee are informed through, at a minimum, quarterly Board meetings and annual reports from the ESG Steering Committee.

Our ESG Steering Committee, comprised of senior executives across business lines and key functions, executes and continuously improves our ESG program initiatives. The ESG Working Group is staffed by representatives from key business lines and corporate functions. Both the ESG Steering Committee and Working Group meet on a monthly basis. Our focus on staffing and our dedicated time commitment across our organization evidences our leadership’s commitment to advancing Galaxy’s sustainability program.

## Sustainability Program Oversight



Key priorities of our ESG program are to:

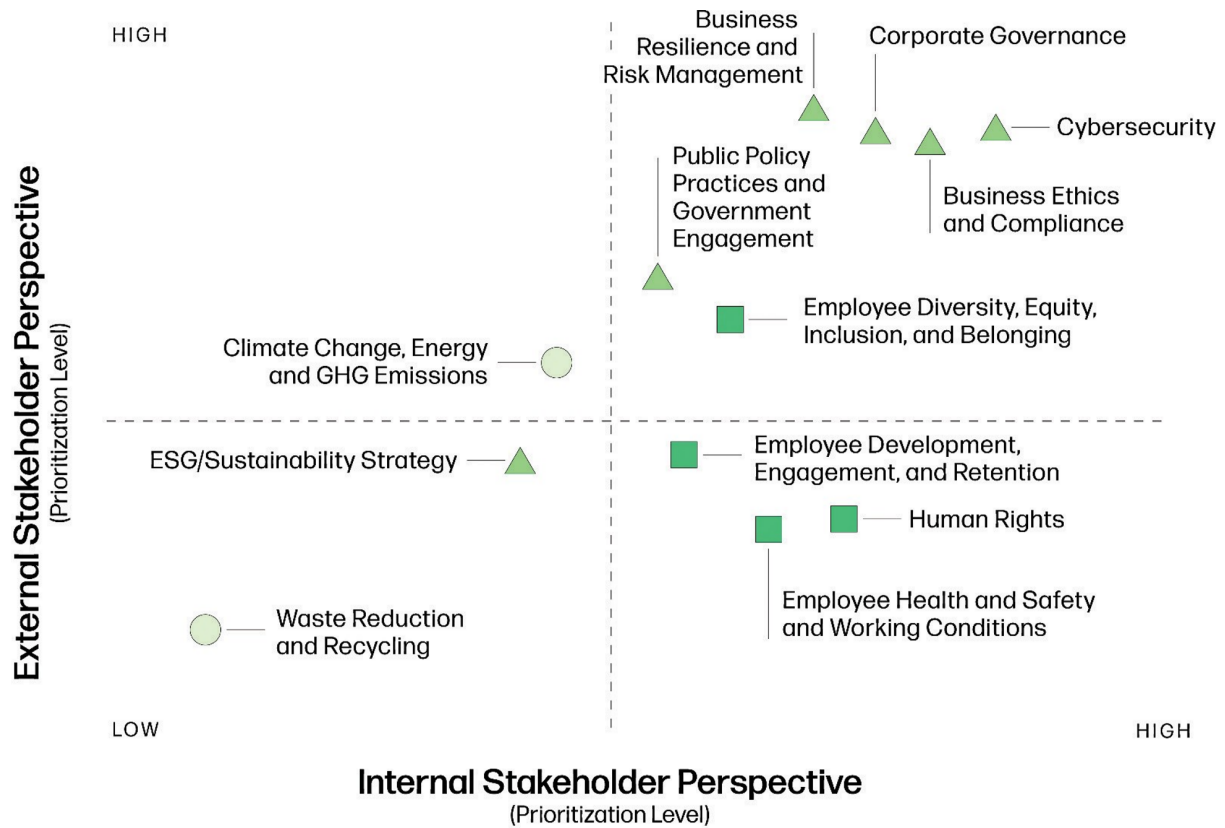
1. Manage and improve our environmental footprint by integrating sustainable practices and increasing the use of sustainable energy across our businesses, with a particular focus on GM.
2. Foster a diverse, equitable, and inclusive culture for our people, our stakeholders, and the broader crypto community.
3. Establish strong corporate governance to maintain a culture of integrity—all while creating value for shareholders and stakeholders.

### ESG Materiality Assessment

We completed our first ESG materiality assessment to identify focus areas that are key to our long-term business strategy. The results of the ESG materiality assessment help shape our sustainability program strategy, prioritize our areas of focus, and ensure that our reporting is aligned with addressing the ESG issues of greatest importance. We will reevaluate these results on an on-going basis.

Our ESG materiality assessment process included the following steps:

- *Identify:* We reviewed various ESG frameworks, standards, raters, and cross-referenced our peers' strategies to understand the current ESG landscape and identified potential material ESG topics.
- *Categorize:* We refined a list of potentially material ESG topics, and categorized as an “environmental,” “social,” or “governance” issue.
- *Assess Impact:* We explored each material ESG topic in detail to understand its relevance to our business and our stakeholders.
- *Gather Feedback:* We engaged key stakeholders, including subject-matter experts, employees, and external stakeholders, to receive feedback on material ESG topics. After gathering feedback, the results were plotted on a graph to create an “ESG Materiality Matrix.”
- *Engage Management:* The ESG Working Group and Steering Committee reviewed the ESG Materiality Matrix, and it was then approved by the Board.



**ESG Material Topic Categories:** ● Environmental ■ Social ▲ Governance

### Diversity Initiatives

Our Diversity, Equity, and Inclusion (“**DEI**”) strategy is driven by our DEI principles, which are deeply rooted in our people, culture, and business. Our DEI strategy is overseen by the Board and the ESG Steering Committee, of which our Chief Diversity, Equity, Inclusion and Culture Officer (“**CDCO**”) is a member. The CDCO partners with the CEO, Senior Executive Team, and ESG Steering Committee to provide subject matter expertise and internal consultation across business lines and key functions to execute our multi-year DEI strategy.

Galaxy operates in an innovative and dynamic industry, and our hiring and talent needs are growing accordingly. We have established strategies to promote diverse hiring, development, advancement, and retention, and our ability to attract top-tier talent is at the forefront of how we operate. We have established a diversity policy to ensure diverse hiring, development, advancement, and retention. We recognize diverse talent is not only an important social obligation, but also a critical component in creating value, achieving our objectives, and delivering results for our stakeholders. We believe diversity mitigates the risk of groupthink, provides the opportunity to benefit from all available talent, and enhances organizational strength, problem-solving ability, and opportunity for innovation. Through headcount forecasting and succession planning, we have defined a roadmap for increasing diverse representation. Our focused employee resource groups reflect the diversity of Galaxy. We have established six of these groups, representing employees who identify as Asian and Pacific Islander, Black, LGBTQIA+, Women, LatinX, and those in executive assistant positions.

As a part of our New Hire Onboarding Program, all new hires are assigned onboarding buddies and advisor networks to help acclimate them into Galaxy. Buddies are designated employees that take new hires out to coffee and lunch during their first week, conduct an office tour, introduce them to co-workers, and answer any office-related questions. Advisor networks are groups of employees that a new hire can look to for advice on navigating Galaxy.

Our programs and resources promote health and productivity to unlock our people’s potential. We offer competitive and equitable compensation and forward-looking benefits to best serve our employees in all areas of their lives. We view compensation and benefits as critical tools for attracting, developing, engaging, and retaining our workforce.

We provide opportunities for our employees to learn and develop in both formal and informal settings. Galaxy allocates significant resources to employee development and training. We have launched our six-month Mentorship Program for our incoming analyst class, where each mentor and mentee pair meet monthly and receive training and a dedicated budget for mentorship materials and outings. Additionally, we have implemented monthly People Manager Training sessions for all people managers, to ensure managers are properly managing their direct reports.

### *Bitcoin Mining*

We believe Bitcoin innovations will permeate and improve all aspects of our global economy. GM mines bitcoin on a proprietary basis and a key element of our business strategy is sourcing sustainable energy and promoting and educating on sustainable mining practices and its impacts.

Galaxy is a founding member of the BMC, a voluntary and open forum of bitcoin miners committed to the network and its core principles. The BMC believes that transparency around energy usage for mining is important and agree to voluntarily share their energy mix and total hashrate for research and educational purposes.

### **Culture and Employees**

- Our people are our greatest asset, and employee engagement and satisfaction are a hallmark of our innovative company culture.
- Our success depends on our ability to attract, retain, develop and motivate highly qualified people.
- We strive to foster an innovative culture as we further build our business and expand our products and services, and we view our human capital-related initiatives as an ongoing priority.
- We are committed to fostering a diverse, inclusive, equitable and healthy environment for our people, our stakeholders, our clients, and our communities.
- We attract curious, innovative, entrepreneurial, creative and highly-motivated people, from best-in-class companies across Wall Street and Silicon Valley, and from ‘crypto-blue-chip’ firms.
- As part of our inclusive culture, we hold regular all-hands meetings during which senior management provides business and market updates, and where any employee can ask questions.

We have hired professionals with significant experience in each of our businesses and our operations. As of December 31, 2022, we have 390 employees worldwide, with 342 employees in the United States. None of our employees are represented by a labor organization or are a party to a collective bargaining arrangement. We work to identify, attract, retain, and develop employees who are aligned with and will help us progress with our mission. We seek to provide competitive cash and equity compensation. We believe we have a good relationship with our employees and that our unique, strong culture of innovation differentiates us and is a key driver of business success.

A number of employees in our trading business have prior experience trading in traditional markets at financial institutions including trading operations and technology development of investment banks, hedge funds, proprietary trading firms and broker-dealers. They have joined GT to build out its proprietary trading systems and lending business.

In addition, a number of employees in our asset management business have experience across portfolio management, trading, sales, operations, and client service from buy-side, sell-side, public and private financial institutions, and experience supporting the asset management operations.

We also employ individuals in our advisory business with prior experience in leading private placements of securities as a placement agent, providing advice on mergers and acquisitions and acting as underwriter for registered public offerings of equity, debt or other corporate securities in the United States, and supporting the advisory operations.

Certain employees in our mining business have prior experience in banking, investing and mining at large financial services firms. The mining team is focused on providing a Bitcoin financial services platform for miners—drawing the firm’s expertise in trading and risk management, investing and lending, and corporate advisory under one umbrella, tailored to the needs of the mining sector.

We also employ individuals in our principal investments business with significant prior experience in sourcing, researching, negotiating, and executing on early- and later-stage direct private debt and equity investments that have joined GPI from a variety of top-tier hedge funds, asset managers and investment banking institutions. The principal investments team is focused on proactive origination of strategically relevant private investment opportunities for us across the blockchain and digital asset verticals and is expected to implement and follow institutional quality due diligence processes in making such investments.

Finally, certain of our employees focus exclusively on research and understanding, proactively planning for and responding to risks associated with our business and industry. We have also hired experienced professionals in its legal, finance, technology, administrative support and operations areas that support the businesses, and today, have nearly 174 employees dedicated to corporate activities that support the businesses.

### **Safeguarding of Digital Assets**

We utilize the Fireblocks platform to maintain custody, transfer, and secure a material portion of our digital assets associated with our trading businesses. Fireblocks utilizes a secure hot vault and secure transfer environment to help establish connections between the Company’s wallets, digital asset trading platforms, counterparties and networks. Fireblocks utilizes multi-party computation (“MPC”) protection layers to distribute private key secrets across multiple locations to prevent a single point of failure associated with the private keys. The use of MPC prevents private key shards from being concentrated on a single device at any point in time. We utilize the Fireblocks policy engine to designate transaction approval policies for digital assets held within Fireblocks vaults. As such, administrators configure automated rules to ensure all transactions are disbursed based on the asset sent, total value of the transaction, source and destination of funds and signer requirements. All transactions initiated from Fireblocks that fail to meet our predefined criteria per the policy engine are automatically rejected. We also utilize the Fireblocks network as a settlement layer to transact and settle with pre-approved counterparties or entities. The Fireblocks network utilizes secure enclave technology and data-in-motion encryption to prevent traditional vulnerabilities associated with authenticating wallet addresses. All internal wallets owned by us and external wallets for addresses of our counterparties require multiple approvals in accordance with our whitelisting policy. As such, we settle with counterparties or entities with minimal risk of losing funds due to deposit address attacks or errors.

Fireblocks issues an annual SOC 2 Type II attestation report. We review the Fireblocks SOC 2 report to confirm they maintain a secure technology infrastructure and that their system controls are designed and operating effectively. Additionally, we review our own complementary user entity controls in conjunction with the Fireblocks controls to ensure that applicable trust services criteria can be met. Fireblocks maintains an insurance policy which has coverage for technology, cyber, and professional liability and is rated “A” by A.M. Best based on the strength of the policy and has had no known security breaches or incidents reported to date. We currently have an investment interest in Fireblocks in the form of preferred shares.

We also utilize cold storage solutions to self-custody a portion of our digital assets offline. Private keys are generated, backed-up and stored in hardware wallets which are maintained in secured locations. Access to private keys and back-ups are segregated amongst authorized personnel throughout Galaxy to ensure appropriate segregation of duties are maintained between departments. Specific details relating to the Company’s private key management protocols remain highly sensitive in nature and are only discussed internally with the appropriate personnel to minimize security threats. We also utilize institutional grade custodians to secure digital assets for our fund products, including Bakkt Trust Company, LLC (“Bakkt”). Bakkt issues annual SOC 1 Type II attestation reports that are reviewed by Galaxy for control reliance.

## **Digital Asset Trading Platforms**

We utilize multiple digital asset trading platforms to assist in conducting digital trading activity. As such, we maintain digital asset balances on the platforms to facilitate operations. Active digital asset trading platforms are domiciled across multiple geographies including the United States, Malta, Luxembourg, Singapore, Seychelles and Hong Kong. We have a robust due diligence program for all platforms, regardless of domicile or jurisdiction. Each digital asset trading platform is required to provide all information and documentation that is necessary to do business with us. Information security reviews are conducted on each platform to assess data retention protocols, infrastructure, and applicable IT policies and procedures.

Designated departments review all documentation to ensure each digital asset trading platform meets pre-defined criteria before providing approval for onboarding. Additionally, we assess security, reputation, and operational risks in our determination of utilizing any digital asset trading platform. Once onboarded, each platform is monitored on an ongoing basis to ensure they maintain compliance with required legal and regulatory standings.

As part of our control procedures, certain individuals are designated to administer and provision users with digital asset trading platform access and secure accounts per IT security protocols. Upon opening a new account, passwords, application programming interface (“API”) keys, and multi-factor authentication mechanisms are created to secure credentials under our Password and Multi-Factor Authentication Policy. Credentials are managed in secured locations and are only made accessible to authorized personnel with privileged access. Address management features are utilized in accordance with each platform and require withdrawal addresses to be whitelisted and approved by authorized individuals. This prevents the withdrawal of digital assets held on the trading platforms to any address that has not been internally verified.

Digital asset trading platform balances are aggregated via live API feeds to ensure risk exposures are monitored across the Company’s positions.

Digital asset trading platform accounts with material balances are integrated within the Fireblocks platform; the integration allows for authorized users to initiate digital asset trading platform withdrawals directly from Fireblocks to dedicated vault accounts within the platform. We maintain contingency plans to securely transfer digital assets off platforms to pre-defined wallets and vault accounts. On an ongoing basis, we assess our risk exposure based on current market conditions and our digital asset positions. To date, no known security breaches have occurred with any of our digital asset trading platform accounts which have resulted in a loss or theft of digital assets. We perform reconciliation procedures to review digital asset trading platform balances, trades, and fees against internal and third-party records to ensure digital asset holdings are complete and accurate.

Our activities may expose us to a variety of financial and other risks, including credit risk, interest rate risk, liquidity risk, foreign currency risk, market risk, digital asset risk, loss of access risk, irrevocability of transactions, hard fork and airdrop risks and regulatory oversight risk, among others. See “Risk Factors— Risks Related to Cryptocurrencies and Digital Assets.” We seek to minimize potential adverse effects of these risks on performance by employing experienced personnel, daily monitoring of our investments and digital assets, and any market events, and diversifying our business strategy as well as its investment portfolio within the constraints of our investment objectives.

## **Intangible Properties**

GDH LP owns the following service marks registered with the United States Patent and Trademark Office: (1) GALAXY DIGITAL word mark, US Reg. No. 6,195,764; (2) the composite mark GALAXY DIGITAL & Design, US Reg. No. 6,195,765, (3) “Galaxy” logo mark, US Reg. No. 5,939,417, and (4) GALAXY word mark, US Reg. No. 4,576,146. GDH LP also owns the following two service mark applications pending with the United States Patent and Trademark Office: (1) GALAXY ONE word mark, US Ser. No. 97/604,452 and (2) the composite mark GALAXY & Design, US Ser. No. 97/430,914.

## UNDERSTANDING THE COMPANY'S FINANCIAL INFORMATION AND THE ITEMS THAT IMPACT SUCH INFORMATION

### Separate Financial Disclosure

As a reporting issuer, the Company complies with NI 51-102 (as defined below) and files financial statements and MD&A, as required for each quarter and fiscal year. GDH LP is not a reporting issuer and is not required to comply with NI 51-102. However, in connection with the Arrangement, and as re-filed in connection with the Company's short form base shelf prospectus, dated November 27, 2020, as amended on April 9, 2021, the Company sought exemptive relief from the Ontario Securities Commission from certain financial statement requirements. As a condition to granting the exemptive relief the Ontario Securities Commission required the following condition (among others):

*"in complying with its reporting issuer obligations, the [Company] will treat GDH LP as a subsidiary of the [Company]; however, if generally accepted accounting principles ("GAAP") used by the [Company] prohibit the consolidation of financial information of GDH LP and the [Company], then for as long as GDH LP (including any of its significant business interests) represents a significant asset of the [Company], the [Company] will provide separate audited annual financial statements and interim financial reports, prepared in accordance with the same GAAP as the [Company's] financial statements, and related MD&A, prepared in accordance with NI 51-102 or its successor, for GDH LP (including information about any of its significant business interests)"*

To determine whether the results of the Company would be consolidated with the results of GDH LP, the Company performed an analysis to determine whether the Company controlled GDH LP. If the Company was determined to control GDH LP, then the results of GDH LP would be consolidated. Based on the analysis, the general partner of GDH LP and the majority owner of GDH LP were determined to have control over GDH LP. In addition, the inverse analysis was performed to determine whether GDH LP controlled the Company, in which case the results could also be consolidated pursuant to GAAP. Based on the analysis, it was determined that GDH LP did not control the Company. As a result of the foregoing, the Company and GDH LP are each required to file their own audited annual financial statements, interim financial statements and MD&A in order to comply with the exemptive relief conditions of the Ontario Securities Commission.

### Significance of Investments and Digital Assets

GDH LP currently has significant holdings of investments and digital assets. As of December 31, 2022, GDH LP held investments of \$595.1 million, digital assets of \$566.7 million and total equity of \$1.4 billion. Changes in investments and digital assets will generally have a significant impact on GDH LP's results. The Company accounts for its investment in GDH LP under the equity method of accounting. Under this method, its investment in GDH LP is initially recorded at cost and is subsequently adjusted for its share of the profit or loss of GDH LP and for impairment losses. As the investment in GDH LP is the Company's only major asset, the results of GDH LP significantly impact the results of the Company. The Company believes that its market capitalization is a reasonable approximation of the Company's enterprise value and could be used to derive the recoverable amount of its investment in GDH LP since substantially all of the Company's value is concentrated in the investment in GDH LP. The Company recognized an impairment of its investment in GDH LP of \$216.6 million during the year ended December 31, 2022 after marking to the Company's closing share price on December 31, 2022.

Given the current materiality of GDH LP's investments and digital assets, the following information is reported in GDH LP's MD&A and is also referenced in the Company's MD&A:

- Investments by Industry
- Material Investment Positions

- Any investments or digital assets that are deemed material to GDH LP and the reasons for that materiality assessment
- Select Investments Holdings
  - The ten largest investment holdings of the entire investment portfolio, on a fair value basis, with cost and fair value information, and descriptions of those investments
  - The significant drivers of the changes in the quarter and year to date
- Select Digital Assets Holdings
  - The composition of the portfolio between digital assets with a greater than \$1 billion market cap and those with a less than \$1 billion market cap
  - The top digital asset holdings, including the quantity and fair value
- Digital Assets and Investments Risk
  - Risks regarding digital assets and the effect of a +/- 20% change in those assets
  - Risks regarding investments and the effect of a +/- 20% change in those assets
  - This risk section is supplemental to the extensive risk factors sections included in the MD&A for the year-ended December 31, 2022 and herein.

In the event that either of the control tests set out above are met, the Company's reporting of its results and those of GDH LP may change as it moves to reporting results on a consolidated basis, in accordance with GAAP. The Company also anticipates that as its business grows, the principal investments business may become less significant to its overall operations and as a result the impact and materiality of its results from those operations may become less significant. The Company expects to revisit its disclosure as its business develops.

## **DIVIDEND POLICY**

The Company has not, since its inception, declared or paid any dividends on the Ordinary Shares. The declaration of dividends on the Ordinary Shares is within the discretion of the Board and will depend on the assessment of, among other factors, capital requirements, earnings, and the operating and financial condition of the Company. At the present time, the Company's anticipated capital requirements are such that the Company follows a policy of retaining all available funds and any future earnings in order to finance business development and corporate growth. The Company does not intend to declare or pay cash dividends on its Ordinary Shares within the foreseeable future.

## **CAPITAL STRUCTURE**

### **Overview**

As of the date of this AIF, the authorized capital of the Company consisted of 2,000,000,000 Ordinary Shares of C\$0.001 par value each. As of the date of this AIF, the Company had 104,186,539 Ordinary Shares issued and outstanding and 215,973,821 B Units of GDH LP issued and outstanding (inclusive of 30,452 unvested Compensatory B units), which are exchangeable for Ordinary Shares on a one-for-one basis, pursuant to the GDH LPA.

As of the date of this AIF, the Company has granted an aggregate of 17,895,877 stock options to acquire Ordinary Shares (each, an "**Option**") to certain officers and employees of the Company pursuant to the amended and restated stock option plan approved by the Shareholders on June 24, 2019 (the "**Option Plan**"). As of the date of this AIF, Options will no longer be granted under the Option Plan as all grants will be made pursuant to the LTI Plan.

As of the date of this AIF, the Company has granted an aggregate of 5,540,000 Options, 10,472,484 restricted share units to acquire Ordinary Shares (“**Share Units**”), and 158,900 deferred share units (“**DSUs**”) to certain officers and employees of the Company pursuant to the LTI Plan. As of the date of this AIF, the number of shares remaining available for issuance under the LTI Plan is 15,764,935.

## Ordinary Shares

### *Authorized Capital*

The Company’s authorized share capital is C\$2,000,000 divided into 2,000,000,000 Ordinary Shares, each with a par value of C\$0.001.

Subject to certain limitations on the redemption and purchase of the Ordinary Shares, and relevant stock exchange approvals, the directors have general and unconditional authority to allot (with or without confirming rights of renunciation), grant options over or otherwise deal with any unissued Ordinary Shares to such persons, at such times and on such terms and conditions as they may decide.

### *Voting*

Each Ordinary Share entitles the holder thereof to one vote at any meeting of Shareholders, subject to the Certification Process Adjustment, described below.

### *Certification Process Adjustment*

The Articles of Association provide for a “certification process adjustment” (the “**Certification Process Adjustment**”) whereby, in connection with any resolution of the Shareholders (“**Shareholder Resolution**”) passed, each Shareholder shall be provided a certification as to its status, and the status of any person for whom the Shareholder holds beneficially, as a U.S. resident. In connection with the Certification Process Adjustment, in respect of any Shareholder Resolution in general meeting or in writing, each Shareholder shall be required to certify that, at the time of the general meeting (or any adjournment thereof) at which the resolution is tabled, or in the case of the resolution being proposed as a written resolution, at the time of signifying its agreement to the proposed written resolution: (a) it is not a U.S. resident; and (b) to the extent it holds Ordinary Shares for the account or benefit of any other person, such person is not a U.S. resident (each Shareholder not making such certification, a “**Non-Certifying Shareholder**”). This Certification Process Adjustment is intended to preserve the Company’s status as a “foreign private issuer” within the meaning of Rule 405 under the U.S. Securities Act and Rule 3b-4 under the Securities Exchange Act of 1934 (the “**1934 Act**”), by ensuring that the aggregate total number of votes that Non-Certifying Shareholders are entitled to cast may never exceed 49% of the total number of votes that all Shareholders are entitled to cast (pursuant to the adjustment that is described in the following paragraphs).

For the purposes of calculating the number of votes which Non-Certifying Shareholders are entitled to cast on a Shareholder Resolution, if and to the extent that, in the absence of the Certification Process Adjustment:

$$“A” > (49 \div 100) \times “B”,$$

then “A” shall be reduced so that “D” is the whole number nearest to but not exceeding:

$$“C” \times (49 \div 51).$$

Where the aggregate number of votes actually cast by Non-Certifying Shareholders (whether on a poll or on a written resolution) “for” and “against” the relevant Shareholder Resolution when added to the number of votes withheld by Non-Certifying Shareholders in respect of such resolution, exceeds “D”, then the number of: (a) votes cast “for”; (b) votes cast “against”; and (c) votes withheld in respect of, such resolution by Non-Certifying Shareholders, will each be reduced pro rata until the aggregate number of votes “for”, votes “against” and votes withheld in respect of such resolution by Non-Certifying Shareholders, is the whole number nearest to but not exceeding “D”. Where the

aggregate number of votes actually cast (whether on a poll or on a written resolution) and votes withheld, in each case by Non-Certifying Shareholders, is equal to or less than “D”, then each of such votes or votes withheld (as applicable) shall be counted and no reduction shall occur.

For the purposes of the foregoing:

“A” = the aggregate total of votes which all Non-Certifying Shareholders, whether or not actually voting, are entitled to cast, whether on a poll or on a written resolution, on the resolution prior to the operation of the Certification Process Adjustment;

“B” = “A” + “C”;

“C” = the aggregate total of votes which all holders of the Ordinary Shares who are not Non-Certifying Shareholders, whether or not actually voting, are entitled to cast, whether on a poll or on a written resolution, on the resolution; and

“D” = the aggregate total of votes all Non-Certifying Shareholders, whether or not actually voting, are entitled to cast, whether on a poll or on a written resolution, on the resolution, following the operation of the Certification Process Adjustment.

The directors may specify such other requirements or vary the requirements of the Certification Process Adjustment as they in their discretion consider necessary or appropriate to give effect to these restrictions.

#### *Share Ownership Limitations*

The Articles of Association provide the directors with the discretion to decline to register any person as a holder of a Share of the Company unless that person provides a declaration (and supporting evidence, if requested) showing that it is not a Disqualified Holder. “**Disqualified Holders**” include:

1. any investor that uses the assets of certain employee benefit plans subject to the Employee Retirement Income Security Act of 1974 (“**ERISA**”) or certain plans subject to the Internal Revenue Code (the “**Code**”), other than one all of whose holdings of Ordinary Shares were purchased from the Company (or result from conversion or exercise of securities purchased from the Company) after complete and correct disclosure by that investor to the Company with respect to its status as such;
2. any initial subscriber or subsequent transferee that is a U.S. person that is not an “accredited investor” as defined in Rule 501(a) of Regulation D under the Securities Act of 1933 (the “**U.S. Securities Act**”) and a “qualified purchaser” as defined in Section 2(a)(51) of the Investment Company Act; and
3. any person that the directors determine to whom a sale or transfer of Ordinary Shares, or in relation to whom the holding of Ordinary Shares: (i) would or could be in breach of the laws or requirements of any jurisdiction or governmental authority or in circumstances (whether directly or indirectly affecting such person, and whether taken alone or in conjunction with other persons, connected or not, or any other circumstances) appearing to the directors to be relevant; or (ii) might result in the Company incurring a liability to taxation or suffering a pecuniary, fiscal, legal, administrative or regulatory disadvantage, including the Company’s being required to register as an “investment company” under the Investment Company Act, the Company’s no longer being a “foreign private issuer” for purposes of the 1934 Act, the assets of the Company being deemed to be plan assets of a U.S. Benefit Plan Investor, the Company’s becoming subject to regulation as a depository institution holding company subsidiary or otherwise subject to banking law or the Company’s otherwise not being in compliance with the Investment Company Act, ERISA, the Code or any other provision of U.S. federal or state law or non-U.S. law.

Investment in the Company by the above-referenced types of benefit plan investors is prohibited so that the assets of the Company will not be deemed to constitute “plan assets” of the investor. Similarly, the additional restrictions are

to avoid subjecting the Company to the regulatory restrictions under both U.S. and non-U.S. laws, including under applicable U.S. securities laws.

In light of these restrictions, the directors may at any time give notice in writing to the holder of an Ordinary Share of the Company requiring that holder within such reasonable period show whether or not a Disqualified Holder is interested in such Ordinary Share of the Company. If within 14 days (or any extended or shortened time considered reasonable by the directors) the directors are not satisfied, the directors may declare that a Disqualified Holder is interested in such Ordinary Share of the Company.

With respect to any Ordinary Shares declared to be held directly or beneficially by any Disqualified Holder (such Ordinary Shares, “**Disqualifiable Shares**”), the directors shall serve written notice (a “**Transfer Notice**”) on a registered holder of Disqualifiable Shares and on any other person who is a Disqualified Holder in relation to those Disqualifiable Shares requiring the Disqualifiable Shares to be transferred or otherwise disposed of to a person that is not a Disqualified Holder within 14 days of the service of the Transfer Notice. If the Disqualified Holder fails to comply with the Transfer Notice, the directors may arrange for sale or disposal to be made.

Notwithstanding any of these requirements, the directors shall, so long as they act reasonably and in good faith, be under no liability to the Company or to any other person for failing to treat any Ordinary Share as a Disqualifiable Share or any person as a Disqualified Holder and neither shall the directors be liable to the Company or any other person if, having acted reasonably and in good faith, they determine erroneously that any Ordinary Share or other security of the Company is a Disqualifiable Share, or any person is a Disqualified Holder, or on the basis of such determination or any other determination or resolution of the directors, they perform or exercise (or purport to perform or exercise) their duties, powers, rights or discretions described above in relation to such Ordinary Share.

#### *Dividends and Other Rights*

The holders of Ordinary Shares are entitled to receive if, as and when declared by the Board, dividends in such amounts as shall be determined by the Board.

The Ordinary Shares do not carry any pre-emptive, subscription, redemption, retraction, surrender or conversion or exchange rights, nor do they contain any sinking or purchase fund provisions.

#### **Stock Options**

As of the date of this AIF, the Company has granted an aggregate of 17,895,877 Options to acquire Ordinary Shares pursuant to the terms and conditions of the Option Plan. The terms and conditions of the Option Plan are summarized in the Company’s 2019 information circular dated April 30, 2019 available under the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

As of the date of this AIF, the Company has granted an aggregate of 5,540,000 Options to acquire Ordinary Shares pursuant to the terms and conditions of the LTI Plan. The terms and conditions of the LTI Plan are summarized in the 2022 Circular available under the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

#### **Share Units**

As of the date of this AIF, the Company has granted an aggregate of 10,472,484 Share Units to acquire Ordinary Shares pursuant to the terms and conditions of the LTI Plan. The terms and conditions of the LTI Plan are summarized in the 2022 Circular available under the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

#### **Deferred Share Units**

As of the date of this AIF, the Company has granted an aggregate of 158,900 DSUs to acquire Ordinary Shares pursuant to the terms and conditions of the LTI Plan. The terms and conditions of the LTI Plan are summarized in the 2022 Circular available under the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

## **GDH LP B Units**

B Units of GDH LP do not entitle the holder the right to vote at meetings of Shareholders, but are, subject to certain limitations, including vesting conditions, exchangeable for Ordinary Shares on a one-for-one basis subject to customary adjustments for stock splits, stock dividends and reclassifications and other similar transactions. As of the date of this AIF, there are 215,973,821 B Units of GDH LP issued and outstanding (inclusive of 30,452 unvested Compensatory B units).

### *Exchange Rights*

B Units are, pursuant to their terms under the GDH LPA and subject to certain limitations, exchangeable for Ordinary Shares on a one-for-one basis subject to customary adjustments for stock splits, stock dividends and reclassifications and other similar transactions or, at the election of GDH LP, GDH LP may deliver an amount of cash in lieu of Ordinary Shares to an exchanging B Unit holder. Holders of B Units will be permitted to exchange their B Units in accordance with the terms of the GDH LPA subject to the limitations set forth in the exchange terms of the GDH LPA (“**Exchange Terms**”). To the extent GDH LP determines to exchange Ordinary Shares for surrendered B Units, the Company and/or an affiliate of the Company will receive a number of A-1 Units and A-2 Units equal to the number of Ordinary Shares that the Company issues, and the corresponding number of B Units that were surrendered will be cancelled.

Pursuant to the GDH LPA Amendments, the Exchange Terms under the GDH LPA were amended to allow for either the Company or the U.S. Blocker Subsidiary to elect to effect the exchange of all or any portion of the B Units subject to an exchange through a direct exchange of such B Units and an amount in cash equal to the current market price in lieu of delivering Ordinary Shares upon the exchange of a B Unit (“**Cash Consideration**”). Upon such direct exchange, (i) the number of B Units to be exchanged will be converted into a number of A Units that is equal to the number of B Units so exchanged, (ii) the Company or the U.S. Blocker Subsidiary, as applicable, will deliver the Cash Consideration to the exchanging holder of B Units and (iii) GDH LP will deliver the A Units converted to the Company and/or the U.S. Blocker Subsidiary, as applicable.

### *Pre-Emptive Rights of B Units Holders*

For so long as the B Unit holders own at least 10% of the total outstanding GDH LP Units, if either the Company or GDH LP offers any equity securities or securities convertible into equity (“**Participating Interests**”), the B Unit holders may purchase additional Participating Interests, but only to the extent necessary to maintain their respective proportional direct or indirect interests in GDH LP. Any such participation by B Unit holders will be on price and other terms that are no more favorable in any material respect than those applicable to other purchasers of participating interests, excluding commissions or other transaction expenses paid by the Company or GDH LP. These pre-emptive rights will be subject to certain customary carve-outs for circumstances relating to, among others, equity compensation plans, dividend or distribution reinvestment plans, and the acquisitions of businesses by the Company or GDH LP, as well as a carve-out for any exchange of B Units pursuant to the Exchange Terms.

### *Qualifications and Listing*

Subject to the other provisions of the GDH LPA (including the Exchange Terms incorporated therein), if any Ordinary Shares to be issued and delivered pursuant to an exchange of B Units require registration or qualification with or approval of or the filing of any document, including any prospectus or similar document, or the taking of any proceeding with or the obtaining of any order, ruling or consent from any governmental authority in Canada under applicable laws or the fulfilment of any other Canadian federal or provincial legal requirement before such Ordinary Shares may be issued and delivered by or on behalf of the Company to the holder thereof (other than certain “control person” and other restrictions), the Company will take all actions and do all things necessary to cause these Ordinary Shares to comply with those requirements.

The Company also will agree that it will make such filings and take such other reasonable steps as may be necessary in order: that the Ordinary Shares issued in an exchange of B Units (other than any restricted Ordinary Shares) will be approved for listing and posted for trading on the TSX or any stock exchange or marketplace on which the Ordinary

Shares then trade; and to preserve the listing on the TSX or any other relevant stock exchange or marketplace of all outstanding Ordinary Shares (other than restricted shares).

#### *Tag/Drag Rights*

The GDH LPA provides that if the holders of B Unit own at least 10% of the total outstanding GDH LP Units, and if Mr. Novogratz so requests, the Company will cause, in respect of GDH LP, a purchaser (other than the Company or an affiliate of the Company) of securities of GDH LP owned by Company (or any permitted assignee) to purchase a pro rata portion of the securities of GDH LP held by the holders of B Units, on the same terms and subject to the same conditions as are applicable to the purchase of securities of GDH LP by the purchaser. If the holders of B Units or any permitted assignee holds in aggregate less than 10% of the Ordinary Shares (on a fully exchanged basis), the Company will be entitled, in connection with the direct or indirect sale of all of its interest in GDH LP, to require the holders of B Units or any permitted assignee to sell its securities in GDH LP on the same conditions as are applicable to the Company's direct or indirect sale of its interest in GDH LP, and upon the Company making such request and completing such sale, the holders of B Units or their permitted assignees will have no further interest in GDH LP.

#### *Tax Receivable Agreement*

The Company has entered into a tax receivable agreement with Galaxy Group, certain former First Coin Shareholders and certain GDH LP employees (the "**Tax Receivable Agreement**"), as contemplated by the Arrangement, that provides for the payment by the Company to those GDH LP Partners of a material percentage (for example, 85%) of the amount of cash savings, if any, in U.S. federal, state and local and foreign income tax or franchise tax that the Company actually realizes as a result of any increase in tax basis in GDH LP's assets resulting from exchanges by those holders of B Units for Ordinary Shares in accordance with the terms of the B Units, as and when such tax benefits are realized.

The actual increase in tax basis, as well as the amount and timing of any payments under the Tax Receivable Agreement, will vary depending upon a number of factors, including the timing of exchanges by the GDH LP Partners, the price of the Ordinary Shares at the time of the exchange, the extent to which such exchanges are taxable, the amount and timing of the taxable income that the Company generates in the future, the tax rate then applicable and the portion of the Company's payments under the Tax Receivable Agreement that constitute imputed interest.

#### **GDH A Units**

The A Units are subdivided into A-1 Units, all of which are held by the Company, and A-2 Units, which are held indirectly by the Company, through the U.S. Blocker Subsidiary. The A-2 Units have no voting or governance rights under the GDH LPA. The number of A-1 Units and A-2 Units issued and outstanding, at any given time, will each be equal to the number of Ordinary Shares issued and outstanding. Any income of GDH LP that is effectively connected with a U.S. trade or business, as determined by GDH GP in its sole discretion, will be allocated in respect of the A-2 Units.

#### *Governance Rights Granted by GDH LP to Certain Limited Partners*

Generally, the GDH LPA will grant GDH GP the power to operate and manage GDH LP in accordance with the ELP Law.

Managers of the board of GDH GP (the "**GDH GP Board**") are elected by the vote of the GDH LP Partners, provided that, (a) initially, for so long as the Company owns more than 10% but no more than 50% of the outstanding GDH LP Units, the Company will have the right to appoint one manager to the GDH GP Board; (b) if at any time the Company owns more than 40% but no more than 50% of the outstanding GDH LP Units, it shall have the right to appoint a second manager to the GDH GP Board; and (c) for as long as Mr. Novogratz (A) owns directly or indirectly an amount of B Units that is greater than 25% of the total outstanding GDH LP Units and (B) owns directly or indirectly a number of B Units that is greater than (x) the number of B Units owned by any other person and (y) the number of Ordinary Shares owned by any other person, Mr. Novogratz will have the right to appoint the minimum number of managers that is greater than 50% of the number of managers on the GDH GP Board.

Generally, when the Company issues Ordinary Shares, the Company will contribute the net proceeds of that issuance to GDH LP in exchange for one A-1 Unit and one A-2 Unit for each Ordinary Share so issued and the Company will be prohibited from investing the proceeds of its issuance in any other manner. However, the GDH LPA will include certain limitations with respect to these offerings. In the event that GDH LP determines to raise equity capital, it will raise such capital through the Company, unless the GDH GP Board determines that there is a bona fide business or strategic reason to raise equity capital through the issuance of equity by GDH LP directly and then it may only do so in an aggregate amount up to 70,000,000 B Units (the “**Pre-Approved Amount**”). Any issuance of GDH LP Units that exceeds the Pre-Approved Amount must be approved by the Board. Any increase to the Pre-Approved Amount will be subject to approval by the Board and the Shareholders of the Company. Such issuances will remain at all times subject to any approvals required under corporate or applicable stock exchange rules. In the event that the Company undertakes a financing for any reason other than at the request of GDH LP, GDH LP shall not be obligated to issue additional A Units to the Company, unless such financing has been approved by holders of a majority of GDH LP Units.

Pursuant to the GDH LPA Amendments, if the Company or the U.S. Blocker Subsidiary contributes any amount received as part of a distribution under the GDH LPA in order to receive an issuance of A Units (a “**Distribution**”), then the general partner of GDH LP shall consolidate the GDH LP Units in a manner that reduces the number of A Units outstanding following the Distribution to the number of A Units outstanding immediately prior to that particular Distribution, and make a corresponding pro rata reduction to the number of outstanding B Units.

In addition, the Company will have the following consent rights (exercised either by vote of the Board or by vote of the Shareholders):

1. In addition to the requisite approval of GDH GP and the GDH LP Partners, (i) any issuance of B Units, in a transaction or series of related transactions, in an aggregate amount greater than 25% of the GDH LP Units outstanding as of immediately before the transaction or series of related transactions and (ii) the authorization of award units in excess of the amount most recently approved by the Shareholders will require approval by the Board and by ordinary Shareholder Resolution.
2. In addition, any bona fide sale of all or substantially all of the businesses or assets of GDH LP will require approval by GDH GP, by the GDH LP Partners and by special Shareholder Resolution.
3. In addition to the requisite approval of GDH GP, any amendment to the GDH LPA that could reasonably be expected to be materially adverse to the Company will require approval by the Board and by special Shareholder Resolution.
4. In addition to the approval of GDH GP, (i) any change in the auditors, and (ii) any issuance of B Units for less than a value calculated in accordance with the rules of the stock exchange on which the Ordinary Shares are listed (less any permissible discounts), will require approval by the Board.

In addition, any material related party transactions involving GDH LP will require approval by the following parties (not including any constituents therein that are interested in relevant transaction): (i) the managers of GDH GP, (ii) the GDH LP Partners, (iii) the Board and (iv) the Shareholders. Such approvals are in addition to, and not replacement of, any approvals required by applicable law or exchange requirements.

It is important for Shareholders to note that the Company will have no right, and GDH GP will have no obligation, to cause GDH LP to make distributions to GDH LP Partners or withdrawals from GDH LP, including the Company. See “*Dividends*” above.

A full description of the terms of the GDH LP Units is contained in the GDH LPA. A copy of the GDH LPA is available under the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

## Debt - Exchangeable Notes

On December 9, 2021, GDH LP issued \$500 million aggregate principal amount of 3.00% Exchangeable Notes. Subject to the satisfaction of certain conditions and certain periods, holders of the Exchangeable Notes may opt to exchange such Exchangeable Notes (i) prior to the Reorganization, for Ordinary Shares and (ii) following the Reorganization, for Class A Shares, in each case, at GDH LP's election, cash or a combination thereof. The Exchangeable Notes have an initial exchange rate of 7,498.2210 Ordinary Shares per US\$250,000 principal amount, equivalent to an initial exchange price of approximately US\$33.3412 per Ordinary Share (C\$42.6467 equivalent based on the November 26, 2021 exchange rate), up to a maximum of 21,274,971 Ordinary Shares issuable pursuant to the Exchangeable Notes (assuming that all such exchanges are settled by the delivery of shares, and subject to adjustment). The Company has purchased and cancelled \$55 million of the Notes in 2022 at a discount. As of December 31, 2022, a maximum of 18,934,725 Ordinary Shares are issuable pursuant to the outstanding Exchange Notes (assuming that all such exchanges are settled by the delivery of shares, and subject to adjustment).

The Exchangeable Notes will mature on December 15, 2026 unless earlier exchanged, redeemed or repurchased. Interest on the Exchangeable Notes will be payable on June 15 and December 15 of each year, beginning on June 15, 2022. The Exchangeable Notes will be general senior unsecured obligations of GDH LP.

The exchange rate applicable to the Exchangeable Notes is subject to adjustment if certain events occur. Further, following certain corporate events that occur prior to the maturity date, in certain circumstances the exchange rate will increase for the Exchangeable Notes of a holder who elects to exchange its Exchangeable Notes in connection with such occurrence.

In addition, if the Company, or PubCo, as applicable, undergoes a "fundamental change", subject to certain conditions, holders of Exchangeable Notes may require the GDH LP to repurchase for cash all or any portion of their Exchangeable Notes in principal amounts of US\$250,000 or integral multiple thereof. The fundamental change repurchase price will be equal to 100% of the principal amount of the Exchangeable Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date.

GDH LP may not redeem the Exchangeable Notes prior to December 15, 2024. GDH LP may redeem for cash all or part of the Exchangeable Notes, as its option, from time to time on or after December 15 2024 if the last reported sale price of Ordinary Shares or Class A Shares, as applicable, has been at least 130% of the exchange price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which GDH LP provides notice of redemption, at a price equal to 100% of the principal amount of the Exchangeable Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

## MARKET FOR SECURITIES

The Company's Ordinary Shares trade on the TSX under the symbol "GLXY".

The following table sets forth, for the Company's financial year ended December 31, 2022, and the subsequent period, the reported high and low prices and volume traded on the TSX.

### Toronto Stock Exchange

<u>Month</u>	<u>High (C\$)</u>	<u>Low (C\$)</u>	<u>Volume</u>
January 2022	25.16	13.60	14,394,303
February 2022	20.07	13.26	12,111,777
March 2022	27.49	13.80	18,665,656
April 2022	21.73	13.92	12,781,739
May 2022	15.20	6.06	30,107,922
June 2022	8.36	4.72	24,681,623

<u>Month</u>	<u>High (C\$)</u>	<u>Low (C\$)</u>	<u>Volume</u>
July 2022	7.58	4.51	20,947,065
August 2022	9.39	6.07	23,150,190
September 2022	8.30	5.61	15,688,241
October 2022	7.67	5.83	15,244,877
November 2022	6.84	3.63	24,786,782
December 2022	4.54	3.325	18,050,955
January 2023	5.71	3.86	14,551,686
February 2023	5.81	4.30	17,857,972
March 1 to March 27, 2023	4.89	3.60	14,191,314

### PRIOR SALES

The following table summarizes the details of each class of securities of Galaxy or GDH LP that are outstanding but not listed or quoted on a marketplace issued by Galaxy or GDH LP during the period beginning January 1, 2022 and ending December 31, 2022:

#### Stock Options under the LTI Plan

<u>Date of Issuance</u>	<u>Number of Stock Options Issued</u>	<u>Exercise Price (C\$)</u>	<u>Reason for Issuance</u>
April 1, 2022	1,115,000	\$21.30	Employee – Incentive Compensation
April 1, 2022	200,000	\$23.00	Employee – Incentive Compensation
May 11, 2022	200,000	\$10.52	Employee – Incentive Compensation
June 30, 2022	50,000	\$5.39	Employee – Incentive Compensation

#### Share Units under the LTI Plan

<u>Date of Issuance</u>	<u>Number of RSUs Issued</u>	<u>Fair Value (C\$)</u>	<u>Reason for Issuance</u>
April 1, 2022	5,568,816	\$20.40	Employee – Incentive Compensation
May 11, 2022	451,246	\$8.15	Employee – Incentive Compensation
June 30, 2022	261,906	\$4.83	Employee – Incentive Compensation
August 4, 2022	44,000	\$7.59	Employee – Incentive Compensation
September 26, 2022	147,550	\$5.96	Employee – Incentive Compensation
November 7, 2022	120,000	\$5.60	Employee – Incentive Compensation

#### DSUs under the LTI Plan

<u>Date of Issuance</u>	<u>Number of DSUs Issued</u>	<u>Fair Value (C\$)</u>	<u>Reason for Issuance</u>
March 29, 2022	22,822	\$25.76	Director – Incentive Compensation

<u>Date of Issuance</u>	<u>Number of DSUs Issued</u>	<u>Fair Value (C\$)</u>	<u>Reason for Issuance</u>
August 4, 2022	102,214	\$7.59	Director – Incentive Compensation

### ESCROW SECURITIES

As of the date of this AIF, to the knowledge of Galaxy, no securities of Galaxy were held in escrow or are subject to contractual restrictions on transfer other than those disclosed below.

<u>Designation of class</u>	<u>Number of securities held in escrow or that are subject to a contractual restriction on transfer</u>	<u>Percentage of class</u>	<u>Depository</u>
Ordinary Shares	811,262 <sup>(1)</sup>	0.78%	TSX Trust
Ordinary Shares	152,864 <sup>(2)</sup>	0.15%	TSX Trust
Ordinary Shares	563,618 <sup>(3)</sup>	0.54%	TSX Trust

**Notes:**

- (1) These Ordinary Shares are subject to an escrow requirement in the merger agreement for the purpose of satisfying indemnification claims pursuant to the obligations set forth in the agreement.
- (2) These Ordinary Shares are subject to an escrow requirement in the merger agreement for the purpose of satisfying indemnification claims pursuant to the obligations set forth in the agreement.
- (3) These Ordinary Shares are held in escrow in connection with remuneration paid to certain employees of Vision Hill following the acquisition of Vision Hill by the Company. These Ordinary Shares are payable in three equal payments in the three years following the closing date of the transaction, on the condition that they are still employed by the Company.

### EXECUTIVE OFFICERS AND DIRECTORS

#### Identifying Information and Holdings

The following sets forth the names and province or state and country of residence of our directors and executive officers, the offices held by them in the Company and GDH LP, and their principal occupations during the last five years as at the date of this AIF and at December 31, 2022.

<u>Name, Place of Residence and Position</u>	<u>Director<sup>(1)</sup>/Office r/Manager Since</u>	<u>Position and Principal Occupation in the Past Five Years</u>	<u>Ordinary Shares beneficially owned or controlled/directed</u>
Michael Novogratz New York, USA <i>Director and Chief Executive Officer</i>	July 31, 2018	Chief Executive Officer of the Company and Galaxy Digital LP (November 2017 to Present)  Private Investor (January 2016 to November 2017)	522,945 <sup>(4)</sup>
<i>Manager of GDH GP (Cayman)</i>		Partner, Fortress Investment Group (since at least November 2014 to January 2016)	

<b>Name, Place of Residence and Position</b>	<b>Director<sup>(1)</sup>/Office r/Manager Since</b>	<b>Position and Principal Occupation in the Past Five Years</b>	<b>Ordinary Shares beneficially owned or controlled/directed</b>
Bill Koutsouras <sup>(2)</sup> Providenciales, Turks and Caicos Islands <i>Lead Director</i>	July 31, 2018	Principal, Kouts Capital (since at least November 2014 to Present)	Nil <sup>(5)</sup>
Theagenis Iliadis <sup>(2)(3)</sup> Athens, Greece <i>Director</i>  <i>Manager of GDH GP (Cayman)</i>	July 31, 2018	Real Estate Developer and Investor (since at least November 2014 to Present)	Nil <sup>(6)</sup>
Nereida Flannery <sup>(3)</sup> Hong Kong, China <i>Director</i>	July 31, 2018	Cross-border M&A Advisor (May 2019 to Present)  Managing Partner, GMP Securities Asia (since at least November 2014 to 2019)	Nil <sup>(7)</sup>
Dominic Docherty <sup>(2)</sup> Dubai, United Arab Emirates <i>Director</i>  <i>Manager of GDH GP (Cayman)</i>	July 31, 2018	Entrepreneur and founder BIOS Middle East, CloudHPT.com, Capital Assured (since at least November 2014 to Present)	89,100 <sup>(8)</sup>
Michael Daffey London, England <i>Chairman of the Board</i>	September 1, 2021	Partner, Chairman of the Global Markets Division, and a Member of the Management Committee, Goldman Sachs (since at least November 2014 to 2021)	495,000 <sup>(9)</sup>
Jane Dietze <sup>(2)(3)</sup> Rhode Island, US <i>Director</i>	March 2, 2022	Chief Investment Officer in the Investment Office of Brown University (2018 to Present)  Managing Director, Brown University (since at least November 2014 to 2018)	Nil <sup>(10)</sup>

<b>Name, Place of Residence and Position</b>	<b>Director<sup>(1)</sup>/Office r/Manager Since</b>	<b>Position and Principal Occupation in the Past Five Years</b>	<b>Ordinary Shares beneficially owned or controlled/directed</b>
Damien Vanderwilt Queensland, Australia <i>Director</i>	February 14, 2023	Senior Advisor (February 2023 to Present)  Co-President (December 2020 to February 2023)  Head of Global Markets (December 2020 to January 2023)  Partner, Global Head FICC Execution Services, Goldman Sachs (September 2016 to November 2020)  Managing Director, Head EMEA Equities Execution Services & Trading, Goldman Sachs (since at least November 2014 to September 2016)	1,706,600 <sup>(11)</sup>
Christopher Ferraro New York, USA <i>President</i>  <i>Manager of GDH GP (Cayman)</i>	July 31, 2018	President (February 7, 2022 to Present)  Co-President (December 2020 to February 7, 2022)  President (July 2019 to September 2020)  Chief Investment Officer of the Company and Galaxy Digital LP (January 2018 to July 2019)  Chief Investment Officer, Galaxy Investment Partners, (June 2017 to January 2018)  Managing Director, HPS Investments Partners (since at least November 2014 to June 2017)	157,500 <sup>(12)</sup>
Rhonda Adams Medina New Jersey, USA  <i>Manager of GDH GP (Cayman)</i>	September 28, 2020	Global Head of Content Legal at Audible, Inc. (an Amazon company) (August 2022 to Present)  Director, Business and Legal Affairs, Netflix (January 2019 to August 2022)  VP Business and Legal Affairs, NBC Universal Kids (September 2016 to December 2018)  Senior VP and Deputy General Counsel Business and Legal Affairs, Nickelodeon (since at least November 2014 to October 2015)	Nil <sup>(13)</sup>

<b>Name, Place of Residence and Position</b>	<b>Director<sup>(1)</sup>/Office r/Manager Since</b>	<b>Position and Principal Occupation in the Past Five Years</b>	<b>Ordinary Shares beneficially owned or controlled/directed</b>
Richard Tavoso New York, USA <i>Manager of GDH GP (Cayman)</i>	July 31, 2018	President of the Company (July 2018 to December 2018)  President of GDH GP (December 2017 to July 2018)  Managing Director, Head of Global Arbitrage & Trading Division at RBC Capital Markets (since at least November 2014 to January 2015)	800,000 <sup>(14)</sup>
Alex Ioffe Connecticut, USA <i>Chief Financial Officer</i>	April 1, 2021	Chief Financial Officer of Galaxy Digital Holdings Ltd. (April 2021 to Present)  Chief Financial Officer of Virtu Financial (September 2019 to August 2020)  Chief Financial Officer for the brokerage business of Interactive Brokers (since at least November 2014 to September 2019)	45,395 <sup>(15)</sup>
Steve Kurz New York, USA <i>Head of Asset Management</i>	July 31, 2018	Head of Asset Management of the Company and Galaxy Digital LP (December 2017 to Present)  Co-Founder of Outer Realm VR (March 2017 to December 2017)  Head of Business Development, River Birch Capital (since at least November 2014 to February 2017)	55,000 <sup>(16)</sup>
Andrew Siegel New York, USA <i>General Counsel &amp; Chief Compliance Officer</i>	July 31, 2018	General Counsel and Chief Compliance Officer (July 2018 to Present)  Chief Compliance Officer, Galaxy Digital LP (December 2017 to July 2018)  Variety of legal and compliance roles at Perella Weinberg Partners, including General Counsel, Chief Compliance Officer, and Chief Regulatory Officer (since at least November 2014 to December 2017)	156,578 <sup>(17)</sup>

<u>Name, Place of Residence and Position</u>	<u>Director<sup>(1)</sup>/Office r/Manager Since</u>	<u>Position and Principal Occupation in the Past Five Years</u>	<u>Ordinary Shares beneficially owned or controlled/directed</u>
Erin Brown Illinois, USA <i>Chief Operating Officer</i>	May 14, 2021	Chief Risk Officer at Jump Trading (January 2020 – May 2021)  Head of Global Treasury and Operations at DRW (since at least November 2014 to January 2020)	35,547 <sup>(18)</sup>
Francesca Don Angelo, New York, USA <i>Corporate Secretary</i>	July 31, 2018	Corporate Secretary of the Company and Galaxy Digital LP (March 2018 to Present)  Managing Director, Managing Counsel and Assistant Corporate Secretary of The Bank of New York Mellon Corporation (since at least November 2014 to March 2018)	89,117 <sup>(19)</sup>
Michael Ashe New York, USA <i>Head of Investment Banking</i>	October 26, 2020	Head of Investment Banking (October 2020 to Present)  Director - Investment Banking at Oppenheimer & Co. Inc.(January 2015 to October 2020)	Nil <sup>(20)</sup>
Jason Urban Illinois, USA <i>Head of Trading</i>	November 12, 2020	Head of Trading (November 2020 to Present)  Chief Executive Officer at Drawbridge Lending (June 2018 to November 2020)  Trader at DRW Trading Group (since at least November 2014 to May 2018)	260,508 <sup>(21)</sup>

**Notes:**

- (1) All of the directors' appointments expire at the next annual meeting of the Shareholders.
- (2) Member of the Audit Committee.
- (3) Member of the Compensation, Corporate Governance, Nominating Committee
- (4) In addition to the Ordinary Shares listed in the table above, Mr. Novogratz holds 205,096,000 B Units that are exchangeable into 205,096,000 Ordinary Shares.
- (5) Mr. Koutsouras holds 150,000 Options entitling him to acquire an additional 150,000 Ordinary Shares and 20,246 DSUs entitling him to acquire an additional 20,246 Ordinary Shares.
- (6) Mr. Iliadis holds 150,000 Options entitling him to acquire an additional 150,000 Ordinary Shares and 20,246 DSUs entitling him to acquire an additional 20,246 Ordinary Shares.
- (7) Ms. Flannery holds 150,000 Options entitling her to acquire an additional 150,000 Ordinary Shares and 20,246 DSUs entitling her to acquire an additional 20,246 Ordinary Shares.
- (8) In addition to the Ordinary Shares listed in the table above, Mr. Docherty holds 150,000 Options entitling him to acquire an additional 150,000 Ordinary Shares and 20,246 DSUs entitling him to acquire an additional 20,246 Ordinary Shares.
- (9) In addition to the Ordinary Shares listed in the table above, Mr. Daffey holds 500,000 Options entitling him to acquire an additional 500,000 Ordinary Shares and 1,005,000 RSUs entitling him to acquire an additional 1,005,000 Ordinary Shares.
- (10) Ms. Dietze holds 37,424 DSUs entitling her to acquire an additional 37,424 Ordinary Shares.
- (11) In addition to the Ordinary Shares listed in the table above, Mr. Vanderwilt holds 7,384,300 Options entitling him to acquire an additional 7,384,300 Ordinary Share and 440,956 RSUs entitling him to acquire an additional 440,956 Ordinary Shares.

- (12) In addition to the Ordinary Shares listed in the table above, Mr. Ferraro holds 4,661,001 B Units that are exchangeable into 4,661,001 Ordinary Shares, 1,005,700 Options entitling him to acquire an additional 1,005,700 Ordinary Shares and 1,592,688 RSUs entitling him to acquire an additional 1,592,688 Ordinary Shares.
- (13) Ms. Medina holds 150,000 Options entitling her to acquire an additional 150,000 Ordinary Shares and 20,246 DSUs entitling her to acquire an addition 20,246 Ordinary Shares.
- (14) In addition to the Ordinary Shares listed in the table above, Mr. Tavoso holds 150,000 Options entitling him to acquire an additional 150,000 Ordinary Shares and 20,246 DSUs entitling him to acquire an additional 20,246 Ordinary Shares.
- (15) In addition to the Ordinary Shares listed in the table above, Mr. Ioffe holds 750,000 Options entitling him to acquire an additional 750,000 Ordinary Shares and 300,395 RSUs entitling him to acquire an additional 300,395 Ordinary Shares.
- (16) In addition to the Ordinary Shares listed in the table above, Mr. Kurz holds 1,520,278 B Units that are exchangeable into 1,520,278 Ordinary Shares, 1,072,700 Options entitling him to acquire an additional 1,072,700 Ordinary Shares, and 469,808 RSUs entitling him to acquire an additional 469,808 Ordinary Shares.
- (17) In addition to the Ordinary Shares listed in the table above, Mr. Siegel holds 223,169 B Units that are exchangeable into 223,169 Ordinary Shares, 660,400 Options entitling him to acquire an additional 660,400 Ordinary Shares and 63,500 RSUs entitling him to acquire an additional 63,500 Ordinary Shares.
- (18) In addition to the Ordinary Shares listed in the table above, Ms. Brown holds 750,000 Options entitling her to acquire an additional 750,000 Ordinary Shares and 297,340 RSUs entitling her to acquire an additional 297,340 Ordinary Shares.
- (19) In addition to the Ordinary Shares listed in the table above, Ms. Don Angelo holds 291,000 Options entitling her to acquire an additional 291,000 Ordinary Shares, and 119,583 RSUs entitling her to acquire an additional 119,583 Ordinary Shares.
- (20) Mr. Ashe holds 60,903 B Units that are exchangeable into 60,903 Ordinary Shares, 1,400,000 Options entitling him to acquire an additional 1,400,000 Ordinary Shares and 55,856 RSUs entitling him to acquire an additional 55,846 Ordinary Shares.
- (21) In addition to the Ordinary Shares listed in the table above, Mr. Urban holds 730,000 Options entitling him to acquire an additional 730,000 Ordinary Shares and 206,059 RSUs entitling him to acquire an additional 206,059 Ordinary Shares.

### **Share Ownership by Directors and Executive Officers**

As of the date of this AIF, as a group, the Company's and GDH LP's directors and executive officers beneficially owned, directly or indirectly, or exercised control over 3,788,290 Ordinary Shares, representing 3.64% of the issued and outstanding Ordinary Shares of the Company.

As of the date of this AIF, as a group, the Company's and GDH LP's directors and executive officers also beneficially owned, directly or indirectly, or exercised control over 211,561,351 B Units, 11,694,100 Options, 4,090,752 Share Units and 158,900 DSUs.

On a fully diluted, fully exchanged basis, the Company's and GDH LP's directors and executive officers beneficially own, directly or indirectly, or exercise control over 231,293,292 Ordinary Shares, representing 62.77% of the issued and outstanding Ordinary Shares on a fully diluted and fully exchanged basis (not including Ordinary Shares issuable pursuant to the Exchangeable Notes and assuming all options were exercised and "in the money").

### **CORPORATE CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES AND SANCTIONS**

No director or executive officer of Galaxy or GDH LP is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including Galaxy and GDH LP), that was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days:

1. that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
2. that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Except as disclosed below, no director or executive officer of Galaxy or GDH LP, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of Galaxy or GDH LP:

1. is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company (including Galaxy and GDH LP) that, while that person was acting in that capacity,

or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact; or

2. has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of Galaxy or GDH LP, or a shareholder holding a sufficient number of securities of Galaxy or GDH LP to affect materially the control of Galaxy or GDH LP, has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### CONFLICTS OF INTEREST

The Company will undergo the Reorganization to redomicile from the Cayman Islands to Delaware, as described in the material change report of the Company filed on SEDAR on May 14, 2021 subject to ongoing SEC review, stock exchange approval and approval of Shareholders.

The directors and officers of Galaxy may have interests in the Reorganization that are, or may be, different from, or in addition to, the interests of other Shareholders, as described in the material change reports of the Company filed on SEDAR on May 14, 2021 and March 30, 2022.

Other than as disclosed herein, none of our directors, officers or principal shareholders and no associates or affiliates of any of them, have or have had any material interest in any transaction which materially affects us. There are potential conflicts of interest to which our directors and officers will be subject in connection with our operations. In particular, certain of our directors are involved in managerial and/or director positions with other companies whose operations may, from time to time, be in direct competition with our operations or with entities which may, from time to time, provide financing to, or make equity investments in, our competitors. See *“Risk Factors– In the event that our employees, contractors or any of our affiliates engage in misconduct or commit errors, it may materially adversely impact our business, operating results and our reputation”*.

Some of the individuals acting as directors, managers or officers of the Company or GDH GP, as applicable, are also directors, officers and/or promoters of other reporting and non-reporting issuers. As of the date of this AIF and to the knowledge of the directors and officers of the Company and GDH GP, there are no existing conflicts of interest between the Company, GDH GP or a subsidiary or affiliate of the Company and a proposed director, officer or promoter of the Company, GDH GP or a subsidiary or affiliate of the Company, as applicable.

As a diversified financial services and investment management business, GDH LP intends to engage in a broad spectrum of activities, and it is possible that situations could arise in which the activities of GDH LP or its affiliates or their partners, members, directors, officers and employees conflict with the interests of the GDH LP’s clients and investors.

In order to address potential conflicts of interest, personal investment holdings and certain transactions by, and outside business activities of GDH LP, or its affiliates or their partners, members, directors, officers and employees (collectively, **“Related Parties”**), the Company adopted the Global Code of Conduct (the **“Global Code”**). The Compensation, Corporate Governance and Nominating Committee’s Charter indicates that it will monitor conflicts of interest (real or perceived) of members of the Board and management in accordance with the Global Code and report to the Board on compliance with, material departures from, and investigations and any resolutions of complaints received under, the Global Code and approve waivers from the Global Code as the Committee considers appropriate, and where necessary recommend changes to the Board for approval. GDH LP has also adopted an ethics code,

comprised of policies and procedures set out in the GDH LP's Code of Business Ethics and Conduct (the "**Ethics Code**") and GDH LP's Personal Trading Accounts Policy, which are designed to mitigate business conflicts of interest. Pursuant to the Ethics Code, personal investment holdings, including in digital assets, and outside business activities of Related Parties must be disclosed to, and certain transactions and outside activities are subject to pre-clearance by, GDH LP's Legal and Compliance group. With respect to matters subject to pre-clearance, it is expected that GDH LP generally will not approve a Related Party's transaction or activity if it is subject to an internal restriction (such as those related to the receipt of material, non-public information), or competes or conflicts with GDH LP's or its affiliates activities or a client's transaction, or violates GDH LP's internal policies or any fiduciary duties of GDH LP or its affiliates to any client, or creates the appearance of impropriety.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

In the ordinary course of business, the Company, GDH LP and its subsidiaries may be threatened with, named as defendants in, or made parties to pending and potential legal actions. We do 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.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except as otherwise disclosed herein, in the 2022 Circular and in the Financial Disclosure (as defined below), no informed person, as such term is defined in National Instrument 51-102 – Continuous Disclosure Obligations ("**NI 51-102**"), of the Company, no proposed director of the Company, and no associate or affiliate of any informed person or proposed director has had any material interest, direct or indirect, in any transaction since January 1, 2022 or in any proposed transaction which has materially affected or would materially affect the Company.

## **AUDITOR, TRANSFER AGENT AND REGISTRAR**

The auditor of the Company is KPMG LLP at its offices located at 345 Park Avenue, New York, NY, 10154.

The transfer agent and registrar of the Company is TSX Trust Company ("**TSX Trust**"), at its offices located at 200 University Avenue, Suite 300, Toronto, Ontario M5H 4H1.

## **MATERIAL CONTRACTS**

Galaxy is a party to the following material contracts as defined in National Instrument 51-102 – *Continuous Disclosure Obligations*.

1. The Fifth Amended and Restated Limited Partnership Agreement of GDH LP dated November 24, 2022, following the Fourth Amended and Restated Limited Partnership Agreement of GDH LP dated June 23, 2020, following the Third Amended and Restated Limited Partnership Agreement of GDH LP dated November 27, 2018, following the Second Amended and Restated Limited Partnership Agreement of GDH LP dated July 31, 2018 and the initial form of the limited partnership agreement of GDH LP entered into on May 10, 2018, in connection with the Arrangement.

As noted above, the Company's only significant asset is its minority ownership interest in GDH LP in the form of A-1 Units and A-2 Units. However, there are certain rights granted to the Company in the GDH LPA in exchange for certain agreements on the Company's part. See "*Corporate Structure – Intercorporate Relationships*".

A copy of the GDH LPA is available under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

2. The Indenture dated as of December 9, 2021 between GDH LP, the Company, Pubco and the Bank of New York Mellon in connection to the Exchangeable Notes. See "*General Development of the Business – Three Year History – 2021*".

A copy of the Indenture is available under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

3. The Limited Liability Company Agreement of GDH GP dated July 26, 2018 ("**GP LLC Agreement**") of GDH GP, in connection with the Arrangement. GDH GP was formed and registered pursuant to the ELP Law and in accordance with the GP LLC Agreement and the GDH LPA. The GP LLC Agreement established that the management of GDH GP, vested exclusively in the appointed managers, appointed or replaced in accordance with the provisions of the GDH LPA and the GP LLC Agreement.

### **INTEREST OF EXPERTS**

The financial statements of GDH Ltd. for the fiscal years ended December 2021 and 2022 were audited by KPMG. In addition, the financial statements of GDH LP for the fiscal years ended December 2021 and 2022 were audited by KPMG.

KPMG has confirmed that they are independent from the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

### **AUDIT COMMITTEE**

#### **Audit Committee Charter**

The Audit Committee of the Board (the "**Audit Committee**") operates under a written charter that sets out its responsibilities and composition requirements. The text of the Audit Committee charter is appended as Appendix "A" to this AIF.

#### **Composition of the Audit Committee**

The Audit Committee is comprised of Bill Koutsouras, Dominic Docherty, Theagenis Iliadis and Jane Dietze, all of whom are financially literate as such term is defined in NI 52-110 and are considered independent pursuant to NI 52-110. A description of the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member may be found above under the heading "*Executive Officers and Directors – Identifying Information and Holdings*".

#### **Relevant Education and Experience**

See heading "*Executive Officers and Directors – Identifying Information and Holdings*" above for a description of the education and experience of each of the members of the Audit Committee that is relevant to their performance as an audit committee member, in particular, the education and experience that provides the members with:

1. an understanding of the accounting principles used by the issuer to prepare its financial statements;
2. the ability to assess the general application of those principles in connection with the accounting for estimates, accruals and provisions;
3. experience preparing, auditing, analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the issuer's financial statements, or experience actively supervising individuals engaged in such activities; and
4. an understanding of internal controls and procedures for financial reporting.

Additional information is contained in the 2022 Circular available under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

## Reliance on Certain Exemptions

At no time since January 1, 2022 has the Company relied on the exemptions in section 2.4 of NI 52-110 (*De Minimis Non-audit Services*), subsection 3.2 of NI 52-110 (*Initial Public Offerings*), subsection 3.3(2) of NI 52-110 (*Controlled Companies*), subsection 3.4 of NI 52-110 (*Events Outside Control of Member*), subsection 3.5 (*Death, Incapacity or Resignation*), subsection 3.6 of NI 52-110 (*Temporary Exemption for Limited and Exceptional Circumstances*), subsection 3.8 of NI 52-110 (*Acquisition of Financial Literacy*) or an exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*) by a securities regulatory authority or regulator.

## Audit Committee Oversight

Since the commencement of the Company's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Company's Board.

## Pre-Approval Policies and Procedures

The Audit Committee has authority and responsibility for pre-approval of all non-audit services to be provided to the Company or its subsidiary entities by the external auditors or the external auditors of the Company's subsidiary entities, unless such pre-approval is otherwise appropriately delegated or if appropriate specific policies and procedures for the engagement of non-audit services have been adopted by the Audit Committee.

## External Auditor Service Fees by Category

The aggregate fees billed by the Company's auditor in the last two financial years for services in each of the categories indicated are as follows:

<u>Financial Year Ending</u>	<u>Audit Fees<sup>(1)</sup></u>	<u>Audit Related Fees<sup>(2)</sup></u>	<u>Tax Fees<sup>(3)</sup></u>	<u>All Other Fees<sup>(4)</sup></u>
December 31, 2022	\$8.3 million	\$1.3 million	-	\$0.9 million
December 31, 2021	\$11.3 million	\$2.7 million	Nil	Nil

### Notes:

- (1) Audit Fees consist of fees incurred for the annual audit of the Company's financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements. Audit fees for the financial years ending December 31, 2021 and 2022 also include fees billed in connection with the Reorganization.
- (2) Audit Related Fees consist of fees paid or accrued for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements that are not included under "Audit Fees" in the table above.
- (3) Tax Fees relate to fees paid or accrued for tax compliance, tax advice and tax planning services.
- (4) All Other Fees include fees for products and services other than the services reported in Audit Fees, Audit Related Fees and Tax Fees.

## MARKET CONTROLS AND REGULATION

Below is a description of the regulations, requirements or regimes that are, or are expected to be, applicable to our businesses by jurisdiction.

The worldwide regulation of investing and financial businesses is extremely complex; digital assets make up a relatively new and rapidly evolving space. We are expected to be guided in significant part by regulatory regimes that are not clear or are not yet developed. We intend to use our internal legal and compliance expertise, in consultation with our outside counsel, to determine how to engage in our business activities so as to obtain the appropriate licenses

or to be able to rely on an exception or exemption from any relevant registration requirement. We will continue to monitor the laws and guidance issued in these jurisdictions that may be applicable to our business.

## United States

Our business is subject to multiple complex regulatory regimes in the United States. For a discussion of certain U.S. regulatory risks, see *“Risk Factors—Risks Related to Our Operations—A determination that a digital asset is a “security” for purposes of the U.S. federal securities laws could adversely affect the value of that digital asset and potentially digital assets generally, and could therefore adversely impact our business, financial condition and results of operations as well as the market price of the Ordinary Shares”*; *“Risk Factors—Risks Related to Our Operations—A determination that a digital asset is a “security” for purposes of the U.S. federal securities laws could have adverse regulatory consequences for us, and could therefore adversely impact our business, financial condition and results of operations as well as the market price of the Ordinary Shares”*; and *“Risk Factors—Risks Related to Our Operations—Our process for analyzing whether or not a particular digital asset is a security for purposes of the federal securities laws may not yield results that are consistent with subsequent determinations by the SEC or federal courts, or with similar determinations made by our competitors.”*

### *Securities Regulation Generally*

A key question that we face in virtually all of our business lines is whether the digital assets we transact in are “securities” under the federal securities laws. As a general matter, if a particular digital asset is a security, any transaction in that digital asset that falls under U.S. jurisdiction would be subject to the SEC’s anti-fraud and anti-manipulation authority. In addition, offers and sales of that digital asset would require registration under the Securities Act or, alternatively, establishing an exemption from registration. Our involvement in these transactions could subject us to regulation as a broker-dealer or investment adviser, as discussed below under *“—Broker-Dealer Regulation”* and *“—Investment Adviser Regulation.”* And while transactions in digital asset securities in the United States or with U.S. clients and counterparties would generally be subject to regulation under the federal securities laws, similar transactions that take place outside the United States with non-U.S. clients and counterparties generally would not implicate the federal securities laws. As a result, the manner in which we are able to engage in transactions in a particular digital asset depends on the digital asset itself and the characteristics of the specific transaction, and requires us to maintain procedures for conducting careful facts-and-circumstances analyses.

For transactions in digital assets (other than those carried out on digital asset trading platforms in which we act on a proprietary basis as an investor), our procedures sort individual digital assets into two categories:

- *No Restrictions*—digital assets that we may transact in the United States or with U.S. clients and counterparties. These are digital assets for which we have identified what we believe to be reasonable grounds for concluding the digital assets are not securities under the federal securities laws.
- *Non-US*—digital assets that we may transact only outside the United States with non-U.S. clients and counterparties. These are digital assets that do not meet the criteria for inclusion in the “No Restrictions” category.

We have adapted our process for determining the federal securities law status of digital assets over time. Prior to 2018, our activities primarily involved Bitcoin and Ethereum and their various forks. Beginning in January 2018, we implemented a procedure whereby before transacting in a new digital asset, our trading desk would seek approval from the legal department; the legal department would generally discuss the digital asset with other Galaxy employees to determine whether the digital asset appeared to have a consumptive use, as opposed to a merely speculative investment use, and if so approve it for transactions. Beginning in January 2019, our legal department introduced a new product approval form in order to standardize the process that was initiated the previous year, and responsibility for approving and categorizing new digital assets was assigned to a risk committee later renamed the “Token Committee” composed of senior executives, including members of the legal department, and advised by the legal department (the “**Token Committee**”). In August 2020, with the benefit of several months’ experience using the Token Committee approval process, our legal department updated the new product approval form to more closely

align with the analysis being conducted by the Token Committee with advice of the legal department. In August 2021, the Token Committee introduced an element to the approval process in addition to the new product approval form, generally requiring a third-party assessment of a digital asset's federal securities law status, which may include a legal analysis prepared by external lawyers.

As part of our federal securities law analytical process, we take into account a number of factors, including the various definitions of "security" under the federal securities laws and federal court decisions interpreting elements of these definitions, such as the U.S. Supreme Court's decisions in the *Howey* and *Reves* cases, as well as reports, orders, press releases, public statements and speeches by the SEC and its staff providing guidance on when a digital asset may be a security for purposes of the federal securities laws. We continue to monitor the U.S. (and global) regulatory environment, and we expect our process to continuously evolve to take into account case law, facts and developments in technology, as regulatory guidance evolves.

We believe that our process reflects a thoughtful analysis that is reasonably designed to facilitate consistent application of available legal guidance to digital assets to determine whether a particular digital asset is a security. However, we recognize that the application of securities laws to the specific facts and circumstances of digital asset transactions is complex and subject to change, and therefore legal and regulatory risk will be an inherent feature of our business model until greater legal and regulatory certainty becomes possible. Because our process may be considered "risk based" in the sense that it is not capable of entirely eliminating risks associated with a particular digital asset being found to be a security, and because of the fact that our determinations (and similar determinations by other industry participants) are not binding upon the SEC, any federal court or any state securities regulator, we acknowledge that a particular digital asset that we transact in may in the future be found by the SEC, a federal court or a state securities regulator to be a security notwithstanding our prior determination. We also acknowledge that the SEC, a federal court or a state securities regulator may determine that a digital asset is a security based on factors that are difficult to predict and/or are outside of our control, potentially including the actions of a third party promotor. In that case, our prior determination, even if reasonable under the circumstances, would not preclude legal or regulatory enforcement action, or lawsuits brought by our clients and counterparties, based on the presence of a security.

The potential consequences of having engaged in a digital asset transaction in the United States or with U.S. clients and counterparties in which we did not, but in retrospect should have, treated the digital asset in question as a security would depend on the facts of the specific transaction. For example, if we brokered a trade or engaged in a principal transaction in an unregistered digital asset security, depending on the facts it is possible that we could have acted as an unregistered broker or dealer, or perhaps as an "underwriter" with respect to that digital asset security, incurring fines and other penalties for the failure to register as a broker-dealer with the SEC and for having engaged in an illegal unregistered securities transaction. A client or counterparty who purchased a digital asset from us in an illegal unregistered securities transaction could also, depending on the facts, have the right to rescind that transaction and to sue us for damages. Similarly, if we advised a client or counterparty in connection with the purchase or sale of a digital asset security, depending on the facts we could incur fines and other penalties for the failure to register as an investment adviser, and our client or counterparty could also have a damages claim against us. The amount of fines, penalties and damages that we could incur as a result of having improperly transacted in digital asset securities could be significant enough to have a material adverse effect on our business, financial condition and results of operations.

### *Broker-Dealer Regulation*

The 1934 Act requires that any person who is a broker or a dealer and effects or induces securities transactions must register with the SEC. A broker is defined as "any person engaged in the business of effecting transactions in securities for the account of others," while a dealer is defined as "any person engaged in the business of buying and selling securities for such person's own account," in each case, subject to exceptions. In order for our financial advisory business to be able to act as a broker and advise clients interested in transactions that involve securities, we acquired a registered broker-dealer, now known as GDP within the GIB business. FINRA granted GDP's business expansion, which permits it to also act as an underwriter to registered public offerings of equity, debt or other corporate securities in the United States. This adds to GDP's existing abilities to lead private placements of securities as a placement agent, and to provide advice on mergers and acquisitions. GDP has not been approved by FINRA to transact in digital asset securities. Broker-dealers are subject to regulation, examination, investigation, and disciplinary action by the SEC, FINRA, and state securities regulators, as well as other governmental authorities and self-regulatory organizations

with which they are registered or licensed or of which they are a member. GDP is registered as a broker-dealer in 53 U.S. states and territories. The regulation of broker-dealers covers all aspects of the broker-dealer business and operations, including depending on its activities, among other things, sales and trading practices and reporting requirements, client onboarding, advertising and marketing, publication or distribution of research, margin lending, uses and safekeeping of clients' funds and securities, capital adequacy, recordkeeping, reporting, fee arrangements, disclosures to clients, suitability, acting in client's best interests when making recommendations to retail customers, customer privacy, data protection, information security and cybersecurity, the safeguarding of customer information, the sharing of customer information, best execution of customer orders, public offerings, customer qualifications for margin and options transactions, registration of personnel, business continuity planning, transactions with affiliates, conflicts, and the conduct of directors, officers and employees. Broker-dealers are also subject to anti-money laundering rules and requirements issued by FinCEN under the U.S. Bank Secrecy Act (collectively, the "**Anti-Money Laundering Rules**"). See "*Market Controls and Regulations – United States – Anti-Money Laundering Rules*" below for a description of the specific requirements.

### *Investment Adviser Regulation*

The U.S. Investment Advisers Act of 1940 (the "**Advisers Act**") defines an investment adviser as "any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities." GDCM LP within GAM is an SEC-registered investment adviser. To the extent that GAM has discussions with potential investors, it intends to follow the applicable selling restrictions for each such jurisdiction. In addition, GAM is subject to the Anti-Money Laundering Rules. See "*Market Controls and Regulations– United States – Anti-Money Laundering Rules*" below for a description of the specific requirements.

Our investment adviser is subject to, among other things, the anti-fraud provisions of the Advisers Act and fiduciary duties derived from these provisions, which apply to our relationships with our advisory clients. These provisions and duties impose restrictions and obligations on us with respect to our dealings with our clients and the investments we manage, including for example disclosure of conflicts of interest. Our investment adviser has in the past and will in the future be subject to periodic SEC examinations. A regular or routine SEC examination will typically involve, at a minimum, a careful review of the adviser's books and records and may include interviewing employees. The SEC examination staff may also conduct more frequent examinations focusing on a limited number of specific issues or conduct an examination "for cause." Our investment adviser is also subject to other requirements under the Advisers Act and related regulations primarily intended to protect advisory clients. These additional requirements include maintaining effective and comprehensive compliance programs and written policies and procedures, record-keeping, reporting and disclosure, advertising and solicitation rules, safeguards for protecting client funds and securities, limitations on agency cross and principal transactions between an adviser and its advisory clients, restrictions on advisory contract assignments, privacy protection regulations, and anti-corruption rules relating to investors associated with U.S. state or local governments. The Advisers Act generally grants the SEC broad administrative powers, including the power to limit or restrict an investment adviser from conducting advisory activities in the event it fails to comply with federal securities laws. Additional sanctions that may be imposed for failure to comply with applicable requirements include the prohibition of individuals from associating with an investment adviser, the revocation of registrations, significant monetary penalties, disgorgement of gains, cease-and-desist orders and other censures. The SEC may bring civil actions against investment advisers, and seek damages or other relief, in a U.S. district court or before an administrative law judge. Even if an investigation or proceeding did not result in a sanction or the sanction imposed against us or our personnel by the SEC were small in monetary amount, the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm our reputation and cause us to lose existing clients or fail to gain new clients.

### *Regulation of Money Transmission*

FinCEN requires any administrator or exchanger of convertible virtual currencies to register with FinCEN as a money transmitter and comply with the Anti-Money Laundering Rules and counter-terrorist financing laws and regulations applicable to money transmitters. As part of our obligations under the BSA, we are required to develop, implement, and maintain a risk-based anti-money laundering program, provide an anti-money laundering-related training

program, report suspicious activities and transactions to FinCEN, comply with certain reporting and recordkeeping requirements, and collect and maintain information about our customers. In addition, we are required to comply with customer due diligence requirements designed to verify a customer's identity.

U.S. states have adopted a spectrum of approaches to the regulation of digital assets, ranging from a state applying its own money transmission licensing regime, which 49 of the states have done in some form, to adopting a separate regulatory regime for the oversight of digital assets, such as New York's BitLicense discussed below. In addition, the transmission of certain non-cryptocurrency digital assets, such as digital tokens, could also constitute a money services business, a federally regulated business. A subsidiary of GDH LP, GalaxyOne Prime LLC ("GPL"), is registered as a money service business with FinCEN and has applied for money transmitter licenses in a number of states in order to effect aspects of its trading business. As a money services business, GPL is required to comply with the Anti-Money Laundering Rules and any other laws and delegations applicable to a money services business. Furthermore, a number of U.S. states have adopted specific statutory provisions, or have issued guidance, regarding the treatment of virtual currencies under the money transmitter requirements of that U.S. state.

### *CFTC Regulation*

The CFTC regulates markets in listed futures and various types of over-the-counter derivatives on commodities, when traded in, into or from the United States. The CFTC has taken the position that certain digital assets are commodities for purposes of the regulatory scheme of the CEA. Generally speaking, trading in a principal capacity in commodities in the "spot" or "cash" markets would not subject a person to a licensing or regulation requirement under the CEA. The CFTC has jurisdiction over these spot commodity trading activities with respect to its anti-fraud and anti-manipulation authority under the CEA. The CEA imposes registration and regulatory requirements, including disclosure, reporting, and other requirements, on market participants engaged in commodity derivatives intermediary activities. This includes, for example, providing investment advice or fund management services to clients regarding commodity derivatives or engaging in principal or agency trading activities in commodity derivatives. Under the CEA, commodity derivatives may include swaps, futures, and retail commodity transactions. As a result of an acquisition in November 2020, we have a subsidiary, Galaxy DBL, that is a CFTC-regulated commodity trading advisor and commodity pool operator and is a member of the National Futures Association.

### *Anti-Money Laundering Rules*

We are subject to various anti-money laundering and counter-terrorist financing laws. As a broker-dealer, an investment adviser, and a money services business registered with FinCEN, we are subject to the Anti-Money Laundering Rules and are required to, among other things, develop, implement, and maintain a risk-based anti-money laundering program, provide an anti-money laundering-related training program, report suspicious activities and transactions to FinCEN, comply with certain reporting and recordkeeping requirements, and collect and maintain information about our customers. In addition, the Bank Secrecy Act requires us to comply with certain customer due diligence requirements as part of our anti-money laundering obligations, including developing risk-based policies, procedures, and internal controls reasonably designed to verify a customer's identity. Many states and other countries impose similar, and, in some cases, more stringent requirements related to anti-money laundering and counter-terrorist financing. We have implemented a compliance program designed to prevent our platform from being used to facilitate money laundering, terrorist financing, and other illicit activity in countries, or with persons or entities, included on designated lists promulgated by OFAC and equivalent foreign authorities. Our compliance program includes policies, procedures, reporting protocols, and internal controls, and is designed to address legal and regulatory requirements as well as to assist us in managing risks associated with money laundering and terrorist financing. Anti-money laundering regulations are constantly evolving and vary from jurisdiction to jurisdiction. We continuously monitor our compliance with anti-money laundering and counter-terrorist financing regulations and industry standards and implement policies, procedures, and controls in light of the most current legal requirements.

### *Virtual Currency Business Activity in New York*

The New York State Department of Financial Services ("NYDFS") requires that any persons or entity engaging in virtual currency activity for third parties in or involving New York, excluding merchants and consumers, must apply for a license, commonly referred to as a BitLicense, from the NYDFS and must comply with anti-money laundering,

cybersecurity, consumer protection, and financial and reporting requirements, among others. Subject to certain exemptions, virtual currency business activity includes virtual currency transmission, storing, holding, maintaining custody, buying or selling as a customer business or controlling, administering or issuing virtual currency. GDH LP may apply for a New York BitLicense in order to effect aspects of its trading business.

### *Lending*

There is no U.S. federal law that requires registration or licensing for lending activities. However, if we were to originate consumer or commercial loans in the United States, we would be subject to federal laws including: the Truth-in-Lending Act (the “**TILA**”), which requires creditors to provide consumers with uniform information regarding their loan transactions; the Equal Credit Opportunity Act (the “**ECOA**”), which prohibits creditors from discriminating against a number of protected groups; the Consumer Protection Act (the “**Consumer Protection Act**”); the Fair Credit Reporting Act (the “**FCRA**”), which is administered by the CFPB and imposes disclosure requirements on creditors who take action based on information from credit reports; and the Fair Debt Collection Practices Act (the “**FDCPA**”), which limits the permissible conduct of debt collectors in connection with the collection of consumer debt.

Some U.S. state laws may, under certain circumstances, require us to obtain a license from the relevant regulatory authority or authorities in a given state before conducting those lending activities. As a general matter, most state lending licensing laws focus their registration and regulatory requirements on small-dollar, consumer and household lending activities, not commercial lending activity. However, laws and licensing requirements related to lending activities vary from state to state. GDH LP is headquartered in the State of New York and will conduct its operations, including lending activities, from the State of New York. One or more of the legal entities through which GDH LP will conduct such lending activities will be incorporated in the State of Delaware. Generally, GDH LP expects to engage in its lending activities that are above the New York State dollar threshold and do not involve consumer credit transactions for purposes of Delaware State law. GDH LP intends to obtain the appropriate licenses if required. In connection with the acquisition of Drawbridge Lending and subject to regulatory approval in connection with a change of control, GDH LP has lending licenses in the following states: California, Delaware, Maryland, Montana, North Dakota and Rhode Island.

### *Consumer Protection*

A number of U.S. federal, state, and local regulatory agencies, the Federal Trade Commission and the Consumer Financial Protection Bureau chief among them, regulate financial products and have broad consumer protection mandates and discretion in enforcing consumer protection laws, including matters related to unfair, deceptive, or abusive acts and practices. They also promulgate, interpret, and enforce rules and regulates that could affect GDH LP’s business.

### *Economic Sanctions*

We must comply with economic and trade sanctions administered by the United States and other foreign governments in jurisdictions in which we operate. These sanctions can prohibit or restrict transactions to or from certain countries, regions, governments, and specified individuals. For instance, the Office of Foreign Assets Control includes cryptocurrency addresses to the list of Specially Designated Nationals whose assets are blocked and with whom U.S. person are generally prohibited.

### *Privacy and User Data*

There are a number of laws, rules, directives, and regulations relating to the collection, use, retention, security, processing, and transfer of personally identifiable information about customers and employees. Because of that, much of the data we process, including certain financial information associated with individuals, is regulated by various privacy and data protection laws. These laws can apply, not only to third-party transactions, but also to information transferred between us, our subsidiaries, and other commercial parties.

## Canada

As a company listed on the TSX, the Company is subject to Canadian securities law obligations promulgated by the Canadian Securities Administrators, including the Ontario Securities Commission. GDH LP's diversified asset management firm dedicated to the cryptocurrency and blockchain sectors intends, in the future, to register or file for a registration exemption in Canada to sell or distribute securities, or to advise with respect to investments in securities, or to act as an investment fund manager, if required.

GDH LP may from time to time make loans to Canadian companies. If GDH LP does make such loans, then it will be subject to a licensing requirement as a mortgage lender under applicable mortgage broker legislation in the Provinces of British Columbia and Ontario. To the extent GDH LP engages in activities related to selling mortgages that it has originated then, in addition to British Columbia and Ontario, it would also be subject to a licensing requirement in the Provinces of Manitoba and Newfoundland and Labrador. Additional Canadian regulatory requirements would arise if loans were made in cryptocurrency instead of in cash, if loans were made to borrowers located in Saskatchewan and if GDH LP engaged in debt collection or mortgage broker activities for others. Under Canadian law, while there are no registration requirements that would apply to GDH LP if it were to engage in debt collection activities for its own loans, there are specific requirements and restrictions on interactions with debtors that it must comply with in connection with collecting or attempting to collect debts. There are also specific restrictions with respect to GDH LP referring to itself as a "bank". GDH LP intends to comply with any such applicable requirements.

In March 2019, the Canadian Securities Administrators and the Investment Industry Regulatory Organization of Canada ("**IIROC**") jointly published Consultation Paper 21-402 *Proposed Framework for Crypto-Asset Trading Platforms* ("**CP 21-402**"), in which they proposed regulation of platforms that facilitate the buying, selling or transferring of digital assets. The proposal contemplates platforms becoming registered as investment dealers and becoming both dealer and marketplace members of IIROC. The proposal addresses the risks and features of the platforms through a series of requirements to be further developed through consultation with the financial technology community, market participants, investors and other stakeholders. The framework is intended to apply both to platforms that operate in Canada and to those that have Canadian participants. The timing and impact of any final regulations remain uncertain.

In January 2020, the Canadian Securities Administrators published CSA Staff Notice 21-327 *Guidance on the Application of Securities Legislation to Entities Facilitating the Trading of Crypto Assets*, in which they provided guidance on certain factors to determine whether securities legislation applies to any entity that facilitates transactions relating to digital assets, including buying and selling digital assets as discussed in CP 21-402. The guidance provides examples of when securities legislation may or may not apply to certain platforms that facilitate the buying, selling or transferring of digital assets. The guidance is intended to apply both to platforms that operate in Canada and to those that have Canadian participants. GDH LP intends to comply with any such applicable guidance.

In March 2021, the Canadian Securities Administrators published CSA Staff Notice 51-363 *Observations on Disclosure by Crypto Assets Reporting Issuers*, in which they provided an outline of several disclosure observations and guidance based on the first annual filings by reporting issuers (other than investment funds) that engage materially with digital assets via mining and/or the holding/trading of those assets. GDH LP intends to comply with any such applicable guidance.

In March 2021, the Canadian Securities Administrators published CSA Staff Notice 21-329 *Guidance for Crypto-Asset Trading Platforms: Compliance with Regulatory Requirements*, in which they provided guidance on the regulation of crypto asset trading platforms ("**CTPs**") that facilitate or propose to facilitate the trading of crypto assets that are: securities, contracts, or any other instruments that involve crypto asset trading. The guidance addresses existing requirements currently operating in Canadian jurisdictions and how these apply to the various business models used by CTPs. Specifically, the guidance distinguishes between marketplace platforms and dealer platforms. The guidance highlights the applicable Canadian securities legislation that apply to CTPs that serve Canadian clients, even if the CTPs are operated and managed outside of Canada. GDH LP intends to comply with any such applicable guidance.

In September 2021, the Canadian Securities Administrators and IIROC jointly published the CSA-IIROC Staff Notice 21-330 *Guidance for Crypto-Trading Platforms: Requirements relating to Advertising, Marketing and Social Media Use*, in which they provide guidance on how requirements under securities legislation and IIROC rules relating to advertising, marketing and the use of social media may apply to platforms that trade crypto assets. GDH LP intends to comply with any such applicable guidance.

In February 2023, the Canadian Securities Administrators published Staff Notice 21-332 *Crypto Asset Trading Platforms: Pre-Registration Undertakings Changes to Enhance Canadian Investor Protection*, in which they provide further guidance on the requirement for CTPs to file a pre-registration undertaking (“PRU”) when continuing to operate in Canada while seeking registration and related exemptive relief, the public commitments to be contained in the PRU, and the CSA response should a CTP be unable or unwilling to file the PRU. GDH LP intends to comply with any such applicable guidance.

### **Other Jurisdictions**

GDH LP may engage in activities relating to digital assets in other jurisdictions, including, among other places, Japan, the United Kingdom, Hong Kong and the Bahamas.

#### *Japan*

The main regulations for digital assets in Japan are the Payment Service Act (the “PSA”) and the Financial Instruments and Exchange Act (the “FIEA”). The PSA regulates digital asset trading platforms, digital asset custodians, and initial coin offerings (“ICO”). The FIEA regulates digital asset derivatives and security token offerings (“STO”).

The PSA, which was amended in 2016 and 2019, requires all digital asset trading platforms to register with the Financial Services Agency (the “FSA”). The PSA defines “Crypto Assets” broadly as digital assets that can be used to purchase goods and services from unspecified persons or that can be mutually exchanged with digital assets that can be used in the aforementioned manner. Digital assets linked to fiat currencies and those that are securities are explicitly excluded. The term “Crypto Asset Exchange Business” includes: (i) the sale and purchase of digital assets or exchange of a digital asset into another crypto asset; (ii) an intermediary, brokerage, or agency service for the sale, purchase, or exchange of digital assets; and (iii) management (custody) of digital assets on behalf of others. An operator offering such services to Japanese residents must register with the FSA as a “Crypto Asset Exchange Business Operator” (“CAEBO”). The duties of a CAEBO include customer identity verification, accountability, segregation of and safekeeping of customers’ assets, customer protection, market integrity, bookkeeping, compliance, and internal audits. The PSA also applies to OTC transactions and services for professional investors except for certain limited cases such as providing liquidity to registered CAEBOS. The PSA is supplemented by subsidiary legislation and guidelines of both the FSA and the Japan Virtual Currency Exchange Association (the “JVCEA”), the self-regulatory body for CAEBOS.

The FIEA, which was amended in 2019, regulates crypto derivatives. A service provider offering crypto derivatives to Japanese residents must register as a “Type I Financial Instrument Exchange Business Operator” (the “FIEBO”) with the FSA and is subject to strict supervision. The FIEA also applies to OTC derivatives and services for professional investors except for certain limited cases such as providing liquidity to registered FIEBOs. The FIEA is supplemented by subsidiary legislation and guidelines of both the FSA and JVCEA.

ICOs are regulated under the PSA, FSA and JVCEA subsidiary legislation. STOs are regulated under the FIEA, and FSA and Japan STO Association (in the case of fund type STO) or Japan Securities Dealer Association (in the case of stocks or bond type STO) subsidiary legislation.

#### *United Kingdom*

The Financial Services and Markets Act 2000, as amended (the “FSMA”), provides that no person can perform a regulated activity in the UK without being authorized or exempt. A regulated activity is a specific activity that relates to a specified type of investment. The FSMA (Regulated Activities) Order 2001 (the “RAO”), a piece of subordinate legislation, specifies various activities such as dealing, advising, arranging and managing, that, when performed in

relation to specified products or investments, such as shares, debt instruments and derivatives, are regulated activities in the UK.

The regulatory status of cryptoassets has recently been clarified by the United Kingdom Financial Conduct Authority (the “**FCA**”) following a series of consultations and discussion papers. Specifically, the FCA adopted a taxonomy for identifying and determining the regulatory treatment of different types of cryptoassets based on three main categories: (i) security tokens; (ii) electronic money (or e-money) tokens; and (iii) and unregulated tokens. Security tokens provide rights and obligations that are akin to specified investments under the RAO, such as shares and debt instruments, and are therefore within the United Kingdom regulatory perimeter. E-money tokens that meet the definition of electronic money under the Electronic Money Regulations 2011 are also subject to regulation in the United Kingdom. The category of unregulated tokens includes exchange tokens, such as cryptocurrencies, and utility tokens that grant holders access to a current or prospective product or service within a discrete network. Although unregulated tokens fall outside of the United Kingdom regulatory perimeter, certain activities in relation to such tokens may constitute payment services that are subject to regulation under the Payment Services Regulations 2017 (the “**PSRs**”). For example, the transfer of unregulated tokens (such as crypto-to-crypto platforms) may not amount to a regulated payment service, but fiat currency-to-crypto and crypto-to-fiat currency platforms may be regulated under the PSRs.

The FCA has on a number of occasions expressed concerns regarding the appropriateness of certain types of cryptoasset products for retail investors. The volatility of these products combined with the lack of a reliable basis for valuation led to the FCA to ban the marketing, distribution and sale to retail clients of derivatives and exchange traded notes that reference certain types of cryptoassets from January 6, 2021. The ban applies to products that reference unregulated cryptoassets rather than security tokens and e-money tokens which as noted above already fall within the United Kingdom regulatory perimeter. The ban impacts both regulated and unregulated firms that market, distribute or sell derivatives or exchange traded notes that reference unregulated cryptoassets in or from the United Kingdom.

In the United Kingdom, communicating an offer or inducement to engage to in an investment activity is prohibited unless the person making the communication is authorized, the content of the communication is approved by an authorized person, or the communication is otherwise exempt. This is referred to as the financial promotion restriction. The term investment activity broadly corresponds to regulated activities discussed above in the context of the RAO (i.e., dealing, advising, arranging and managing in relation to regulated investments). The financial promotion restriction means that promotions of regulated cryptoasset products, such as security tokens and e-money tokens, can only be lawfully communicated by United Kingdom authorized firms or in accordance with an applicable exemption. In July 2020, H.M. Treasury published a consultation on extending the financial promotion regime to capture promotions of certain types of unregulated cryptoassets. The consultation closed in October 2020, and it is anticipated that any changes to the financial promotion regime will be introduced during the course of 2021.

GDH LP’s subsidiary Galaxy Digital UK Ltd. (“**GD UK**”) became an appointed representative in 2019. An appointed representative is a firm that is exempt from the prohibition on carrying on regulated activities. Specifically, an appointed representative may lawfully perform certain regulated activities and act on behalf of a firm that is directly authorized by the FCA, which is referred to as its principal. Being an appointed representative means GD UK can undertake regulated activities in the United Kingdom in relation to security and e-money tokens without the need to become FCA authorized on the basis of its principal’s authorization. As an appointed representative, GD UK is not required to hold regulatory capital and has substantially fewer ongoing compliance obligations than would be the case if it was FCA authorized. It may also communicate certain types of financial promotions provided they relate to regulated activities for which GD UK is exempt on the basis of its principal’s authorization.

On January 10, 2020, amendments to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (the “**MLRs**”) came into effect which make the FCA responsible for the AML/CTF supervision of certain UK “cryptoasset exchange providers” and “custodian wallet providers”. The amended MLRs define a “crypto-asset exchange provider” to mean, “a firm or sole practitioner who by way of business provides one or more of the following services, including where the firm or sole practitioner does so as creator or issuer of any of the cryptoassets involved, when providing such services—(a) exchanging, or arranging or making arrangements with a view to the exchange of, cryptoassets for money or money for cryptoassets, (b) exchanging, or arranging or making arrangements with a view to the exchange of, one cryptoasset for another, or (c) operating a machine which utilizes automated processes to exchange cryptoassets for money or money for cryptoassets” (the entire foregoing definition

referred to herein as “**Cryptoasset Business Activities**”). All businesses which were conducting Cryptoasset Business Activities before January 10, 2020, were permitted to continue with that business, in compliance with the MLRs, on the basis of a temporary FCA registration but were required to either apply for full registrations by January 10, 2021 or stop all Cryptoasset Business Activity. Accordingly, on June 30, 2020, GD UK applied to be registered under the MLRs to carry on Cryptoasset Businesses Activities. On November 25, 2021, GD UK was informed by the FCA that its registration under the MLRs has been approved, enabling GD UK to carry on its specific Cryptoasset Business Activity in the UK.

Further, in 2022, certain legislation including the Banking Act, the PSA and the Trust Business Act were amended to introduce a regulatory framework for digital-money type stablecoins, which can only be issued by banks, fund transfer service providers and trust companies. These issuers are subject to requirements to ensure redemption at par, price stabilisation and other requirements. Moreover, stablecoin intermediaries are also subject to a registration system, and are required, among others, to conduct identity verification and meet capital requirements. These are expected to come into effect in June 2023.

### *Hong Kong*

The primary legislation in Hong Kong that governs the securities industry is the Securities and Futures Ordinance (the “**SFO**”). Firms which engage in the conduct of “regulated activities” are subject to the licensing or registration regime of the Securities and Futures Commission (the “**SFC**”); and the SFC has supervisory powers over intermediaries licensed or registered with the SFC in the conduct of “regulated activities” under the SFO. The scope of “regulated activities” largely depends on whether the subject matter falls within the legal definitions of “securities” or “futures products” under the SFO.

Since 2017, the SFC has issued various guidance and statements related to virtual assets and securities tokens, including investor warnings regarding fraud risk and warnings against securities law breaches, as well as guidance issued for financial intermediaries in dealing with virtual assets.

In November 2019, the SFC launched a regulatory framework for virtual asset trading platforms that involve at least one security token. The framework requires these platform operators to obtain certain traditional licences required for financial intermediaries conducting regulated activities in relation to securities, and imposes additional licensing conditions.

In January 2022, the Hong Kong Monetary Authority published a discussion paper which indicated its policy inclination to establish a regulatory regime to cover stablecoins, with an initial focus on payment- related, asset-linked stablecoins.

In December 2022, a broader regulatory framework for virtual asset platforms (where no securities are involved) was passed into law by way of an amendment to the existing Anti-Money Laundering Ordinance. The new regime includes a licensing and AML/CFT compliance framework administered by the SFC for operators of a “virtual asset service”, defined to include service provided through means of electronic facilities whereby (i) offers to sell or purchase virtual assets are regularly made or accepted in a way that forms or results in a binding transaction, or persons are regularly introduced, or identified to other persons in order that they may negotiate or conclude, or with the reasonable expectation that they will negotiate or conclude sales or purchases of virtual assets in a way that forms or results in a binding transaction; and (ii) where client money or client virtual assets come into direct or indirect possession of the person providing such service.

Certain virtual asset types are excluded from the definition of virtual asset for this purpose, such as digital currency issued by a central bank or the government, and limited purpose digital tokens such as customer loyalty points and in-game assets.

The applicant of a virtual asset service operator license and its ultimate owner, responsible officers and directors must satisfy a “fit-and-proper” test. Licensing conditions may be imposed, and may include among others the following: (a) financial resources; (b) knowledge and experience; (c) risk management policies and procedures; (d) anti-money laundering and antiterrorist financing policies and procedures; (e) management of client assets; (f) soundness of the

business; (g) financial reporting and disclosure; (h) virtual asset listing and trading policies; (i) prevention of market manipulation and abusive activities; (j) avoidance of conflicts of interest; (k) keeping of accounts and records by licensed providers and their associated entities; (l) provision of contract notes, receipts, statements of account and notifications by licensed providers and their associated entities; (m) financial statements and other documents, and the auditor's report; (n) business conduct of licensed providers and their licensed representatives; (o) notification of changes; and (p) cybersecurity.

### *The Bahamas*

The primary legislation in the Bahamas that governs the registration and regulation of digital asset businesses and initial token offerings is the Digital Assets and Registered Exchanges Act, 2020 (the “**DARE Act**”). The DARE Act is administered by the Securities Commission of The Bahamas (the “**SCB**”).

The DARE Act, which was enacted in November 2020 and later amended in May 2022, applies to any person who as organizer, issuer, founder, purchaser or investor participates in the formation, promotion, maintenance, organization, sale or redemption of an initial token offering, and any legal entity carrying on a digital asset business irrespective of the physical location from which the activity is carried out. A digital asset business under the DARE Act includes the business of (i) a digital token exchange; (ii) providing services related to a digital token exchange; (iii) operating as a payment service provider business utilizing digital assets; (iv) operating as digital asset service provider including providing distributed ledger technology platforms that facilitates (a) the exchange between digital assets and fiat currencies; (b) the exchange between one or more forms of digital assets; and (c) the transfer of digital assets; (v) participation in an provision of financial services related to an issuer's offer or sale of a digital asset; and (vi) any other activity which may be prescribed by regulations.

The DARE Act requires any person carrying on or being involved in a digital asset business in or from within the Bahamas, or purporting to do so, to be a legal entity registered under the DARE Act.

The DARE Act puts in place a legislative structure around the digital asset space that includes requirements regarding permissible participants, the level of capital needed, the rules for reporting and seeking the SCB's approval, and the penalties for failure to comply. Most notably, DARE participants must also implement the same high AML/CFT standards as required by non-financial business professionals and financial institutions operating in the Bahamas.

On December 19, 2022, Galaxy Bahamas Ltd. (“**Galaxy Bahamas**”) received approval from the SCB for registration as a digital asset business under the DARE Act. Galaxy Bahamas Ltd. will physically operate out of the Bahamas and intends to initially serve as a limited extension of the trading business (GT) and custody and money services operation (GPL) and also offer market making and staking services.

## **RISK FACTORS**

Readers and investors should carefully consider the risks and uncertainties described below as well as the other information contained in this AIF and the risk factors included in our management's discussion and analysis for the financial year ended December 31, 2022. Investing in our securities is speculative and involves a high degree of risk due to the nature of our business. The following risk factors, as well as risks currently unknown to us, could materially adversely affect our future business, operations and financial condition, each of which could cause purchasers of our securities to lose part or all of their investment.

The following risks and uncertainties are not the only ones facing the Company or GDH LP. Additional risks and uncertainties not presently known to the Company or GDH LP, or that are currently considered immaterial, may also impair the Company or GDH LP. If events occur which cause GDH LP's business, prospects, financial condition, cash flows and operating results to be materially harmed, the Company would also be adversely affected.

## **Risks Related to the Company and the Ordinary Shares**

***We are a common equity holder in GDH LP. Galaxy's business is conducted through GDH LP and its subsidiaries. All risks of GDH LP are risks of Galaxy.***

Galaxy derives substantially all of its income or loss from its partial ownership of GDH LP. In addition, Galaxy primarily relies on GDH LP to meet its obligations. To the extent that Galaxy needs funds to pay expenses generally and GDH LP cannot pay Galaxy's expenses or does not make a distribution to Galaxy, the value of any investment in Galaxy could decline substantially.

Galaxy is exposed to all of the risks to which GDH LP is exposed. These risks include GDH LP's investment program based on risky and volatile digital asset classes, which create a material risk that holders of Ordinary Shares may lose their entire investment.

Galaxy's equity interest in GDH LP is the functional equivalent of common equity. This interest does not carry any liquidation preference, distribution priority, priority in bankruptcy or insolvency or any other typical creditor-style protections.

***The market price and trading volume of the Ordinary Shares may be volatile. Market volatility may affect the value of an investment in our Ordinary Shares and could subject us to litigation.***

The market price and trading volume of Galaxy's Ordinary Shares has been volatile, has historically been volatile and will likely continue to be subject to significant fluctuations in response to, among other factors: developments in the digital assets industry; market fluctuations in digital assets generally or changes in the underlying values and trading volumes of the digital assets that GDH LP holds or trades; GDH LP's financial performance and prospects or changes in the financial performance and prospects of companies engaged in businesses that are similar to GDH LP's businesses; changes in laws or regulations, including tax laws, or new interpretations or applications of laws and regulations, that are applicable to GDH LP's businesses; sales of Ordinary Shares by the Shareholders, including Ordinary Shares issued upon exchange of any B Units; general economic trends and other external factors, including those resulting from war, incidents of terrorism or responses to such events; speculation in the press or investment community regarding our business or investments, or factors or events that may directly or indirectly affect our businesses or investments; and further issuances of Ordinary Shares or of GDH LP Units.

The price of our Ordinary Shares also could be subject to wide fluctuations in response to the risk factors described in this AIF and others beyond our control, including:

- the number of shares of our Ordinary Shares publicly owned and available for trading;
- overall performance of the equity markets or publicly-listed financial services and technology companies;
- our actual or anticipated operating performance and the operating performance of our competitors;
- changes in the projected operational and financial results we provide to the public or our failure to meet those projections;
- failure of securities analysts to initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet the estimates or the expectations of investors;
- any major change in our Board, management, or key personnel;
- if we issue additional shares of capital stock, including in the form of blockchain tokens, in connection with customer reward or loyalty programs;

- rumors and market speculation involving us or other companies in our industry;
- announcements by us or our competitors of significant innovations, new products, services, features, integrations or capabilities, acquisitions, strategic investments, partnerships, joint ventures, or capital commitments; and
- other events or factors, including those resulting from COVID-19, war, incidents of terrorism, or responses to these events.

In recent years, stock markets have experienced significant price and volume fluctuations, which have had a significant impact on the market price of securities issued by many companies, irrespective of the operating performance of the affected companies. Moreover, the prices of the digital assets that we hold or trade have historically been, and will likely continue to be, highly volatile. Accordingly, the price of Ordinary Shares could fluctuate based upon factors that have little or nothing to do with Galaxy or GDH LP's operating performance, which could materially and adversely affect the value of any investment in the Ordinary Shares. Additionally, in the absence of an active trading market relatively small sales may result in a significant negative effect on the price of the Ordinary Shares.

***We are controlled by our Founder, whose interests may be different from those of shareholders and may prevent new investors from influencing significant corporate decisions, including mergers, consolidations, or the sale of us or all or substantially all of our assets.***

As of the date of this AIF, our Founder, through his direct or indirect ownership of a substantial majority of Ordinary Shares and GDH LPs Class B Units, controls over 64.22% of the Company on a fully exchanged basis (assuming all Class B Units of GDH LP are exchanged).

Accordingly, our Founder has the ability to substantially control Galaxy, including through the election of members of the Board. Where certain transactions require the approval of Shareholders, though our Founder may not be able to unilaterally authorize the transaction he may be able to unilaterally block it. This concentration of ownership and voting power may also delay, defer or prevent an acquisition by a third party or other change of control of Galaxy and may make some transactions more difficult or impossible without the support of our Founder even if they are in the best interests of the stockholders.

This could have the effect of discouraging transactions in which you as a holder of shares of our Ordinary Shares might otherwise receive a premium for your shares over then-current market price. Collectively, these considerations may have a negative effect on the price of our Ordinary Shares.

Our Founder's interests may not be fully aligned with those of other holders of Ordinary Shares which, given our Founder's power and influence, could lead to actions that are not in the best interests of stockholders. For example, our Founder may have a different tax position from the Company and holders of Ordinary Shares, especially in light of the existence of the Tax Receivable Agreement, which could influence decisions regarding whether and when we should dispose of assets or incur new or refinance existing indebtedness, or whether and when we should undergo certain changes of control for purposes of the Tax Receivable Agreement or terminate the Tax Receivable Agreement. In addition, the structuring of future transactions may take into consideration these tax or other considerations even where no similar benefit would accrue to us. Our Founder might also be motivated to take actions to retain his controlling stake in Galaxy at the expense of maximizing the overall value of Galaxy (and therefore the market price of the Ordinary Shares). Our Founder's fiduciary duties may serve as a check on any such motivation, but holders of our Ordinary Shares cannot be assured that the potential divergence of our Founder's interests and theirs might not hurt the market price of our Ordinary Shares.

***Changes in law could cause the Ordinary Shares to be de-listed from the TSX or any other exchange on which we are listed or cause Galaxy to undergo costly restructuring, liquidation or sale. Further, we may need or want to raise additional capital, but we may be unable to do so due to changes in law, regulation or interpretation.***

Apart from the numerous material legal and regulatory risks to GDH LP itself, Galaxy could be adversely affected by changes in law, regulation, interpretation of such law or regulation or regulator or exchange discretion. Such changes are difficult to predict but could conceivably lead to a cease-trade or the de-listing of Galaxy's Ordinary Shares, the inability to list the Ordinary Shares in other jurisdictions or a costly restructuring or even liquidation of Galaxy.

If, whether by reason of changes in law, regulation or interpretation, or by reason of Galaxy's or GDH LP's conduct, Galaxy became unable to sell securities to investors in particular jurisdictions, the liquidity and market price of the Ordinary Shares would be negatively impacted, which would make it more difficult for Galaxy to sell additional Ordinary Shares or otherwise raise capital. Such difficulties could lead to the bankruptcy or insolvency of Galaxy, which may lead to material or complete losses for holders of Ordinary Shares.

***The market price of our Ordinary Shares may be subject to downward pressure due to redemptions or exchanges of GDH LP Units for Ordinary Shares, exercises of outstanding options, exchanges of Exchangeable Notes or from additional issuances of Ordinary Shares.***

The majority of the economic interest in GDH LP remains represented by B Units, each of which may be exchanged for one Ordinary Share pursuant to the GDH LPA. As B Units are exchanged for Ordinary Shares, the voting power and economic interest of then-current holders of Ordinary Shares will decrease proportionately (though the voting power and direct economic interest of Galaxy in GDH LP will increase proportionately). Such redemptions or exchanges would increase the market supply of Ordinary Shares, which could lead to a decrease in the market price of Ordinary Shares, especially since it is foreseeable that many exchanges may closely precede sales. Similarly, if Galaxy issues additional Ordinary Shares, then-current holders of Ordinary Shares will be diluted. The potential issuance of additional Ordinary Shares could have an adverse effect on the market price of our Ordinary Shares.

***Galaxy will be required to pay former partners of GDH LP for certain tax benefits that Galaxy may claim, and the amounts that Galaxy may pay could be material.***

Galaxy has entered into a Tax Receivable Agreement with certain other GDH LP Partners that provides for the payment by Galaxy to those GDH LP Partners a material percentage (for example, 85%) of the amount of cash savings, if any, in U.S. federal, state and local and foreign income tax or franchise tax that Galaxy actually realizes as a result of any increase in tax basis in GDH LP's assets resulting from exchanges by those holders of B Units for Ordinary Shares in accordance with the terms of the B Units, as and when such tax benefits are realized.

The actual increase in tax basis, as well as the amount and timing of any payments under the Tax Receivable Agreement, will vary depending upon a number of factors, including the timing of exchanges by the other GDH LP Partners, the price of Ordinary Shares at the time of the exchange, the extent to which such exchanges are taxable, the amount and timing of the taxable income that Galaxy generates in the future, the tax rate then applicable and the portion of Galaxy's payments under the Tax Receivable Agreement that constitute imputed interest.

The payments that Galaxy will be required to make under the Tax Receivable Agreement could be material. The payments are not conditioned upon the other GDH LP Partners' continued ownership of Ordinary Shares. Finally, since Galaxy is a holding company, Galaxy's ability to make payments under the Tax Receivable Agreement will be dependent on the ability of GDH LP to make distributions to Galaxy. If Galaxy is unable to make payments under the Tax Receivable Agreement for any reason, those payments will be deferred and will accrue interest until paid.

***If the Company were to lose status as a foreign private issuer, it could affect the value of the Ordinary Shares and have adverse consequences.***

The Company believes that, as analyzed on June 30, 2022, the majority of its issued and outstanding Ordinary Shares were held in the U.S., which would ordinarily result in an issuer no longer qualifying as a "foreign private issuer" within the meaning of Rule 405 under the U.S. Securities Act Rule 3b-4 under the 1934 Act. The Articles of Association of the Company provide for the Certification Process Adjustment that is intended to preserve the Company's status as a foreign private issuer ("FPI status"). The Certification Process Adjustment ensures the aggregate total number of votes cast by US Residents (or shareholders that do not certify their residency) may never exceed 49% of the total number of votes that all shareholders are entitled to cast. See "Capital Structure – Ordinary

*Shares – Certification Process Adjustment*”. If the Certification Process Adjustment were deemed ineffective by the SEC in preserving the Company’s FPI status, then as a result of the Company’s shareholder composition as of June 30, 2022, the Company would no longer meet the definition of a foreign private issuer after December 31, 2022. If the Company were to lose FPI status, a holder of Ordinary Shares issued after the loss of FPI status may be limited in its ability to resell such shares free of restrictions in a transaction that is exempt from registration under the U.S. Securities Act. This could make the Company’s Ordinary Shares less attractive, which could have adverse consequences on the Company’s ability to raise capital in private placements or prospectus offerings, or to offer Ordinary Shares as consideration when acquiring other companies. In addition, holders of the Exchangeable Notes and Class B Units could be limited in their ability to resell any Ordinary Shares received upon exchange of such securities, to the extent such exchange occurs after the loss of FPI status.

***If we are deemed to be an investment company under the Investment Company Act, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.***

Under Sections 3(a)(1)(A) and (C) of the Investment Company Act, a company generally will be deemed to be an “investment company” for purposes of the Investment Company Act if (i) it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities or (ii) it engages, or proposes to engage, in the business of investing, reinvesting, owning, holding or trading in securities and it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis.

We do not believe that we are an “investment company,” as such term is defined in either of those sections of the Investment Company Act. As the sole general partner of GDH LP, through our wholly-owned subsidiary GDH Delaware, we control and operate GDH LP. On that basis, we believe that our interest in GDH LP is not an “investment security” as that term is used in the Investment Company Act. However, if we were to cease participation in the management of GDH LP, our interest in GDH LP could be deemed an “investment security” for purposes of the Investment Company Act. We intend to conduct our operations so that we will not be deemed to be an investment company under the Investment Company Act or otherwise conduct our business in a manner that does not subject us to the registration and other requirements of the Investment Company Act. In order to ensure that we are not deemed to be an investment company, we may be limited in the assets that we may continue to own and, further, may need to dispose of or acquire certain assets at such times or on such terms as may be less favorable to us than in the absence of such requirement.

For example, certain of our principal investments may be considered investment securities and we might be required to dispose of one or more of them, or to limit the extent of our principal investments business (such as by foregoing otherwise attractive principal investment opportunities), in order not to become an investment company. Further, certain of our operating subsidiaries rely on specific exemptions from the Investment Company Act to operate their businesses. In particular, we operate our digital asset financing business so as to comply with the exemption under Section 3(c)(2) of the Investment Company Act for businesses primarily engaged in, among other things, acting as a market intermediary with respect to financial contracts relating to commodities or currencies. If our digital asset financing business was to fail to comply with this exemption, it could result in our being unable to conduct such business and it could also cause us to be deemed an investment company as our own status under the Investment Company Act depends in part on that of our operating subsidiaries that conduct our businesses. If anything were to happen which would cause us to be deemed to be an investment company under the Investment Company Act (such as the classification of digital assets held by us as securities for purposes of the Investment Company Act, or significant changes in the value of our investments or other assets), the requirements imposed by the Investment Company Act could make it impractical for us to continue our business as currently conducted, which would materially adversely affect our business, financial condition and results of operations. In addition, if we were to become inadvertently subject to the Investment Company Act, any violation of the Investment Company Act could subject us to material adverse consequences, including potentially significant regulatory penalties and the possibility that certain of our contracts could be deemed unenforceable.

In addition, if anything were to happen which would cause us to be deemed to be an investment company under the Investment Company Act, it will become more difficult and costly for us to comply with the applicable requirements

of the securities legislation and regulations thereunder of each province and territory of Canada following the completion of the Reorganization.

***Our Shareholders will generally not benefit from protections of investment company statutes in various jurisdictions, and may suffer from the restrictions that such statutes place on the liquidity of Ordinary Shares and on Galaxy's fundraising, businesses or other activities.***

Galaxy is not an investment fund and does not intend to operate as an investment fund in the future. Nonetheless, it is possible that Galaxy may effectively be classified as the equivalent of a commodity pool (to the extent that digital assets are deemed to fall within the definition of a "commodity interest" under the CEA) or an investment fund under the investment company laws of various jurisdictions, including the European Union Alternative Investment Fund Managers Directive.

Galaxy's business is designed to comply with exemptions from the application of such laws, which means that holders of Ordinary Shares do not and will not benefit from the investor protections provided by such laws. At the same time, Galaxy may be constrained by such laws from listing Ordinary Shares or raising additional capital in certain jurisdictions, to the potential detriment of the value and liquidity of Ordinary Shares, and GDH LP may be restricted or precluded from operating in certain jurisdictions without additional financial registrations or licenses that we do not currently have.

Furthermore, if, whether by reason of changes in law, regulation or interpretation or by reason of Galaxy's or GDH LP's conduct, Galaxy no longer qualifies for applicable exemptions from commodity pool or investment company laws, the results may materially adversely affect Galaxy and could lead to Galaxy's liquidation or sale, which may lead to material or complete losses for holders of Ordinary Shares.

***Holders of Ordinary Shares may be prevented from exercising voting power commensurate with their economic interests in Galaxy.***

In respect of any general resolution proposed for approval by holders of Ordinary Shares, whether it relates to the election of directors or to any other matter, each holder will be required to certify that it is not a U.S. resident and, to the extent that it holds Ordinary Shares for the account or benefit of any other person, that person is not a U.S. resident. Those holders who do not so certify will still be able to vote on the resolution, but the aggregate total of the votes that those holders are entitled to cast will be limited to 49% of the total number of votes that all holders of Ordinary Shares are entitled to cast. This "variable voting" may cause certain holders' views to have a greater or lesser influence on the governance of Galaxy than would be the case solely on the basis of percentage holdings of Ordinary Shares. In the extreme, if only a small number of holders of Ordinary Shares were to provide the certification referred to above, they would hold outsized voting power in and influence over Galaxy. Also, this variable voting, to the extent that it causes voting power to diverge from percentage holdings of Ordinary Shares, would necessarily disadvantage U.S. residents who hold Ordinary Shares or persons that hold beneficially Ordinary Shares through U.S. residents.

***Galaxy and GDH LP are required to indemnify directors and certain officers or other agents against a wide range of potential liabilities and these indemnification obligations could be material.***

The constating documents of Galaxy and GDH LP provide for customarily broad rights of indemnification for directors as well as certain officers or other agents. The constating documents also provide for the possibility of advancement of expenses to such indemnified persons. In addition, each of Galaxy and GDH LP have entered into indemnification agreements with its directors and officers. While rights of indemnification are typically viewed as a key protection and inducement for indemnified persons to serve in senior roles in which they may be exposed to liability, indemnification payments and advancement of expenses may be material and may have an adverse effect on Galaxy or GDH LP. Furthermore, indemnified persons may be subject to derivative or other similar claims brought by Shareholders or GDH LP itself, which claims would generally be expected to be covered by rights of indemnification and, potentially, advancement of expenses. In certain circumstances, subject to applicable laws in the relevant jurisdictions, indemnified persons may be entitled to indemnification even if their liabilities arose from their own negligence or unlawful conduct. Galaxy or GDH LP has incurred, and is expected to continue to incur, significant expense to procure directors and officers liability insurance that both supports potential indemnification obligations

of Galaxy and GDH LP and, in some cases, provides indemnified persons with additional protection beyond the scope of these obligations. If Galaxy or GDH LP is unable to maintain adequate insurance, there could be adverse consequences.

***The holding of, or trading in, Ordinary Shares may be, or become, illegal in certain countries or other jurisdictions.***

One or more countries or jurisdictions, including but not limited to China, Russia, South Korea, the United States and Canada, may take regulatory actions now or in the future that severely restrict the right to acquire, own, hold, sell or use digital assets. Such actions or restrictions may also result in the restriction of holding or trading in Ordinary Shares or cause the price of any affected digital asset to decrease, possibly substantially. Such actions or restrictions would likely materially and adversely affect the effectiveness of GDH LP's investment and trading strategies, the value of its assets and the value of any investment in Galaxy. Shareholders are urged to consult legal advisors in their own relevant jurisdictions with respect to the current and prospective lawfulness of their purchasing, holding or selling Ordinary Shares.

***Ordinary Shares are generally not permitted to be acquired by U.S. Benefit Plan Investors, which could reduce Ordinary Shares' liquidity. Conversely, if U.S. Benefit Plan Investors were to acquire sufficient numbers of Ordinary Shares notwithstanding and in contravention of this limitation, Galaxy could be materially and adversely affected.***

With limited exceptions as may be determined by the Board, Ordinary Shares may not be acquired by U.S. Benefit Plan Investors. Galaxy's constating documents provide that Galaxy need not recognize any purported transfer of Ordinary Shares to a U.S. Benefit Plan Investor and will be entitled, via an "excess share" provision, to cause any U.S. Benefit Plan Investor who acquired Ordinary Shares in contravention to sell or otherwise divest such Ordinary Shares, including to Galaxy or to a trust or similar vehicle established for this purpose. Furthermore, the shares could, now or in the future, represent ineligible investments for other categories of institutional purchasers as well. In each case, these considerations may reduce the number of prospective purchasers for whom Ordinary Shares are an attractive investment and therefore reduce Ordinary Shares' value and liquidity.

Conversely, if U.S. Benefit Plan Investors were to acquire sufficient numbers of Ordinary Shares notwithstanding and in contravention of this limitation, Galaxy could be materially and adversely affected. For example, if ERISA plans were to acquire 25% or more of Ordinary Shares, the assets of the Company would likely be deemed to be "plan assets" under ERISA, which would result, among other things, in the application of the prudence and other fiduciary responsibility standards of ERISA to investments made by Galaxy and the possibility that certain transactions in which Galaxy might otherwise seek to engage could constitute "prohibited transactions" under ERISA and Section 4975 of the Code, subjecting Galaxy to potential liability under ERISA and penalty taxes under the Code. While Galaxy has instituted safeguards to prevent this result, it is possible that such safeguards could fail to be effective (or could be deemed to have failed by a relevant governmental authority).

## **Risks Related to Our Operations**

***We have limited operating history. Our business lines are nascent, unproven and subject to material legal, regulatory, operational, reputational, tax and other risks in every jurisdiction and are not assured to be profitable.***

We and our subsidiaries have limited operating history on which an investor might evaluate our performance. We began operations in 2018, and publicly introduced new products and services, including buying and selling of select cryptocurrencies (our "trading business"), managing capital on behalf of third parties (our "asset management" services), our financial, investment and strategic financial services (our "investment banking" and our "principal investments" businesses, as applicable) and our suite of products and services related to bitcoin mining (our "mining" services) in 2020. As a result, we are therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues, any of which could have a material adverse effect on us and may force us to reduce or curtail operations. Due to our limited operating history, our business model has not been fully proven and we have limited financial data that can be used to evaluate our current business and future prospects, which subjects us to a number of uncertainties, including our ability to plan for, model and manage future growth and risks. Our historical revenue

growth should not be considered indicative of our future performance. There is no assurance that we will be successful in achieving a return on stockholders' investment and the likelihood of success must be considered in light of the early stage of operations. Even if we accomplish these objectives, we may not generate the anticipated positive cash flows or profits. No assurance can be given that we will ever be successful in our operations and operate profitably.

Furthermore, our business lines are nascent, unproven and subject to material legal, regulatory, operational, reputational, tax and other risks in every jurisdiction and are not assured to be profitable. We may fail to be able to implement our investment or trading strategies, achieve our investment objectives, effectively operate our digital asset mining sites, develop our business lines or produce a return for our investors. We have chosen to pursue a number of different businesses in this evolving industry. It is possible that some of these businesses may be difficult to enter and/or it may become evident that a particular business is not a productive use of capital or time. This could lead us to modify our businesses and focus. In particular, we may become involved in investments and projects that are not directly related to the digital asset or blockchain industry. These projects are likely to relate to industries and clients that we believe will benefit in the future from blockchain technology and our experience and network in digital assets industry.

From time to time, we may also launch new lines of business, offer new products and services within existing lines of business or undertake other strategic projects. There are substantial risks and uncertainties associated with these efforts and we would invest significant capital and resources in such efforts. Regulatory requirements can affect whether initiatives are able to be brought to market in a manner that is timely and attractive to our customers. Initial timetables for the development and introduction of new lines of business, products or services and price and profitability targets may not be met.

Furthermore, our revenues and costs may fluctuate due to start-up costs associated with new businesses or products and services while revenues may take time to develop, which may adversely impact our results of operations. If we are unable to successfully manage our business while reducing expenses, our ability to continue in business could depend on the ability to raise sufficient additional capital, obtain sufficient financing and monetizing assets. The occurrence of any of the foregoing risks would have a material adverse effect on our financial results, business and prospects.

***Our operating results have and will significantly fluctuate due to a variety of factors, including the highly volatile nature of cryptocurrency.***

Our leading sources of revenue are dependent on digital assets and the broader cryptoeconomy. Our operating results have and will significantly fluctuate due to a variety of factors, including the highly volatile nature of cryptocurrency. Significant positive or negative changes in cryptocurrency asset prices will not necessarily result in similar benefit or impairment to our operating results and financial condition. For example, the cumulative market capitalization of cryptocurrencies decreased approximately 57% during the three months ended June 30, 2022, while the value of GDH LP Partners' capital decreased 27% during the same period. Conversely, during the three months ended September 30, 2022, GDH LP Partners' capital decreased by 3%, while the cumulative market capitalization of cryptocurrencies increased by 7%. Our operating results will continue to fluctuate significantly as a result of a variety of factors, many of which are unpredictable and in certain instances are outside of our control, including:

- our dependence on offerings that are dependent on digital asset trading activity, including trading volume and the prevailing trading prices for digital assets, whose trading prices and volume can be highly volatile;
- our ability to attract, maintain, and grow our customer base and engage our customers;
- changes in the legislative or regulatory environment, or actions by governments or regulators, including fines, orders, or consent decrees;
- legislative or regulatory changes that impact our ability to offer certain products or services;

- the impact of environmental, social and governance concerns surrounding digital assets;
- pricing for our products and services;
- investments we make in the development of products and services as well as technology offered to our ecosystem partners, international expansion, and sales and marketing;
- our utilization of and dependence on centralized digital asset trading platforms and over-the-counter markets that are approved primarily based on our diligence review;
- macroeconomic conditions, including decreased trading in global markets or decreased demand for financial services products generally;
- disputes with our customers or regulators, adverse legal proceedings or regulatory enforcement actions, judgments, settlements, or other legal proceeding and enforcement-related costs;
- the development and introduction of existing and new products and services by us or our competitors;
- increases in operating expenses that we expect to incur to grow and expand our operations and to remain competitive;
- the timing and amount of non-cash expenses, such as stock-based compensation and asset impairment;
- system failure or outages, including with respect to third-party cryptocurrency networks, breaches of security or privacy or any inaccessibility of the third-party cryptocurrency networks due to our or third-party actions;
- changes in the overall tax rate for our business, changes in tax laws or judicial or regulatory interpretations of tax laws;
- changes in accounting standards, policies, guidance and interpretations or principles;
- changes in requirements imposed on us by regulators or by our counterparties, including net capital requirements imposed by the SEC and FINRA;
- our ability to attract and retain talent;
- our ability to compete with our competitors; and
- general economic conditions in either domestic or international markets, including the impact of the ongoing COVID-19 pandemic.

As a result of these factors, it is difficult for us to forecast growth trends accurately and our business and future prospects are difficult to evaluate, particularly in the short term. In view of the rapidly evolving nature of our business and the cryptoeconomy, period-to-period comparisons of our operating results may not be meaningful, and you should not rely upon them as an indication of future performance. Quarterly and annual expenses reflected in our financial statements may be significantly different from historical or projected rates. Our operating results in one or more future quarters may fall below the expectations of securities analysts and investors. As a result, the market price of our Ordinary Shares may increase or decrease significantly.

***Our operating results are dependent on the prices of digital assets and volume of transactions that we conduct. If such price or volume declines, our business, operating results, and financial condition would be adversely affected.***

Any declines in the volume of digital asset transactions, the price of digital assets, or market liquidity for digital assets generally may adversely affect our operating results. We have significant investments in digital assets. As of December 31, 2022, we held digital assets of \$566.7 million. In addition, GDH LP Partners' capital was \$1.4 billion as of such date. Changes in the value of investments and digital assets will generally have a significant impact on our results. Our operating results will be impacted by the revenues and profits we generate from the purchase, sale, and trading of digital assets. The price of digital assets and associated demand for buying, selling, and trading of digital assets have historically been subject to significant volatility. For instance, in 2017, the value of certain digital assets, including bitcoin, experienced steep increases in value, followed by a steep decline in 2018. More recently, after recovering and reaching record highs in December 2021, the value of the total crypto market capitalization declined by approximately 64% in the financial year ended December 31, 2022. Digital asset prices continue to be extremely volatile, in addition to suffering in 2022 due in part to the collapse of several digital asset industry players such as Celsius, Voyager and FTX. The price and trading volume of any digital asset is subject to significant uncertainty and volatility, and may significantly decline in the future, without recovery. Such uncertainty and volatility depend on a number of factors, including:

- market conditions across the cryptoeconomy;
- changes in liquidity, volume, and trading activities;
- trading activities on digital asset trading platforms worldwide, many of which may be unregulated, and may include manipulative activities;
- investment and trading activities of highly active retail and institutional users, speculators, miners, and investors;
- the speed and rate at which cryptocurrency is able to gain adoption as a medium of exchange, utility, store of value, consumptive asset, security instrument, or other financial assets worldwide, if at all;
- decreased user and investor confidence in digital assets and digital asset trading platforms;
- negative publicity and events relating to the cryptoeconomy;
- unpredictable social media coverage or “trending” of digital assets;
- the ability for digital assets to meet user and investor demands;
- the functionality and utility of digital assets and their associated ecosystems and networks, including digital assets designed for use in various applications;
- consumer preferences and perceived value of digital assets and digital asset markets;
- increased competition from other payment services or other digital assets that exhibit better speed, security, scalability, or other characteristics;
- regulatory or legislative changes and updates affecting the cryptoeconomy;
- the characterization of digital assets under the laws of various jurisdictions around the world;
- the maintenance, troubleshooting, and development of the blockchain networks underlying digital assets, including by miners, validators, and developers worldwide;
- the ability for cryptocurrency networks to attract and retain miners or validators to secure and confirm transactions accurately and efficiently;

- ongoing technological viability and security of digital assets and their associated smart contracts, applications and networks, including vulnerabilities against hacks and scalability;
- fees and speed associated with processing digital asset transactions, including on the underlying blockchain networks and on digital asset trading platforms;
- financial strength of market participants;
- the availability and cost of funding and capital;
- the liquidity of digital asset trading platforms;
- interruptions in service from or failures of major digital asset trading platforms;
- availability of an active derivatives market for various digital assets;
- availability of banking and payment services to support cryptocurrency-related projects;
- level of interest rates and inflation;
- monetary policies of governments, trade restrictions, and fiat currency devaluations; and
- national and international economic and political conditions.

There is no assurance that any digital asset will maintain its value or that there will be meaningful levels of trading activities. For example, in 2022 we have witnessed dampened demand for trading digital assets in the wake of industry turmoil, impacting our operating results. In the event that the price of digital assets or the demand for trading digital assets decline, our business, operating results, and financial condition would be adversely affected.

***A determination that a digital asset is a “security”, or that an activity in which we engage involves a “security” transaction for purposes of the federal U.S. securities laws could adversely affect the value of that digital asset and potentially digital assets generally, and could therefore adversely impact our business, financial condition and results of operations as well as the market price of the Ordinary Shares.***

Depending on its characteristics, a digital asset may be considered a “security” under the federal U.S. securities laws. The test for determining whether a particular digital asset is a “security” is complex and difficult to apply, and the outcome is difficult to predict. Public, though non-binding, statements by senior officials at the SEC have indicated that the SEC did not consider bitcoin or ether to be securities and does not currently consider bitcoin to be a security. The SEC staff has authored informal, non-binding letters to the promoters of a handful of digital assets to the effect that the staff would not recommend enforcement action to the SEC on the basis that transactions in such digital assets, as described to the staff by their respective promoters, are securities transactions. On the other hand, the SEC has brought enforcement actions against the promoters of several other digital assets on the basis that the digital assets in question are securities. Moreover, in September 2021 testimony before the Senate Banking Committee, the chair of the SEC stated that “only a small number” of digital assets are not securities. Beyond the public enforcement actions involving specific digital assets, the SEC has not yet publicly identified which specific digital assets it considers to be securities, although it is possible that the SEC could do so in the future in the context of enforcement actions or in public statements outside the enforcement context. And although there is limited guidance on the subject, the SEC has also found certain economic arrangements involving digital assets to be securities transactions.

The SEC’s positions on the federal securities law status of particular digital assets are closely watched and can have dramatic effects, whether or not the SEC’s positions prevail in federal court. For example, in 2020 the SEC filed a complaint against the promoters of XRP alleging that they raised more than \$1.3 billion through XRP sales that should have been registered under the federal securities laws, but were not. In the weeks following the filing of the SEC’s complaint, XRP’s market capitalization fell to less than \$10 billion, which was less than half of its market

capitalization in the days prior to the complaint. Similarly, in July 2022, the SEC filed insider trading charges against a former employee of Coinbase Global, Inc. and two other individuals. In the complaint, the SEC alleged that nine digital assets were securities under the U.S. federal securities laws. The SEC also brought charges against Genesis Global Capital, LLC, a subsidiary of Genesis Global Holdco, LLC (“**Genesis**”) and Gemini Trust Company, LLC (“**Gemini**”) in January 2023 for their alleged unregistered offer and sale of securities to retail investors. Genesis together with its subsidiaries filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code in January 2023. The SEC’s action against XRP’s promoters, its actions against Genesis and Gemini, and its inclusion of securities designations in the July 2022 insider trading complaint underscore the continuing uncertainty around which digital assets are securities.

Whether a digital asset is a security under the federal U.S. securities laws depends on whether it is included in the lists of instruments making up the definition of “security” in the U.S. Securities Act, the Exchange Act and the Investment Company Act. Digital assets as such do not appear in any of these lists, although each list includes the terms “investment contract” and “note,” and the SEC has typically analyzed whether a particular digital asset is a security by reference to whether it meets the tests developed by the federal courts interpreting these terms, known as the Howey and Reves tests, respectively. For many digital assets, whether or not the Howey or Reves tests are met is difficult to resolve definitively, and substantial legal arguments can often be made both in favor of and against a particular digital asset qualifying as a security under one or both of the Howey and Reves tests. Adding to the complexity, the SEC staff has indicated that the security status of a particular digital asset can change over time as the relevant facts evolve.

Any enforcement action by the SEC or a state securities regulator, or a court decision or SEC announcement, asserting or finding that a particular digital asset is a security for purposes of the federal securities laws would be expected to have an immediate and material adverse impact on the trading value of that digital asset if it is then generally used or traded in the United States, and depending on the specific characteristics of the digital asset, could have adverse spillover effects on the trading values of other digital assets perceived to share similar characteristics that are also generally used or traded in the United States. This is because the business models behind most digital assets are incompatible with U.S. regulations applying to transactions in securities. If a digital asset is asserted or found to be a security, it is likely to become difficult or impossible for the digital asset to be traded, cleared or custodied in the United States through the same channels used by non-security digital assets. For example, all transactions in such digital asset would have to be registered with the SEC and potentially state securities regulators, or conducted in accordance with exemptions from registration, which could severely limit its liquidity and usefulness. Moreover, the network on which such digital asset is utilized may be subject to regulation as a securities intermediary, which could effectively render the network impracticable for its existing purposes. In addition to materially and adversely affecting the trading value of the digital asset, any such consequences are likely to significantly impact the digital asset’s liquidity and market participants’ ability to convert the digital asset into U.S. dollars.

The determination that a digital asset is a security under the federal securities laws could also have adverse U.S. regulatory consequences for us. But even if there were no such adverse U.S. regulatory consequences, we may nevertheless decide to terminate our services relating to that digital asset and liquidate our holdings of that digital asset while we believe a liquid market still exists, which could result in us selling that digital asset at depressed prices.

For a discussion of the potential consequences of having engaged in a digital asset transaction in the United States or with U.S. clients and counterparties in which we did not, but in retrospect should have, treated the digital asset in question as a security, see “*Market Controls and Regulations*”.

To the extent we hold any digital asset that is impacted by an assertion or finding of securities status, or we engage in any economic arrangement in respect of a digital asset that is deemed to be a securities transaction, our business, financial condition and results of operations would be adversely impacted, as they would to the extent we earn revenues from transacting or facilitating transactions in that digital asset. Depending on which digital asset or activities are impacted, these adverse impacts could be material to us and to the market price of Ordinary Shares.

***A determination that a digital asset is a “security”, or that an activity in which we engage involves a “security” transaction for purposes of the federal U.S. securities laws could have adverse regulatory consequences for us, and could therefore adversely impact our business, financial condition and results of operations as well as the market price of the Ordinary Shares.***

In addition to the potential for adverse consequences to our business, financial condition and results of operations, the classification of a digital asset as a security under the federal U.S. securities laws has wide-ranging implications for the regulatory obligations that flow from the offer, sale, trading, clearing and holding of such assets. Although we take these implications into account for those digital assets that we treat as securities for federal U.S. securities law purposes, for a digital asset that we previously treated as not being a security for federal U.S. securities law purposes, these implications could include the following, any of which could have adverse consequences to our business, financial condition and results of operations as well as the market price of Ordinary Shares:

- *Liability for participating in unregistered securities offerings.* In the United States, securities generally may not be offered or sold unless registered with the SEC or an exemption from registration is available. If a digital asset is determined to be a security and we offered or sold that digital asset without a valid exemption from SEC registration requirements, we could incur liability to purchasers as well as SEC monetary fines and other penalties, including restrictions on our ability to conduct business.
- *Liability for acting as an unregistered broker-dealer, national securities exchange or clearing agency.* A person in the business of effecting transactions in securities in the United States is generally subject to registration with the SEC as a “broker” or “dealer.” A platform that brings together purchasers and sellers to trade securities in the United States is generally subject to registration as a national securities exchange, or must qualify for an exemption, such as by being operated by a registered broker-dealer as an alternative trading system. A person that facilitates clearing and settlement of securities may be subject to registration with the SEC as a clearing agency. If a digital asset is determined to be a security and we transacted in that digital asset in a manner implicating any of the foregoing SEC registration requirements without being so registered or without a valid registration exemption, we could incur SEC monetary fines and other penalties, including restrictions on our ability to conduct business.
- *Liability for operating as an unregistered investment company.* A person in the business of investing in securities in the United States is subject to registration and regulation as an investment company under the Investment Company Act, unless a valid exemption from such registration applies. The laws and regulations applicable to registered investment companies, including limitations on debt and other forms of leverage, restrictions on transactions with affiliates and other limitations on business activities generally make it impractical for an operating company such as us. If one or more digital assets is determined to be a security and we had been relying on such digital assets as not being securities for Investment Company Act purposes, we could incur SEC monetary fines and other penalties, including restrictions on our ability to conduct business. In addition, counterparties to contracts to which we are party could seek to avoid their obligations under those contracts on grounds that contracts with illegally unregistered investment companies are unenforceable.
- *Obligation to restructure our operations in order to avoid operating as an unregistered investment company.* We intend to conduct our operations so that we will not be deemed to be an investment company under the Investment Company Act, If we determined that we risked becoming subject to registration as an investment company under the Investment Company Act, we would explore alternatives for avoiding this status, which may include disposing of digital asset securities, or one or more of our principal investments, or acquiring businesses or assets that are not securities, and we may be required to effect such dispositions or acquisitions under unfavorable market conditions.
- *Liability for acting as an unregistered investment adviser.* A person in the business of advising others, for compensation, with respect to securities in the United States or to U.S. clients is subject to registration and regulation as an investment adviser under the Advisers Act, unless a valid exemption from such registration applies. If a digital asset is determined to be a security and we advised clients as to that digital asset in a manner implicating Advisers Act registration requirements without being so registered or without a valid registration exemption, we could incur SEC monetary fines and other penalties, including restrictions on our ability to conduct business.

We may be able to take steps in order to bring our operations into compliance with the federal U.S. securities laws following a determination that one or more digital assets in which we transact are securities, but there is no guarantee that we would be able to take such actions as may be necessary to ensure that our future activities comply with applicable law, which could force us to discontinue some or all of our business activities. In general, any steps we are able to take in order to ensure future compliance with applicable laws would not insulate us from liability for past violations.

While the above description of adverse regulatory consequences focuses on the federal securities laws, the various U.S. states and jurisdictions outside the United States also intensively regulate securities transactions, and so a U.S. state's or other jurisdiction's determination that a particular digital asset is a security could have similarly adverse consequences to our business, financial condition and results of operations as well as the market price of the Ordinary Share.

***Our process for analyzing whether or not a particular digital asset is a security for purposes of the federal U.S. securities laws may not yield results that are consistent with subsequent determinations by the SEC or federal U.S. courts, or with similar determinations made by our competitors.***

We have procedures designed to analyze whether each digital asset that we seek to transact in or develop could be deemed to be a "security" under the federal securities laws. However, because of the inherent uncertainties associated with such an analysis, we acknowledge that a particular digital asset that we transact in or develop may in the future be found by the SEC or a federal court to be a security notwithstanding our prior conclusion; and such prior conclusion, even if reasonable under the circumstances, would not preclude legal or regulatory action based on the presence of a security. We recognize that the application of securities laws to the specific facts and circumstances of digital assets may be complex and subject to change. We continue to monitor the U.S. and global regulatory environment, and we expect our process to continuously evolve to take into account case law, facts, and developments in technology, as regulatory guidance evolves. See "*Market Control and Regulation*" for more information.

Because of complexities in applying the federal securities laws to digital assets and the fact that different companies doing business in the digital asset industry take varying approaches to digital asset analyses, we expect that competitors may reach different conclusions from us on the securities-law status of a particular digital asset or digital asset category. Although we anticipate that these differences will narrow over time as the SEC and federal courts address the securities-law status of larger numbers of individual digital assets, or as Congress enacts relevant legislation, until that occurs, where competitors conclude that they have the ability to transact in digital assets in ways that we do not permit because of these different conclusions, some competitors may have business and revenue opportunities that are not available to us.

***We are highly dependent on our key personnel, including our Founder, which exposes stockholders to material and unpredictable "key man" risk.***

We are highly dependent on the services of our senior management team, including members of our executive team, and other key employees and personnel across product, engineering, risk management, compliance and legal, finance and marketing. Because we operate in a relatively new industry that requires highly skilled and technical personnel, our future success is highly dependent on the talents and contributions of our senior management and other key personnel. The loss of any such key personnel could disrupt our operations and have a material adverse effect on our business.

In particular, we are highly dependent on the services of Michael Novogratz, our founder, CEO and, through his direct and indirect ownership, the largest beneficial owner of the Company, for conducting our businesses, implementing investment and trading strategies and establishing and maintaining relationships with key business counterparties. If the services of our Founder were to become unavailable for any reason including a voluntary decision by our Founder to no longer continue with the business, it would have a material adverse effect on our business and investment decisions, financial results and returns to our stockholders.

Our Founder, other members of senior management or other key personnel could engage in activities outside of Galaxy or could quit Galaxy in favor of other pursuits. Neither our Founder nor any other key personnel are contractually

required to continue to provide services to us. While all of our key personnel have entered into employment agreements with us which contain covenants that they will not compete with us and applicable laws may prevent such personnel from engaging in certain directly competitive activities to the extent that they are members of the Board, such laws will not guarantee to stockholders that such personnel will devote their full time, attention or efforts to us. For example, if our Founder were to cease to provide services to us, he could engage in other pursuits, which may relate to digital assets or investing, while remaining our largest and generally controlling owner, an outcome that may be unfavorable to Shareholders. Our Founder may also continue to manage significant non-digital assets outside of us, which may consume some of his time, attention and efforts.

***Our Founder’s public profile makes it more likely that we will attract material regulatory scrutiny, which would be costly and distracting regardless of whether we have engaged in any unlawful conduct.***

Our Founder has been a vocal and visible proponent of digital assets, in some cases attracting controversy in connection with his views and statements as expressed on social media or otherwise. Further, due to our Founder’s public profile, his views, statements and conduct could be subject to scrutiny by both the public at large and governmental and regulatory bodies, which could adversely affect our business and our reputation. These considerations make it foreseeable that we could attract material regulatory scrutiny driven in part by the visibility of our Founder, irrespective of whether we have engaged in any unlawful conduct. Regulatory scrutiny may take the form of requests for information or responses, examinations, meetings or other types of interactions that may proceed to a formal enforcement action, suit, fine or other formal negative sanction, consume a material amount of management’s time, attention and efforts, lead to material spending on legal and other advisors or cause other negative consequences.

***If we fail to develop, maintain and enhance our brand and reputation, our business operating results and financial condition may be adversely affected.***

Our brand and reputation are key assets and a competitive advantage, and maintaining a strong brand and reputation will be an important factor in our success and our development of our business. Protecting and enhancing our brand depends largely on the success of our marketing efforts, ability to provide consistent, high-quality, and secure products, services, features, and support. Thus, maintaining, protecting, and enhancing our reputation is also important to our development plans and relationships with our partners and counterparties. Furthermore, we believe that the importance of our brand and reputation may increase as competition in both the financial services industry and the cryptoeconomy further intensifies. Our brand and reputation could be harmed if we fail to achieve these objectives or if our public image were to be tarnished by negative publicity, unexpected events, or actions by third parties. Unfavorable publicity regarding, for example, the quality of or changes to our products and services, litigation or regulatory activity, privacy practices, data security compromises or breaches, terms of service, employment matters, the use of our products, services, or supported digital assets for illicit or objectionable ends, the actions of our clients, customers, employees, or the actions of other companies that provide similar services to ours, has in the past, and could in the future, adversely affect our reputation and our business.

We receive a high degree of media coverage in the cryptoeconomy and around the world. Additionally, because we are a founder-led company, actions by, or unfavorable publicity about our Founder, may adversely impact our brand and reputation. Such negative publicity also could have an adverse effect on the size and engagement of our customers and could result in decreased revenue, which could have an adverse effect on our business, operating results, and financial condition. Further, we may in the future, be the target of social media campaigns criticizing actual or perceived actions or inactions that are disfavored by our customers, employees, or society at-large, which campaigns could materially impact our customers’ decisions to engage with our products and services.

More broadly, because the digital asset and blockchain technology sectors are relatively nascent, public opinion is underdeveloped and will continue to evolve over time. For example, recently, there has been increased focus on the environmental, social and governance considerations regarding the use of electricity and other resources for digital asset mining operations. Public debate regarding the regulation of all facets of the digital asset sector will continue to take shape as regulators and lawmakers make their positions known. Moreover, in 2022, each of Celsius Networks, Voyager Digital, Three Arrows Capital and FTX declared bankruptcy. In particular, in November 2022, FTX – which was at the time one of the world’s largest and most popular digital asset trading platforms – became insolvent, and it

was revealed that the platform had been misusing customer assets, resulting in a loss of confidence in participants of the cryptoeconomy and negative publicity surrounding crypto more broadly. Unfavorable media coverage in relation to the cryptoeconomy, including the societal impact of digital assets and the infrastructure that supports them and/or the viability of any particular cryptocurrency, digital asset trading platform, or firm engaged in digital asset-related businesses, could have a cascading impact on digital assets as an investable asset class, or even the cryptoeconomy at large, and adversely impact our business, our operating results and the value of any investment in us.

If we fail to protect our brand image or reputation, we may experience material adverse effects to the size, demographics, engagement, and loyalty of our customers and counterparties, resulting in decreased revenue. In addition, if securities analysts or investors perceive any media coverage of us, or of the cryptoeconomy more broadly, to be negative, the price of our Ordinary Shares may be adversely affected. Any such negative publicity could have an adverse effect on the size, activity, and loyalty of our customers and counterparties and result in a decrease in revenue, which could adversely affect our business, operating results, and financial condition.

***If we are unable to successfully identify, hire and retain qualified individuals, we will not be able to implement our growth strategy successfully.***

Our future success depends on the continuing efforts of our key employees and our ability to attract and retain highly skilled personnel and senior management. We currently depend on the continued services and performance of our key personnel, including our Founder. Our growth strategy is based, in part, on our ability to attract and retain highly qualified individuals. Competition presented by other firms may create difficulty for us in recruiting and retaining professionals of a caliber consistent with our business strategy. If we are unable to successfully identify hire, develop, motivate and retain qualified professionals, this failure could materially and adversely affect our investment and trading strategies, the value of our assets and the value of any investment in us. If one or more of our executive officers or key employees were unable or unwilling to continue their employment with us, we might not be able to replace them easily, in a timely manner, or at all. The risk that competitors or other companies may poach our talent increases as we continue to build our brands and become more well-known. Our key personnel have been, and may continue to be, subject to poaching efforts by our competitors and other fintech, internet and high-growth companies, including well-capitalized players in the digital asset space. The loss of key personnel, including members of management as well as key engineering, product development, marketing, and sales personnel, could disrupt our operations and have a material adverse effect on our business. The success of our brand also depends on the commitment of our key personnel to our mission. To the extent that any of our key personnel act in a way that does not align with our mission, our reputation could be materially adversely affected.

Our future success will depend upon our continued ability to identify, hire, develop, motivate and retain highly skilled individuals across the globe, with the continued contributions of our senior management being especially critical to our success. Competition for well-qualified, highly skilled employees in our industry is intense and our continued ability to compete effectively depends, in part, upon our ability to attract and retain new employees. While we have established programs to attract new employees and provide incentives to retain existing employees, particularly our senior management, we cannot guarantee that we will be able to attract new employees or retain the services of our senior management or any other key employees in the future. Additionally, we believe that our culture and core values have been, and will continue to be, a key contributor to our success and our ability to foster the innovation, creativity and teamwork we believe we need to support our operations. If we fail to effectively manage our hiring needs and successfully integrate our new hires, or if we fail to effectively manage remote work arrangements resulting from COVID-19, our efficiency and ability to meet our forecasts and our ability to maintain our culture, employee morale, productivity and retention could suffer, and our business, financial condition and results of operations could be materially adversely affected.

***We operate in a highly competitive industry and we compete against unregulated or less regulated companies and companies with greater financial and other resources, and our business, operating results, and financial condition may be adversely affected if we are unable to respond to our competitors effectively.***

The cryptoeconomy is highly innovative, rapidly evolving, and characterized by healthy competition, experimentation, changing customer needs, frequent introductions of new products and services, and subject to uncertain and evolving industry and regulatory requirements. We expect competition to further intensify in the future as existing and new

competitors introduce new products or enhance existing products. We compete against a number of companies operating both within the United States and abroad, and both those that focus on traditional financial services and those that focus on crypto-based services. For our discrete business lines we face competition from the following sources:

- *Trading.* Our trading business competes with an international group of spot, prime, proprietary, and derivative OTC providers and exchanges, in addition to DeFi protocols and exchanges. Our lending business generally competes with a variety of both traditional and non-traditional lenders.
- *Asset Management.* Our asset management business competes with other asset managers that provide passive and active exposure to digital assets and blockchain infrastructure companies in the ecosystem.
- *Investment Banking.* Our investment banking business competes with bulge bracket investment banks, middle market investment banks, fintech-focused boutiques, and crypto-focused boutiques.
- *Mining.* Our mining business competes with proprietary miners, public and non-public mining companies, and companies offering financial services and infrastructure for miners.
- *Principal Investments.* Our principal investments business competes with an international set of competitors that include crypto and blockchain venture firms, generalist venture capital firms with dedicated crypto funds.

We believe our primary source of competition to date has been from companies, in particular those located outside the United States, who are either subject to significantly less stringent regulatory and compliance requirements in their local jurisdictions or have interpreted the regulatory requirements to which they are subject in a manner that is different from our interpretation. Some of such companies' business models rely on being unregulated or only regulated in a small number of lower compliance jurisdictions, whilst also offering their products in highly regulated jurisdictions, including the United States, without necessarily complying with the relevant regulatory requirements in such jurisdictions.

To date, due to limited but growing enforcement by Canadian, U.S. and foreign regulators, many of these competitors have been able to operate from offshore while offering large numbers of products and services to consumers, including in the United States, Europe, and other highly regulated jurisdictions, without complying with the relevant licensing and other requirements in these jurisdictions, and seemingly without penalty. Due to our regulated status in several jurisdictions and our commitment to legal and regulatory compliance, we have not been able to offer many popular products and services, including products and services that our unregulated or less regulated competitors are able to offer to a group that includes many of our customers, which may adversely impact our business, financial condition, and results of operations.

In recent years, our commitment to compliance and the attendant customer-facing requirements, including customer due diligence requirements, may have had a competitive impact on us as these unregulated or less compliance-focused competitors have attracted more business. We also have expended significant managerial, operational, and compliance costs to meet the legal and regulatory requirements applicable to us in the United States and other jurisdictions in which we operate, and expect to continue to incur significant costs to comply with these requirements, which these unregulated or less regulated competitors have not had to incur.

Additionally, due to the broad nature of our products and services, we also compete with, and expect additional competition from, traditional financial services companies. We also face competition from companies that may target a wider range of customers, including retail customers, which could result in such competitors gaining broader recognition and market acceptance relative to our institutional customer approach.

Many innovative start-up companies and larger companies have made, and continue to make, significant investments in research and development, and we expect these companies to continue to develop similar or superior products and technologies that compete with our products. Further, more traditional financial and non-financial services businesses

may choose to offer crypto-based services in the future as the industry gains adoption. Our current and potential competitors may establish cooperative relationships among themselves or with third parties that may further enhance their resources, or may otherwise have certain competitive advantages over us.

If we are unable to compete successfully, or if competing successfully requires us to take costly actions in response to the actions of our competitors, our business, operating results, and financial condition could be adversely affected.

***Due to the unregulated nature and lack of transparency surrounding the operations of digital asset trading platforms, they may experience fraud, security failures or operational problems, which may adversely affect the value of digital assets traded on those digital asset trading platforms and, consequently, our investments and our Ordinary Shares.***

Digital asset trading platforms are relatively new and, in some cases, unregulated. Furthermore, while some digital asset trading platforms provide information regarding their ownership structure, management teams, private key management, hot/cold storage policies, capitalization, corporate practices and regulatory compliance, many other digital asset trading platforms do not. A lack of transparency provided could result in us underestimating the risk of a potential loss in balances, which could include the loss of a material portion of the value of the digital assets we own or invest in on such digital asset trading platforms. Digital asset trading platforms do not appear to be subject to regulation in a similar manner as other regulated trading platforms, such as national securities exchanges or designated contract markets. As a result, the marketplace may lose confidence in the less transparent or unregulated digital asset trading platforms, including prominent digital asset trading platforms that handle a significant volume of trading in these assets.

Many digital asset trading platforms are unlicensed, unregulated, operate without extensive supervision by governmental authorities, and do not provide the public with significant information regarding their ownership structure, management team, corporate practices, cybersecurity, and regulatory compliance. In particular, those located outside Canada and the United States may be subject to significantly less stringent regulatory and compliance requirements in their local jurisdictions. As a result, trading activity on or reported by these digital asset trading platforms is generally significantly less regulated than trading in regulated Canadian or U.S. securities and commodities markets, and may reflect behavior that would be prohibited in regulated Canadian or U.S. trading venues. Additionally, some of these non-U.S. digital asset trading platforms offer customers high leverage and/or a small insurance fund, which could result in potential losses being socialized to customers and a reduction in the value of our assets on digital asset trading platforms.

We do not insure the digital assets that we hold. While our third-party custodians have indicated to us that they maintain insurance coverage that is intended to cover losses of the digital assets they custody on behalf of their clients to some extent, there can be no assurance that the loss of any digital asset is fully insured against, and we may have limited rights of legal recourse in the event of loss. Consequently, a loss may be suffered with respect to our digital assets that is not covered by insurance and for which no person is liable for damages.

For example, in 2019 there were reports claiming that 80-95% of bitcoin trading volume on digital asset trading platforms was falsified or non-economic in nature, with specific focus on unregulated digital asset trading platforms located outside of the United States. Such reports may indicate that the bitcoin exchange market is significantly smaller than expected and that the United States makes up a significantly larger percentage of such market than is commonly understood. Nonetheless, any actual or perceived false trading in digital asset trading platforms, and any other fraudulent or manipulative acts and practices, could adversely affect the value of digital assets and/or negatively affect the market perception of such assets. Further, a number of digital asset trading platforms, including certain digital trading platforms with which we engage, do not obtain or perform comprehensive Services Organization Controls (“SOC”) 1 and SOC 2 evaluations of their systems on a regular basis, if at all. SOC 1 evaluations of a digital asset trading platform assess whether transactions are properly secured and segregated, and that the information provided to traders and investors is complete, accurate and timely. SOC 2 evaluations assess the design and implementation of a digital asset trading platform’s security, availability, and confidentiality controls. Moreover, there are two types of such SOC evaluations: type 1 evaluates the processes at a particular point in time, while type 2 evaluations can test that the system controls across both the exchange and its custody products, if applicable, have been operating effectively over a period of time.

If digital asset trading platforms do not perform SOC evaluations, we may be unable to confirm that such exchanges' financial reporting is accurate or whether it has taken proper steps to secure its information technology infrastructure against internal and external threats, which could expose us to additional risks that may have been identified and remediated had such exchanges obtained or performed SOC evaluation. Engaging with such digital asset trading platforms could materially impact our reputation and the actual or perceived security of our investments. Any engagement with digital asset trading platforms that do not obtain or perform SOC examinations exposes us to greater risks than companies that engage solely with digital asset trading platforms that maintain thorough SOC examination processes. As of December 31, 2022, approximately \$131.1 million of the Company's digital assets are held on exchanges. In addition, over the past several years, some digital asset trading platforms have been closed due to fraud and manipulative activity, business failure or security breaches. In many of these instances, the customers of such digital asset trading platforms were not compensated or made whole for the partial or complete losses of their account balances. For example, in November 2022, FTX – which was at the time one of the world's largest and most popular digital asset trading platforms – became insolvent, and it was revealed that the platform had been misusing customer assets. While smaller digital asset trading platforms are less likely to have the infrastructure and capitalization that make larger digital asset trading platforms more stable, larger exchanges are more likely to be appealing targets for hackers and malware and may be more likely to be targets of regulatory enforcement action.

Negative perception, a lack of stability in these digital asset trading platforms, fraud or misconduct, and the temporary or permanent closure of such exchanges due to fraud, business failure, hackers or malware, or government-mandated regulation may reduce confidence in the digital asset marketplace in general and result in a reduction in the value of our assets and greater volatility in the price of digital assets, as well as increase scrutiny on our activities and increase the likelihood of unfavourable government regulation and the risks of litigation against us. These potential consequences could materially and adversely affect our investment and trading strategies, the value of our assets and the value of any investment in us and, therefore, the market price of our Ordinary Shares.

***In the event that our employees, contractors or any of our affiliates engage in misconduct or commit errors, it may materially adversely impact our business, operating results and our reputation.***

Misconduct or error by our employees or our business partners could subject us to legal liability, financial losses, and regulatory sanctions and could seriously harm our reputation and negatively affect our business. Such misconduct could include engaging in improper or unauthorized transactions or activities, misappropriation of customer funds, insider trading and misappropriation of information, failing to supervise other employees or service providers, improperly using confidential information, as well as improper trading activity such as spoofing, layering, wash trading, manipulation and front-running.

The inappropriate and/or unauthorized use of social media platforms, including weblogs (or blogs), social media websites and other forms of internet-based communications, which allow individuals access to a broad audience of consumers and other interested persons by our clients or employees could increase our costs, cause damage to our brand, lead to litigation or result in information leakage. In addition, negative or inaccurate posts or comments about us on any social networking platforms could damage our reputation, brand image and goodwill. Despite our efforts to clearly define our mission and strategy and accurately characterize our products and service offerings, our employees, contractors or affiliates may engage in activities either in their official capacity as members of the Galaxy ecosystem, or in their unofficial capacities, that are in conflict with or are incongruent with Galaxy's values, positions or strategies. Any instance of such discontinuity could negatively impact our client and/or counterparty relationships, our reputation and the market price of our Ordinary Shares.

Employee or service provider errors, including mistakes in executing, recording, or processing transactions for customers, could expose us to the risk of material losses even if the errors are detected. Although we have implemented processes and procedures and provide trainings to our employees and service providers to reduce the likelihood of misconduct and error, these efforts may not be successful. There may be confusion among employees, business partners and service providers, particularly in a fast growth company like ours, with respect to compliance obligations, particularly including confidentiality, data access, trading, and conflicts.

Moreover, we frequently engage in a wide variety of transactions and maintain relationships with a significant number of projects in the cryptoeconomy and blockchain technology sector, their developers, members of their ecosystem,

and investors. These transactions and relationships could create potential conflicts of interests in management decisions that we make. For instance, certain of our officers, directors, and employees may be active investors in crypto projects themselves, and may make investment decisions in respect of projects that they have personally invested in.

It is not always possible to deter misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. If we were found to have not met our regulatory oversight and compliance and other obligations, we could be subject to regulatory sanctions, financial penalties, and restrictions on our activities for failure to properly identify, monitor and respond to potentially problematic activity and seriously damage our reputation. Our employees, contractors, and agents could also commit errors that subject us to financial claims for negligence, as well as regulatory actions, or result in financial liability. Further, allegations by regulatory or criminal authorities of improper trading activities could affect our brand, reputation and credibility of our company may be adversely affected.

***We or our subsidiaries and affiliates are and may continue to be subject to substantial litigation, including individual and class action lawsuits, and regulatory risks.***

We may be party to lawsuits and legal proceedings in the ordinary course of business. These matters are often expensive and disruptive to normal business operations. We have been, currently are, and may from time to time face allegations, lawsuits, regulatory inquiries, actions, requests, audits or investigations including with regards to contractual disputes with our business partners and other service providers, disputes with our clients and customers, disputes with our employees, agents or affiliates and data privacy, data security, or intellectual property infringement disputes. As an enterprise whose material business lines include financial services, we or our subsidiaries and affiliates, depend to a significant extent on our relationships with our clients and counterparties and our reputation for integrity and high-caliber professional services. As a result, if a client is not satisfied with our services, a counterparty has a dispute or if there are allegations of improper conduct by private litigants or regulators, whether the ultimate outcome is favorable or unfavorable to us, or if there is negative publicity and press speculation about us, whether or not valid, our reputation may be harmed and may be more damaging to our businesses than to businesses in other non-financial industries.

We or our subsidiaries and affiliates have been and could be the subject of any number of inquiries, investigations, lawsuits and proceedings by counterparties, clients, other third parties and regulatory and other governmental agencies in the United States and abroad, which could lead to increased expenses and harm to our reputation, business, financial condition and the market price of our Ordinary Shares. Responding to inquiries, investigations, lawsuits and proceedings, regardless of the ultimate outcome of the matter, is time-consuming and expensive and can divert the attention of senior management. Adverse outcomes with respect to allegations, lawsuits, regulatory inquiries, audits, or investigations may result in significant settlement costs or judgments, penalties and fines, or require us to modify our services or require us to stop serving certain customers or geographies, any of which could negatively impact our business. The outcome of such proceedings, and the related expenses, may be difficult to predict or estimate until late in the proceedings, which may last a number of years and be costly for us to maintain.

The scope, determination, and impact of claims, lawsuits, government and regulatory investigations, enforcement actions, disputes, and proceedings to which we are subject cannot be predicted with certainty, and may result in:

- substantial payments to satisfy judgments, fines, or penalties;
- substantial outside counsel legal fees and costs;
- additional compliance and licensure requirements;
- the imposition of independent monitors or consultants;
- loss or non-renewal of existing licenses or authorizations, or prohibition from or delays in obtaining additional licenses or authorizations, required for our business;

- loss of productivity and high demands on employee time;
- criminal sanctions or consent decrees;
- termination of certain employees, including members of our executive team;
- barring of certain employees from participating in our business in whole or in part;
- orders that restrict our business or prevent us from offering certain products or services;
- changes to our business model and practices;
- delays to planned transactions, product launches or improvements; and
- damage to our brand and reputation.

Certain of our subsidiaries are subject to periodic examination by regulatory authorities. If compliance failures or other violations are found during an examination, a regulatory agency could initiate actions and impose sanctions for violations, including, for example, regulatory agreements, cease and desist orders, civil monetary penalties or termination of a license and could lead to litigation by investors or clients, any of which could adversely impact us.

If we and/or any governmental agency believe that we have accepted capital contributions by, or are otherwise holding assets of, any person or entity that is acting directly or indirectly, in violation of U.S., international or other anti-money laundering laws, rules, regulations, treaties or other restrictions, or on behalf of any suspected terrorist or terrorist organization, suspected drug trafficker or senior foreign political figure(s) suspected in engaging in foreign corruption, we and/or such governmental agency may “freeze the assets” of such person or entity. We may also be required to report and remit or transfer those assets to a governmental agency.

Volatility in our share price increases the risk of such claims. Actions against us could be brought by sizable classes of customers who may claim large monetary damages, even if the alleged per-customer harm is small or non-existent. Regardless of the outcome, any such matters can have an adverse impact, which may be material, on our business, operating results, or financial condition because of legal costs, diversion of management resources, reputational damage, and other factors.

***If we cannot keep pace with rapid industry changes to provide new and innovative products and services, the use of our products and services, and consequently our revenue, could decline, which could adversely impact our business, operating results, and financial condition.***

Our industry, and the cryptoeconomy generally, has been characterized by many rapid, significant, and disruptive products and services in recent years. These include decentralized applications, DeFi, yield farming, staking, token wrapping, governance tokens, innovative programs to attract customers such as transaction fee mining programs, initiatives to attract traders such as trading competitions, airdrops and giveaways, staking reward programs, and novel cryptocurrency fundraising and distribution schemes. We expect new services and technologies to continue to emerge and evolve, which may be superior to, or render obsolete, the products and services that we currently provide. We cannot predict the effects of new services and technologies on our business. However, our ability to grow our customer base and revenue will depend in part on our ability to innovate and create successful new products and services, both independently and in conjunction with third-parties. In particular, developing and incorporating new products and services into our business may require substantial expenditures, take considerable time, and ultimately may not be successful. Any new products or services could fail to attract customers, generate revenue, or perform or integrate well with third-party applications and platforms. In addition, our ability to adapt and compete with new products and services may be inhibited by regulatory requirements and general uncertainty in the law, constraints by our banking partners and payment processors, third-party intellectual property rights, or other factors. Moreover, we must continue to enhance our technical infrastructure and other technology offerings to remain competitive and maintain a platform that has the required functionality, performance, capacity, security, and speed to attract and retain customers. As a

result, we expect to expend significant costs and expenses to develop and upgrade our technical infrastructure to meet the evolving needs of the industry. Our success will depend on our ability to develop and incorporate new offerings and adapt to technological changes and evolving industry practices. If we are unable to do so in a timely or cost-effective manner, our business and our ability to successfully compete, retain existing customers, and attract new customers may be adversely affected.

***We are exposed to a concentration of assets in a particular asset class, which could increase volatility, investment and market risk.***

We trade, invest and hold primarily digital assets and investments in the blockchain space and conduct related businesses. We may accumulate significant positions in, or otherwise have significant exposure to, a single digital asset or asset type. If we choose to invest in concentrated positions, we could increase the volatility of investment results over time and exacerbate the risk that a loss in any position would have a material and adverse effect on our investment and trading strategies, the value of our assets and the value of any investment in us.

We are exposed to significant market risk based on our positions in digital assets, securities, commodities and other assets. The prices or values of digital and non-digital assets in which we may invest or trade have been, and likely will continue to be, highly volatile. We are also subject to the risk of loss of any cash or digital assets that we hold on digital asset trading platforms. For example, on November 8, 2022, FTX, a digital asset trading platform on which we held cash and digital assets, suspended customer withdrawals. FTX subsequently filed for Chapter 11 bankruptcy protection on November 11, 2022. As of year-end, the Company had a net loss of approximately \$68 million related to our previously disclosed FTX exposure. These events are continuing to develop and it is not possible to predict at this time all of the risks that they may pose to Galaxy, our service providers or to the digital asset industry as a whole. Sustained market declines and periods of significant market volatility may limit our ability to produce positive investment and trading results, and there can be no assurance that our strategies will be successful in the markets and assets in which we invest or trade.

***Our business relies on third-party service providers and subjects us to risks that we may not be able to control or remediate.***

Our operations could be interrupted if our third-party service providers experience operational or other systems difficulties, terminate their services or fail to comply with regulations. We outsource some of our operational activities and accordingly depend on relationships with many third-party service providers. Specifically, we rely on third parties for certain services, including, but not limited to, legal, accounting, custodying and other financial operations, trade related activity, IT infrastructure and systems, trade reconciliation, and margin and collateral movement. Our business depends on the successful and uninterrupted functioning of our information technology and telecommunications systems and third-party service providers. The failure of these systems, a cybersecurity breach involving any of our third-party service providers or the termination or change in terms of a third-party software license or service agreement on which any of these systems is based could interrupt our operations. Because our information technology and telecommunications systems interface with and depend on third-party systems, we could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. Replacing vendors or addressing other issues with our third-party service providers could entail significant delay, expense and disruption of service. As a result, if these third-party service providers experience difficulties, are subject to cybersecurity breaches, or terminate their services, and we are unable to replace them with other service providers, particularly on a timely basis, our operations could be interrupted.

If an interruption were to continue for a significant period, our business, financial condition and results of operations could be adversely affected. Should we be required to replace third-party service providers, it may be at a higher cost to us, which could adversely affect our business, financial condition and results of operations.

We host certain of our mining equipment at a third-party datacenter. The provider oversees maintenance, up-time and other important elements of mining productivity. There is a service agreement that guarantees hash rate performance and system up-time and contractual consequences if the host does not meet these requirements. To the extent that the host does not meet these requirements for extended periods of time, the revenue from this business could be less than anticipated. Additionally, to the extent power costs increase, it could affect the future profitability of the business.

***Unexpected market disruptions may cause major losses for us.***

We may incur major losses in the event of disrupted markets and other extraordinary events in which market behavior diverges significantly from historically recognized patterns. The risk of loss in such events may be compounded by the fact that in disrupted markets, many positions become illiquid, making it difficult or impossible to close out positions against which markets are moving. Market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses for us. Any such disruptions and events may have a material and adverse effect on our investment and trading strategies and on any investment in us.

***Operational risk may materially and adversely affect our performance and results and we may not be effective in mitigating any such risk.***

Any issue or adverse circumstance surrounding our operational risks may have a material and adverse effect on our performance and results. Operational risk is the risk of an adverse outcome resulting from inadequate or failed internal processes, people, systems or from external events. Our exposure to operational risk arises from routine processing errors, as well as extraordinary incidents, such as major systems failures or legal and regulatory matters. As we operate trading, lending, investment and other businesses that are reliant on both technology and human expertise and execution, we are exposed to material operational risk arising from a number of factors, including, but not limited to, human error, processing and communication errors, errors of our service providers, counterparties or other third parties, failed or inadequate processes and technology or system failures.

Digital asset transfers are typically not reversible without the consent and active participation of the recipient of the transaction. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer or theft of digital assets generally will not be reversible and we may not be capable of seeking compensation for any such transfer or theft. Although we have processes and procedures in place to limit any such transfers, it is possible that, through computer or human error, or through theft or criminal action, our digital assets could be subject to these operations errors and transferred from our accounts in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts. To the extent that our business lines expand to include trust companies, custody services will expose us to greater risk of loss from irreversible operational errors, such as collateral transferred from a custody account in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts. Operational errors or significant operational delays could materially negatively impact our ability to conduct our business or service our clients, which could adversely affect results of operations due to potentially higher expenses and lower revenues, create liability for us or our clients or negatively impact our reputation. Recurring operational issues may raise concerns among regulators regarding our governance and control environment.

We seek to mitigate risk and have established policies and procedures and seeks to provide an operational environment for the types of risk to which it is subject, including operational risk, credit risk, market risk, counterparty risk, exchange risk and liquidity risk. However, there are inherent limitations to our current and future risk management strategies, including risks that it has not appropriately anticipated or identified. Accurate and timely enterprise-wide risk information is necessary to enhance management's decision-making in times of crisis. If our risk management framework proves ineffective or if our enterprise-wide management information is incomplete or inaccurate, we could suffer unexpected losses, which could materially adversely affect our business, results of operations and financial condition.

***Because our long-term success depends, in part, on our ability to expand our sales to customers outside the United States, our business is susceptible to risks associated with international operations.***

We currently have subsidiaries and operations in jurisdictions such as the Cayman Islands, the United Kingdom, Hong Kong, Canada and Japan as well as the United States. We plan to enter into or increase our presence in additional markets around the world, and any inability or failure to adequately exploit opportunities for international expansion, may harm our business and our adversely affect our revenue. We have a limited operating history outside North America, and our ability to manage our business and conduct our operations internationally requires considerable management attention and resources and is subject to particular challenges of supporting a rapidly growing business in an environment of diverse cultures, languages, customs, tax laws, legal systems, alternate dispute systems and

regulatory systems. As we continue to expand our business and customer base outside the United States, we will be increasingly susceptible to risks associated with international operations. These risks and challenges include:

- difficulty establishing and managing international operations and the increased operations, travel, infrastructure and legal and compliance costs associated with locations in different countries or regions;
- the need to understand and comply with local laws, regulations and customs in multiple jurisdictions, including laws and regulations governing broker-dealer practices, some of which may be different from, or conflict with, those of other jurisdictions, and which might not permit us to operate our business or collect revenues in the same manner as we do in such other jurisdictions;
- our interpretations of local laws and regulations, which may be subject to challenge by local regulators;
- difficulties or delays in obtaining and/or maintaining the regulatory permissions, authorizations, licenses or consents that may be required to offer certain products in one or more international markets;
- difficulties in managing multiple regulatory relationships across different jurisdictions on complex legal and regulatory matters;
- if we were to engage in any merger or acquisition activity internationally, this is complex and would be new for us and subject to additional regulatory scrutiny;
- the need to vary products, pricing and margins to effectively compete in international markets;
- the need to adapt and localize products for specific countries, including obtaining rights to third-party intellectual property used in each country;
- increased competition from local providers of similar products and services;
- the challenge of positioning our products and services to meet a demand in the local market (also known as “product-market fit”);
- the ability to obtain, maintain, protect, defend and enforce intellectual property rights abroad;
- the need to offer customer support and other aspects of our offering (including websites, articles, blog posts and customer support documentation) in various languages;
- compliance with anti-bribery laws, such as the Foreign Corrupt Practices Act and equivalent anti-bribery and anti-corruption requirements in local markets, by us, our employees and our business partners, and the potential for increased complexity due to the requirements on us as a group to follow multiple rule sets;
- complexity and other risks associated with current and future legal requirements in other countries, including laws, rules, regulations and other legal requirements related to cybersecurity and data privacy frameworks and labor and employment laws;
- the need to enter into new business partnerships with third-party service providers in order to provide products and services in the local market, which we may rely upon to be able to provide such products and services or to meet certain regulatory obligations;
- varying levels of internet technology adoption and infrastructure, and increased or varying network and hosting service provider costs and differences in technology service delivery in different countries;

- fluctuations in currency exchange rates and the requirements of currency control regulations, which might restrict or prohibit conversion of other currencies into U.S. dollars;
- taxation of our international earnings and potentially adverse tax consequences due to requirements of or changes in the income and other tax laws of the United States or the international jurisdictions in which we operate; and
- political or social unrest or economic instability in a specific country or region in which we operate.

We have limited experience with international regulatory environments and market practices, and we may not be able to penetrate or successfully operate in the markets we choose to enter. In addition, we may incur significant expenses as a result of our international expansion, and we may not be successful. We may launch products that lack local product-market fit, face local competition from pre-existing companies offering similar products and/or face limited brand recognition in certain parts of the world, any of which could lead to non-acceptance or delayed acceptance of our products and services by customers in new markets. Product adoption and growth rates may vary significantly across different markets. We are subject to income taxes and other taxes in the United States and other countries in which we transact or conduct business, and such laws and tax rates vary by jurisdiction. We are subject to review and audit by U.S. federal, state, local and foreign tax authorities. Such tax authorities may disagree with tax positions we take, and if any such tax authority were to successfully challenge any such position, our financial condition or results of operations could be materially and adversely affected. Our failure to successfully manage these risks, or any failure to quickly exploit any opportunity for international expansion could harm our international operations in the markets we choose to enter and have an adverse effect on our business, financial condition and results of operations.

***Fluctuations in currency exchange rates could harm our operating results and financial condition.***

Revenue generated and expenses incurred from our international operations are often denominated in the currencies of the local countries. Accordingly, changes in the value of foreign currencies relative to the U.S. dollar can affect our revenue and operating results reflected in our U.S. dollar-denominated financial statements. Our financial results are also subject to changes in exchange rates that impact the settlement of transactions in non-local currencies. As a result, it could be more difficult to detect underlying trends in our business and operating results. To the extent that fluctuations in currency exchange rates cause our operating results to differ from expectations of investors, the market price of our Ordinary Shares could be adversely impacted. Even if we use derivative instruments to hedge exposure to fluctuations in foreign currency exchange rates, the use of such hedging activities may not offset any or more than a portion of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place, and may introduce additional risks if we are unable to structure effective hedges with such instruments.

***Pandemics, such as the COVID-19 pandemic, and resulting impacts on the global economy may materially and adversely affect us.***

We face risks related to health epidemics and other outbreaks of communicable diseases, which could significantly disrupt our operations and may materially and adversely affect our business and financial conditions. For example, in December 2019, a novel strain of the coronavirus COVID-19 emerged as a global pandemic. As a result, during the first quarter of 2020, global financial markets experienced a period of sharp decline and volatility due in large part to the real and perceived economic impact of the COVID-19 pandemic. The public health impact of the coronavirus, as well as the steps taken by governments and businesses around the world to combat its spread, have had, and will continue to have, an adverse impact on the global economy. The duration and severity of the COVID-19 pandemic is unknown, and the extent of the business disruption and financial impact depend on factors beyond our knowledge and control. Given the uncertainty around the duration and extent of the COVID-19 pandemic, including as a result of the emergence of new strains and variants of the coronavirus, we expect that the evolving COVID-19 pandemic will continue to impact our business, results of operations, and financial condition and liquidity. The extent to which a pandemic impacts our business, including our operations and market for our securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the outbreak and the actions taken to contain or treat the outbreak.

During the global financial crisis of 2007 to 2008, various sectors of the global financial markets experienced an extended period of adverse conditions featuring market uncertainty, reduced liquidity, greater volatility, general widening of credit spreads and a lack of price transparency. To the extent that similar marketplace events were to occur in the future, either as a result of a pandemic or otherwise, these events may have an adverse impact on our investments. In addition, governments from time to time intervene, directly and by regulation in ways that are unpredictable during times of crisis. Such intervention is often intended to directly influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction.

We intend to continue to execute on our strategic plans and operational initiatives during the COVID-19 outbreak; however, the aforementioned uncertainties may result in delays or modifications to these plans and initiatives. Business activities could also be materially adversely impacted as the fundraising for asset management products and advisory transactions may be delayed during such situations and the delivery of mining equipment may be disrupted due to supply chain interruptions. In particular, a pandemic could materially and adversely impact our business including without limitation, employee health, workforce productivity, increased expenses and other factors that will depend on future developments beyond our control, which may have a material and adverse effect on our business, financial condition, results of operations and cash flows. Such adverse effect could be rapid and unexpected.

The ultimate extent of the impact of any epidemic, pandemic, or other health crisis on our business will depend on multiple factors that are highly uncertain and cannot be predicted, including its severity, location and duration, and actions taken to contain or prevent further its spread. Additionally, pandemics could increase the magnitude of many of the other risks described in this AIF, and may have other material adverse effects on our operations that we are not currently able to predict. If our business and the markets in which we operate experience a prolonged occurrence of adverse public health conditions, such as COVID-19, it could materially adversely affect our business, financial condition, and results of operations.

***We may be adversely affected by natural disasters, pandemics, and other catastrophic events, and by man-made problems such as terrorism, that could disrupt our business operations, and our business continuity and disaster recovery plans may not adequately protect us from a serious disaster.***

Natural disasters or other catastrophic events may also cause damage or disruption to our operations, international commerce, and the global economy, and could have an adverse effect on our business, operating results, and financial condition. Our business operations are subject to interruption by natural disasters, fire, power shortages, and other events beyond our control. Further, acts of terrorism, labor activism or unrest, and other geo-political unrest could cause disruptions in our business or the businesses of our partners or the economy as a whole. In the event of a natural disaster, including a major earthquake, blizzard, or hurricane, or a catastrophic event such as a fire, power loss, or telecommunications failure, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in development of our platform, lengthy interruptions in service, breaches of data security, and loss of critical data, all of which could have an adverse effect on our future operating results. We do not maintain insurance sufficient to compensate us for the potentially significant losses that could result from disruptions to our services. Additionally, all the aforementioned risks may be further increased if we do not implement a disaster recovery plan or our partners' disaster recovery plans prove to be inadequate. To the extent natural disasters or other catastrophic events concurrently impact data centers or mining equipment that we rely on, our operations may be delayed and we may suffer losses, both financial and otherwise.

## **Risks Related to Our Business Lines**

***Managing different business lines could present conflicts of interest.***

There are certain inherent and potential conflicts of interest in managing different business lines and the presence of any such conflict of interest could materially adversely affect our business, reputation, results of operations and financial condition. We seek to build a full service, institutional-quality financial services business through our business lines: trading, principal investments, asset management, mining and investment banking. Subject to applicable regulatory approvals, we may also launch additional business lines from time to time. Due to the broad scope of our businesses, potential conflicts of interest include situations where our services to a particular client or our own investments or other interests conflict, or are perceived to conflict, with the interests of another client, as well as

situations where one or more of our businesses have access to material non-public information that may not be shared with our other businesses and situations where we may be an investor or creditor of an entity with which we also have an advisory or other relationship. For example, our subsidiaries may provide corporate advisory services to companies that are also investee companies of GAM or within our venture portfolio. In such circumstances, we may not be able to conduct transactions relating to investments in portfolio companies, for example, due to the inability of GAM to use material non-public information in buying or selling securities to us. Furthermore, the allocation of investment opportunities among us, our funds and our clients could also present conflicts of interest. Providing custody services in the future (to the extent we expand our offerings to include such services) while managing other funds and accounts can present certain conflicts of interest as those funds and accounts might have similar or different investment objectives or strategies as trust accounts, or otherwise hold, purchase or sell investments that are eligible to be held, purchased or sold by the trust accounts, or may take positions that are opposite in direction from those taken by the trust accounts. In managing these different conflicts, fiduciary duty obligations may require us to resolve conflicts in favor of clients over our company or other third parties. For example, GAM may be engaged to provide advice to a client that is considering entering into a transaction with us, and may advise the client not to pursue the transaction with us, or otherwise in connection with a potential transaction provide advice to the client that would be adverse to us. Employees and executives, including our Founder, may also have conflicts of interest in allocating their time and activity between the business lines. While we manage conflicts of interest through a number of ways, appropriately identifying and dealing with conflicts of interest is complex and difficult, and our reputation could be damaged and the willingness of clients to enter into transactions with us may be affected if we fail, or appear to fail, to identify, disclose and deal appropriately with conflicts of interest. In addition, potential or perceived conflicts, or the failure to make appropriate disclosures to clients regarding such conflicts, could give rise to litigation or regulatory enforcement actions. A failure to appropriately identify and address potential conflicts of interest could adversely affect our businesses, results of operations and financial condition.

***Changes in the value levels of the assets may cause our AUM, revenue and earnings to decline.***

Our asset management business, which is conducted through one or more subsidiaries, is primarily comprised of fees based on a percentage of the value of AUM and, in some cases, performance fees which are normally expressed as a percentage of returns to the client. Numerous factors, including price movements in the assets in the markets in which we manage assets, could cause:

- the value of AUM, or the returns that we realize on AUM, to decrease;
- the withdrawal of funds from any products offered by us in favor of products offered by competitors; or
- a decrease in the value of seed or co-investment capital or a decrease in the amount of such capital available to invest.

The occurrence of any of these events may cause our AUM, revenue and earnings, if any, to decline and may negatively impact the success of our asset management business, results of operations and financial condition.

***The asset management business is highly regulated and regulators may apply or interpret these regulations with respect to digital assets in novel and unexpected ways.***

Asset management is a highly regulated business subject to numerous legal and regulatory requirements. These regulations are intended to protect customers whose assets are under management and, as such, may limit our ability to develop, expand or carry out our asset management business in the intended manner. We are guided in significant part by regulatory regimes that are not clear or are not yet developed. To the extent that there is any ambiguity as to whether an asset under management is a security, the applicability of many regulations to our asset management business will not be clear. Furthermore, we must address conflicts of interest, as well as the perception of conflicts of interest, between ourselves (including our other business lines) and our clients and funds. In particular, we are required to act in the best interest of our clients and funds, which may include allocating opportunities to our clients and funds rather than to our own principal business lines. In addition, regulators have substantial discretion in determining what is in the best interest of a client of a fund and have increased their scrutiny of potential conflicts as well as the disclosure

of such conflicts to an asset manager's clients. Appropriately dealing with conflicts of interest is complex and if we fail, or appear to fail, to deal appropriately with any of these conflicts of interest, we may face reputational damage, litigation, regulatory proceedings, or penalties, fines or sanctions, any of which may have a material and negative impact on our asset management business. In addition, to the extent that we are required to obtain client or investor consent in connection with any potential conflict, any failure or delay in obtaining such consent may have a material and negative impact on our ability to take advantage of certain business opportunities.

***Increased competition may cause our AUM, revenue and earnings to decline.***

The asset management industry is highly competitive and has relatively low barriers to entry. We currently expect that, as digital assets become more mainstream, additional competitors, potentially in large numbers, may begin providing asset management services with respect to digital assets. We compete based on a number of factors including: investment performance, the level of fees charged, the quality and diversity of services and products provided, name recognition and reputation, and the ability to develop new investment strategies and products to meet the changing needs of investors. In addition, the introduction of new technologies, as well as regulatory changes, may significantly alter the competitive landscape for investment managers in digital assets. This could lead to fee compression or require us to spend more to modify or adapt our product offerings to attract and retain customers and remain competitive with products and services offered by new competitors in the industry. Increased competition on the basis of any of these factors, including competition leading to fee reductions, may cause our AUM, revenue and earnings to decline and materially and negatively impact the success of our asset management business and affect our overall business, results of operations and financial condition.

***Our principal investments business, including any associated lending activities, is subject to substantial risk.***

Our investments may be very risky and highly speculative and our principal investments business is subject to substantial risk, including risks related to third-party investment managers, operational risk, conflicts of interests, asset performance and regulatory compliance, that, if realized, could result in significant damage to our business and operating results.

Moreover, our due diligence processes may fail to uncover all of the problems, liabilities or other challenges, including fraud, material deficiencies, regulatory or compliance issues in connection with our prospective portfolio companies or our third-party investment managers. This could result in an increased risk of unanticipated or unknown issues or liabilities including with respect to compliance and regulatory matters, and our mitigation strategies may not be effective. Further, our valuations and projections in connection with our prospective investments may be inaccurate, which could result in a loss of all or substantially all of our investments and could adversely impact our financial condition and our business.

We generally do not take controlling equity positions in our portfolio companies. To the extent that we do not hold a controlling equity interest in a portfolio company, we are subject to the risk that a portfolio company may make business decisions with which we disagree, and the stockholders and management of a portfolio company may take risks or otherwise act in ways that are adverse to our interests. Due to the lack of liquidity for the debt and equity investments that we typically hold in our portfolio companies, we may not be able to dispose of our investments in the event we disagree with the actions of a portfolio company, and may therefore suffer a decrease in the value of our investments. Further, our portfolio companies may be highly leveraged.

***We are subject to risks in connection with our mining business, including risks associated with counterparties.***

We mine bitcoin directly and manage a full suite of bitcoin-mining focused products and services. In December 2022, we acquired the Helios bitcoin mining facility and its operations, expanding our capacity. In furtherance of these objectives, GM has procured bitcoin mining machines to be utilized for proprietary operations, miner finance and resale. We and our subsidiaries such as GM also lease mining equipment, including ASICs hardware from third-party producers, to customers as part of our mining business. The success of this business depends significantly on the creditworthiness and financial strength of the lessees of such equipment. While we perform due diligence on prospective lessees, defaults under leases are possible. In the event of a default by a lessee under an equipment lease, whether as a result of a failure by the lessee to comply with the lease terms, equipment failure or otherwise, we might

not receive payments which we otherwise expect or to which we are entitled, or may incur liability to the lessee, and thereby could experience a material adverse effect on our expected return under a lease. This risk is heightened given that some portion of the payments in respect of such leases may be cryptocurrency or other digital assets, and thus subject to the volatility, liquidity and other risks detailed elsewhere in these risk factors. Our ability to have access to collateral securing lease payments or otherwise could be limited by bankruptcy and other insolvency laws. Under certain circumstances, there is a risk that a court may deem an equipment lease to be a secured transaction. There is no assurance that the liquidation of the collateral securing a lease would satisfy the lessor's obligations under the lease in the event non-payment or other non-compliance, or that any such collateral could be readily liquidated. As a result, we might not receive full payment on a lease to which we are entitled and thereby could experience a decline in the value of, or a loss with respect to, such lease. Mining equipment leased by us may be subject to significant risks, including risk of damage to mining equipment, that are not covered by insurance.

Due to the illiquid market for mining equipment, part of our competitive advantage has to do with our access to the supply of mining equipment from vendors all over the world. As such, we are susceptible to any disruptions in this supply chain, including but not limited to non-delivery of machines and risks associated with the jurisdiction that the vendor is located.

Additionally, as the technology evolves, we may seek to acquire and lease newer models of miners to remain competitive in the market. Over time, we replace those miners which are no longer functional with new miners purchased from third-party manufacturers, many of whom are based in China. As the mining equipment that we own and lease eventually becomes obsolete or degrades due to ordinary wear and tear from usage, or becomes lost or damaged due to factors outside of our control, miners will need to be repaired or replaced along with other equipment from time to time in order for our for us to stay competitive. This upgrading process requires substantial capital investment, and we may face challenges in doing so on a timely and cost-effective basis based on availability of new miners. If we are unable to obtain adequate numbers of new and replacement miners at scale, our mining business be unable to remain competitive.

Governments have limited or may limit the shipment of products in and out of their jurisdictions, which could negatively impact our ability to receive mining equipment from our suppliers. Our third-party manufacturers, suppliers, sub-contractors and customers have been and will continue to be disrupted by worker absenteeism, quarantines, restrictions on employees' ability to work, office and factory closures, disruptions to ports and other shipping infrastructure, border closures, or other travel or health-related restrictions. Depending on the magnitude of such effects on our supply chain, shipments of parts for our existing miners, as well as any new miners we purchase, may be delayed. As our miners require repair or become obsolete and require replacement, our ability to obtain adequate replacements or repair parts from their manufacturer may therefore be hampered. Supply chain disruptions could therefore negatively impact our operations.

Further, digital asset mining operations can consume significant amounts of electricity, and recently, there has been increased focus on, and public debate surrounding, the negative environmental, social and governance considerations associated with such operations.

***The digital asset mining industry has seen rapid growth and innovation, and is becoming increasingly competitive and GM may be unable to compete effectively.***

The digital asset mining industry has seen rapid growth and innovation, and GM may be unable to compete effectively. GM's expenses may be greater than we anticipate, and our investments to make GM more efficient or to gain digital asset mining market share may not outpace monetization efforts. Bitcoin miners and other necessary hardware are also subject to malfunction, technological obsolescence, the global supply chain and difficulty, cost in obtaining new hardware and global energy prices. Any major malfunction out of the typical range of downtime for normal maintenance and repair could cause a significant disruption in our ability to continue mining, which could result in lower yields and harm our digital asset mining market share. New miners can be costly and may be in short supply. There can be no assurances that the most efficient mining hardware will be readily available when we identify the need for it. We face competition in acquiring mining machines from major manufacturers and, at a given time, mining machines may only be available for pre-order months in advance. As a result of competition for the latest generation mining machines, or if we unexpectedly need to replace our mining machines due to a faulty shipment or other failure,

we may not be able to secure replacement machines at reasonable costs on a timely basis. Furthermore, fluctuations in global energy prices have in the past, and may in the future, have a material impact on GM's operations and financial results. In particular, rising global energy prices could have a material negative impact on GM's profits, both directly and indirectly as a result of our exposure to counterparty risks. While GM intends to enter into business arrangements that allow us to hedge against global energy prices, there can be no guarantee that we are able to do so effectively, if at all.

GM's business strategy currently focuses on mining bitcoin (as opposed to other digital assets), and our hardware is limited to mining using current "proof-of-work" protocols. There could be developments in proof-of-work protocols, or other competing validation methods or processes, that negatively impact our current business strategy or render such business strategy obsolete. Proof-of-stake is an alternative method of validating digital asset transactions. Proof-of-stake methodology does not rely on resource intensive calculations to validate transactions and create new blocks in a blockchain; instead, the validator of the next block is determined, sometimes randomly, based on a methodology in the blockchain software. Rewards, and sometimes penalties, are issued based on the amount of digital assets a user has "staked" in order to become a validator. Should bitcoin shift from a proof-of-work validation method to a proof-of-stake or other method, the transaction verification process (i.e., "mining" or "validating") may render our mining

business less competitive or less profitable. In addition, in the general course of our business outside of GM, we participate in networks with proof-of-stake consensus algorithms, and we may earn rewards in the form of the native token of the network. Depending on the protocol, we also may permit third parties to "delegate" their digital assets for us to stake on their behalf, and provide them with a portion of the rewards. The value of any staked digital assets is subject to market volatility, and any such rewards we may earn as a validator could be offset by a loss in value of the staked digital assets. In addition, to the extent we participate in a proof-of-stake network but fail to remain current in any updates or upgrades to the network, we may become temporarily unable to earn rewards as a validator with respect to any staked digital assets on such network, or could have staked digital assets taken from us, to the extent we are deemed to be deviating from acting in the best interest of the network.

In addition, the aggregate computing power of the global bitcoin network has generally grown over time and we expect it to continue to grow in the future. The barriers to entry for new bitcoin miners are relatively low, which can give rise to additional capacity from competing bitcoin miners. As the hash rate in the Bitcoin network increases, the amount of bitcoin earned per unit of hash rate decreases. The Bitcoin protocol responds to increasing total hash rate by increasing the "difficulty" of bitcoin mining. If this "difficulty" increases at a significantly higher rate, we would need to increase our hash rate at the same rate in order to maintain market share and generate equivalent block rewards. Therefore, in order to maintain or increase our market share, we may be required to make significant capital expenditures.

Any decrease in GM's effective market share would result in a reduction in our share of block rewards and transaction fees, which could adversely affect our financial performance and financial position.

***We are not obligated to hedge our exposures, and, if we do, hedging transactions may be ineffective or reduce our overall performance.***

We are not obligated to, and often times may not, hedge our exposures. However, from time to time, we may use a variety of financial instruments and derivatives, such as options, swaps, and forward contracts, for risk management purposes, including to: protect against possible changes in the market value of our investment or trading assets resulting from fluctuations in cryptocurrency markets or securities markets and changes in interest rates; protect our unrealized gains in the value of our investments or trading assets; facilitate the sale of any such assets; enhance or preserve returns, spreads or gains on any trade or investment; hedge the interest-rate or currency-exchange risk on any of our liabilities or assets; protect against any increase in the price of any assets that we anticipate purchasing at a later date; or to any other end that we deem appropriate. The success of any hedging activities by us will depend, in part, on our ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the assets being hedged. Since the characteristics of many assets change as markets change or time passes, the success of our hedging strategy will also be subject to our ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. In addition, while we may enter into

hedging transactions to seek to reduce risk, such transactions may actually increase risk or result in a poorer overall performance for us than if we had not engaged in such hedging transactions.

***We may fail to develop and execute successful investment or trading strategies.***

The success of our investment and trading activities will depend on the ability of the investment team to identify overvalued and undervalued investment opportunities and to exploit price discrepancies. This process involves a high degree of uncertainty. No assurance can be given that we will be able to identify suitable or profitable investment opportunities in which to deploy our capital. The success of the trading activities also depends on our ability to remain competitive with other over-the-counter traders and liquidity providers. Competition in trading is based on price, offerings, level of service, technology, relationships and market intelligence. The success of investment activities depends on our ability to source deals and obtain favorable terms. Competition in investment activities is based on relationships, the ability to offer strategic advice to portfolio companies and reputation. The barrier to entry in each of these businesses is very low and competitors can easily and will likely provide similar services in the near future. The success of our investment and trading business could suffer if we are not able to remain competitive.

***We may make, or otherwise be subject to, trade errors.***

Errors may occur with respect to trades executed on our behalf. Trade errors can result from a variety of situations, including, for example, when the wrong investment is purchased or sold or when the wrong quantity is purchased or sold. Trade errors frequently result in losses, which could be material. To the extent that an error is caused by a third party, we may seek to recover any losses associated with the error, although there may be contractual limitations on any third party's liability with respect to such error.

***Our trading orders may not be timely executed.***

Our investment and trading strategies depend on the ability to establish and maintain an overall market position in a combination of financial instruments. Our trading orders may not be executed in a timely and efficient manner because of various circumstances, including, for example, trading volume surges or systems failures attributable to us or our counterparties, brokers, dealers, agents or other service providers. In such an event, we might only be able to acquire or dispose of some, but not all, of the components of our positions, or if the overall positions were to need adjustments, we might not be able to make such adjustments. As a result, we would not be able to achieve our desired market position, which may result in a loss. In addition, we can be expected to rely heavily on electronic execution systems (and may rely on new systems and technology in the future), which may be subject to certain systemic limitations or mistakes, causing the interruption of trading orders made by us.

***The success of our investment banking business will depend on our ability to generate and maintain ongoing, profitable client demand for our services and our ability to remain competitive in the digital asset investment banking space.***

The success of our investment banking business, which is conducted through GIB, depends on creating and sustaining a demand for our financial and strategic advisory services with respect to the digital asset, cryptocurrency and blockchain technology sector while maintaining favorable margins. The ability to realize and maintain this demand could be negatively affected by numerous factors, many of which will be beyond our control and unrelated to our future work product.

Developments in the digital asset industry, which are expected to be rapid, could shift demand to new services and solutions. If, as a result of new technologies or changes in the industries we serve, our clients demand new services that we do not or are unable to provide, we may be less competitive in these new areas or need to make significant investment to meet that demand. Our strategy for developing our investment banking business focuses on responding to these types of developments by driving innovation that will enable us to expand our investment banking business into new growth areas. If we do not sufficiently invest in new technology and adapt to industry developments or evolve and expand our business at sufficient speed and scale, the success or even the viability of our investment banking business would be negatively affected.

We may become involved in advisory projects that are not directly related to the digital asset or blockchain industry. These projects are likely to relate to industries and clients that we believe will benefit in the future from blockchain technology and our experience and network in digital assets industry, however there can be no assurance that any such projects are successful. Further, as our investment banking business continues to develop and evolve, especially with regards to our investments in companies operating within the digital asset industry and the blockchain technology sector generally, we could be subject to unintended or unforeseen regulatory oversight, or come into the purview of regulators who seek to target us for our role in such transactions, which could expose us to regulatory actions, which may be inconsistently applied across jurisdictions.

The success of our investment banking business may be significantly affected by our ability to price our services properly. If we are not able to obtain favorable pricing for our services, the success of our investment banking business may materially suffer. The rates we charge for our services may be affected by a number of factors, including: general economic and political conditions, the competitive environment in our industry and the procurement practices of clients and their use of third-party advisors. In particular, because GIB is as a broker-dealer and advises on mergers and acquisitions, we may be unable to purchase errors and omissions insurance without incurring material costs to our business. Therefore, we may become subject to a securities class-action lawsuits in connection with our advice on a public merger or acquisition and be without recourse from insurance.

We believe that currently there are limited competitors providing the digital asset investment banking services that we provide. However, the barrier to entry is very low and competitors can easily and will increasingly compete with our offerings. As a result, the success of our investment banking business, results of operations and financial condition could suffer if we are not able to remain competitive. The less we are able to differentiate our services and solutions or clearly convey the value of our services and solutions, the more risks we will face in winning new work in sufficient volumes and at target pricing, which could materially negatively impact the success or viability of our advisory services business. In addition, the introduction of new services or products by competitors could reduce our ability to obtain favorable pricing and impact the overall economics for the services or solutions offered.

***Because of regulatory uncertainty regarding how transactions in digital assets or digital securities by broker-dealers are or should be regulated, GIB does not currently engage in underwriting services or private placement services with respect to offerings involving digital assets, tokens, cryptocurrencies, digital securities or initial coin offerings, nor does it accept digital assets, tokens, cryptocurrencies or digital securities as payment for broker-dealer related services.***

Pursuant to its membership agreement with FINRA, Galaxy Digital Partners LLC – the entity through which we operate GIB – is authorized as a broker-dealer to engage in business relating to underwriting or selling group participation (corporate securities other than mutual funds); private placements of securities; business advisory services concerning mergers and acquisitions, debt financing, equity financing, leveraged buy-outs and distressed corporate advisory; and referrals of broker-dealers, hedge funds and investors to unaffiliated broker-dealers for order execution, clearance and settlement. Despite its focus on providing services to companies in the digital assets space, however, because of regulatory uncertainty regarding how transactions in digital assets by broker-dealers are to be regulated, GIB does not currently engage in underwriting services or private placement services involving tokens, digital securities, digital assets, initial coin offerings or other digital representations of securities or property on a blockchain. As a result, because we are unable or unwilling to provide broker-dealer services to prospective clients in connection with offerings involving tokens, digital assets, digital securities, initial coin offerings or other digital representations of securities or property on a blockchain, we may face challenges in winning new work in sufficient volumes and at target pricing from new or existing clients, which could negatively impact the success or viability of our advisory services business.

Additionally, because of regulatory uncertainty regarding how transactions in digital assets and digital securities by broker-dealers are or should be regulated, GIB does not currently accept cryptocurrencies, digital assets or digital securities as payment for broker-dealer services, which could negatively impact our financial condition, profitability and results of operations if the value of such foregone digital asset consideration materially appreciates over time relative to cash consideration.

***Our trading business and the various activities we undertake expose us to counterparty credit risk.***

Credit risk is the risk that an issuer of a security or a counterparty will be unable or unwilling to satisfy payment or delivery obligations when due. In addition to the risk of an issuer of a security in which we invest failing or declining to perform on an obligation under the security, we are exposed to the risk that third parties, including trading counterparties, clearing agents, exchanges, clearinghouses, custodians, administrators and other financial intermediaries that may owe us money, securities or other assets will not perform their obligations. Any of these parties might default on their obligations to us because of bankruptcy, lack of liquidity, operational failure or other reasons, in which event we may lose all or substantially all of the value of any such investment or trading transaction. When we trade on digital asset trading platforms that specialize in digital asset futures and derivatives, we are exposed to the credit risk of that digital asset trading platform.

In the case of loans that are secured by collateral, while we generally expect the value of the collateral to be greater than the value of such loans, the value of the collateral could actually be equal to or less than the value of such loans or could decline below the outstanding amount of such loans. This risk is heightened given that some portion of the collateral for these loans is expected to be digital assets, and thus subject to the volatility, liquidity and other risks detailed herein. Our ability to have access to the collateral could be limited by bankruptcy and other insolvency laws. Under certain circumstances, the collateral could be released with the consent of the lenders or pursuant to the terms of the underlying loan agreement with the borrower. There is no assurance that the liquidation of the collateral securing a loan would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal, or that the collateral could be readily liquidated. As a result, we might not receive full payment on a secured loan investment to which we are entitled and thereby could experience a decline in the value of, or a loss on, the investment.

We may co-invest with third parties, including parties related to our Founder, through joint ventures or other entities. Such investments may include risks in connection with such third-party involvement, including the possibility that a third-party co-venturer may have financial difficulties, may have interests or goals that are inconsistent with ours or may be in a position to take action in a manner contrary to our investment objectives. We and our subsidiaries have loaned money to other companies as part of the principal investment business. The return of principal of such loans will depend in large part on the creditworthiness and financial strength of the issuers of such loans. While we perform extensive due diligence on our investments and loans, nonetheless defaults are possible. In the event of a default by a borrower underlying an investment or loan, we might not receive payments to which we are entitled and thereby could experience a decline in the value of our investments in or loans to the borrower. In the case of loans that are secured by collateral, while we generally expect the value of the collateral to be greater than the value of such loans, the value of the collateral could actually be equal to or less than the value of such loans or could decline below the outstanding amount of such loans subsequent to the investment. This risk is heightened given that some portion of the collateral for these loans is often comprised of digital assets, and thus subject to the volatility, liquidity and other risks detailed herein. Our ability to have access to the collateral could be limited by bankruptcy and other insolvency laws. Under certain circumstances, the collateral could be released with the consent of the lenders or pursuant to the terms of the underlying loan agreement with the borrower. There is no assurance that the liquidation of the collateral securing a loan would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal, or that the collateral could be readily liquidated at prices that would generate sufficient proceeds to repay the loans or at all. We may also be subject to lender liability claims for actions taken by us with respect to a borrower's business or instances where we exercise control over the borrower. As a result, we might not receive full payment on a secured loan investment to which we are entitled and thereby could experience a decline in the value of, or a loss on, the investment.

In derivatives, we may invest in options on digital or non-digital assets. Purchasing and writing put and call options are highly specialized activities that entail greater-than-ordinary investment risks. An uncovered call writer's loss is theoretically unlimited. Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size and strike price, the terms of over-the-counter options (options not traded on exchanges) are generally established through negotiation with the other party to the option contract. While this type of arrangement allows greater flexibility to tailor an option, over-the-counter options generally involve greater credit risk than exchange-traded options, which are guaranteed by the clearing organization of the exchanges where they are traded. As of the date of this AIF, the availability of exchange-traded and over-the-counter options on digital assets is extremely limited, so terms may be unfavorable in comparison to those available for more firmly established types of options.

The failure or bankruptcy of any of our clearing brokers (or futures commission merchants) could result in a substantial loss of our assets. Under the current regulations of the CFTC, a clearing broker maintains customers' assets in a bulk segregated account. If a clearing broker fails to do so or is unable to satisfy a substantial deficit in a customer account, its other customers may be subject to risk of loss of their funds in the event of that clearing broker's bankruptcy. In such an event, the clearing broker's customers, such as us, are entitled to recover, even in respect of property specifically traceable to them, only a proportional share of all property available for distribution to all of that clearing broker's customers.

## **Risks Related to Cryptocurrencies and Digital Assets**

*The continuing development and acceptance of digital assets and distributed ledger technology are subject to a variety of risks.*

Cryptocurrencies, such as bitcoin, and the other types of digital assets in which we invest and trade involve a new and rapidly evolving industry of which blockchain technology is a prominent, but not unique, part. The growth of the digital asset industry in general, and distributed ledger technology that supports digital assets, is subject to a high degree of uncertainty. The factors affecting the further development of the digital asset industry, as well as distributed ledger technology, include:

- continued worldwide growth in the adoption and use of digital assets;
- the limited operating histories of many cryptocurrency networks, which have not been validated in production and are still in the process of developing and making significant decisions that will affect the design, supply, issuance, functionality, and governance of their respective digital assets and underlying blockchain networks;
- government and quasi-government regulation of digital assets and their use, or restrictions on or regulation of access to and operation of applicable distributed ledger technology or systems that facilitate their issuance and secondary trading;
- the taxation, and tax-related reporting, of transactions involving digital assets by the United States and other jurisdictions;
- the maintenance and development of the open-source software protocols of certain blockchain networks used to support digital assets;
- advancements in technology, including computing power, that may adversely affect the respective cryptocurrency networks, render existing distributed ledger technology obsolete, inefficient, or fail to remediate or introduce new bugs and security risks;
- the use of the networks supporting digital assets for developing smart contracts and distributed applications;
- development of new technologies for mining and staking and the rewards and transaction fees for miners or validators on digital asset networks;
- changes in consumer demographics and public tastes and preferences;
- the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies; and
- general economic conditions and the regulatory environment relating to digital assets.

Many digital asset networks, including Bitcoin and Ethereum, operate on open-source protocols maintained by groups of core developers. The open-source structure of these network protocols means that certain core developers and other contributors may not be compensated, either directly or indirectly, for their contributions in maintaining and developing the network protocol. A failure to properly monitor and upgrade network protocol could damage digital asset networks. As these network protocols are not sold and their use does not generate revenues for development teams, core developers may not be directly compensated for maintaining and updating the network protocols. Consequently, developers may lack a financial incentive to maintain or develop the network, and the core developers may lack the resources to adequately address emerging issues with the networks. There can be no guarantee that developer support will continue or be sufficient in the future. To the extent that material issues arise with certain digital asset network protocols and the core developers and open-source contributors are unable or unwilling to address the issues adequately or in a timely manner, such digital asset networks, and any corresponding digital assets held may be adversely affected.

***Digital assets represent a new and rapidly evolving industry, and the market price of our Ordinary Shares has in the past and may in the future be impacted by the acceptance of bitcoin and other digital assets.***

Digital assets built on blockchain technology were only introduced in 2008 and remain in the early stages of development. The Bitcoin network was first launched in 2009 and bitcoins were the first cryptographic digital assets created to gain global adoption and critical mass. Cryptographic and algorithmic protocols governing the issuance of digital assets represent a new and rapidly evolving industry that is subject to a variety of factors that are difficult to evaluate. Because our results of operations and the market price of our Ordinary Shares may be closely correlated with the acceptance and perception of bitcoin and/or other digital assets, the realization of one or more of the following risks could materially adversely affect the market price of our Ordinary Shares:

- Bitcoins have only recently become selectively accepted as a means of payment by some retail and commercial outlets, and use of Bitcoins by consumers to pay such retail and commercial outlets remains limited. Banks and other established financial institutions may refuse to process funds for bitcoin transactions; process wire transfers to or from digital asset trading platforms, bitcoin-related companies or service providers; or maintain accounts for persons or entities transacting in bitcoin. As a result, the prices of bitcoins are largely determined by speculators and miners, thus contributing to price volatility that makes retailers less likely to accept it as a form of payment in the future.
- Banks may not provide banking services, or may cut off banking services, to businesses that provide digital asset-related services or that accept digital assets as payment, which could dampen liquidity in the market and damage the public perception of digital assets generally or any one digital asset in particular, such as bitcoin, and their or its utility as a payment system, which could decrease the price of digital assets generally or individually.
- Certain privacy-preserving features have been or are expected to be introduced to some digital asset networks and digital asset trading platforms or businesses that facilitate transactions in digital assets, including bitcoin may be at an increased risk of having banking services cut off if there is a concern that these features interfere with the performance of anti-money laundering duties and economic sanctions checks.
- Users, developers and miners may otherwise switch to or adopt certain digital assets at the expense of their engagement with other digital asset networks, which may negatively impact those networks, including the Bitcoin network.
- In August 2017, the Bitcoin network underwent a hard fork that resulted in the creation of a new digital asset network called Bitcoin Cash. This hard fork was contentious, and as a result some users of the Bitcoin Cash network may harbor ill will toward the Bitcoin network. Any future hard fork could be similarly contentious and some users may attempt to negatively impact the use or adoption of the Bitcoin network or other digital asset networks, as may those involved in contentious hard forks of other digital assets.

Digital assets are a new asset class and represent a technological innovation and they are subject to a high degree of uncertainty. The adoption of digital assets will require growth in usage and in the blockchain technology generally for various applications. Adoption of digital assets will also require greater regulatory clarity. A lack of expansion in use of digital assets and blockchain technologies would adversely affect our financial performance. In addition, there is no assurance that digital assets generally will maintain their value over the long term. The value of digital assets is subject to risks related to our use. If growth in the use of digital assets generally occurs in the near or medium term, there is no assurance that such use will continue to grow over the long term. A contraction in use of digital assets may result in increased volatility or a reduction in digital asset prices, which would materially and adversely affect our investment and trading strategies, the value of our assets and the value of any investment in us.

***The prices of digital assets are extraordinarily volatile.***

Values of digital assets have historically been highly volatile. The value of cryptocurrencies is based in part on market adoption and future expectations, which may or may not be realized. Fluctuations in the price of various cryptocurrencies may cause uncertainty in the market and could negatively impact trading volumes of cryptocurrencies, which would adversely affect the success of our business, financial condition and results of operations. A decline in digital assets that we hold would negatively impact our financial position. A significant portion of demand for digital assets is generated by speculators and investors seeking to profit from the short- or long-term holding of these assets. Speculation regarding future appreciation in the value of a digital asset may inflate and make more volatile the price of that digital asset.

Several factors may affect the price of digital assets, particularly cryptocurrencies, including, but not limited to:

- Global cryptocurrency supply and demand, which can be influenced by the growth or decline of retail merchants' and commercial businesses' acceptance of cryptocurrencies as payment for goods and services, the security of online cryptocurrency trading platforms and digital wallets that hold cryptocurrencies, the perception that the use and holding of digital currencies is safe and secure and regulatory restrictions on their use.
- The development and launch timeline of new digital asset networks, and forthcoming upgrades like proto-danksharding designed to improve network scalability.
- Changes in the software, software requirements or hardware requirements underlying a blockchain network, such as a fork. Forks in the future are likely to occur and there is no assurance that such a fork would not result in a sustained decline in the market price of cryptocurrencies.
- Changes in the rights, obligations, incentives or rewards for the various participants in a blockchain network. For digital assets that rely on miners or validators, sophisticated miner groups may become unduly influential over time if system or bandwidth requirements become too high. Where a single personality or entity exerts an outsize influence, an adverse event impacting that individual or entity, such as an insolvency proceeding, could result in a reduction in the price of a digital assets.
- Concentration of ownership in certain digital assets by an individual or small group of holders or those within one or a small number of jurisdictions. Large sales or distributions by such holders could have an adverse effect on the market price of such digital assets.
- The maintenance and development of the software protocol of cryptocurrencies.
- Digital asset trading platforms' deposit and withdrawal policies and practices, liquidity on such trading platforms and interruptions in service from or failures of such trading platforms.
- Regulatory measures, if any, that affect the use and value of digital assets.

- The taxation, and tax-related reporting, of transactions involving digital assets by the United States and other jurisdictions.
- Competition for and among various cryptocurrencies that exist and market preferences and expectations with respect to adoption of individual currencies.
- Actual or perceived manipulation of the markets for cryptocurrencies.
- Actual or perceived threats that cryptocurrencies and related activities such as mining have adverse effects on the environment or are tied to illegal activities, or on the other hand, the correlation of the price of certain digital assets to the price of bitcoin in particular.
- Social media posts and other public communications by high-profile individuals relating to specific cryptocurrencies, or listing or other business decisions by cryptocurrency companies relating to specific cryptocurrencies.
- Investors' expectations with respect to the rate of inflation, in the economy, monetary policies of governments, trade restrictions and currency devaluations and revaluations.
- Investors' overall confidence in the digital asset ecosystem and the safety and reliability of digital asset trading platforms.
- Activities of stablecoin issuers, the ability of stablecoin issuers to substitute underlying assets to back the stablecoins or the decline in value of those underlying assets, the emergence of undercollateralized algorithmic stablecoins, and future actions relating to the regulatory or accounting treatment of stablecoins.

Additionally, some purportedly decentralized digital assets may be more centralized than widely believed, or may become more centralized over time, increasing the risk that an adverse event impacting an individual personality or entity could result in a reduction in the price of digital assets. While digital assets networks are typically decentralized and do not need to rely on any single government or institution to create, transmit and determine value, in reality a single personality or entity may have the ability to exert centralized authority over a network.

There are also volatility risks related to fiat-backed stablecoins, which are designed to track the price of an underlying asset, such as fiat currency. The stability of a fiat-backed stablecoin results from the underlying assets backing the stablecoin that are held by the stablecoin's issuer in segregated or omnibus accounts, among other factors such as the stablecoin's convertibility into other assets, and the ability of a holder to redeem the stablecoin from its issuer for underlying collateral. The issuers of certain stablecoins retain broad discretion to determine the composition and amounts of assets held in the issuers' accounts backing those stablecoins, and to substitute assets other than the fiat currency that is initially deposited. The composition of backing assets varies considerably across popular stablecoins, with some stablecoins backed entirely by off-chain assets including cash or short-term, highly liquid assets, and others backed by assets significantly less liquid than cash or cash equivalents. For example, Circle, which issues USDC, and Paxos, which issues BUSD and USDP, hold cash and short-term cash equivalents to back such stablecoins. Meanwhile, Tether, which issues USDT, publishes a report on a quarterly basis which includes a breakdown of the consolidated total assets comprising its reserves backing USDT as of a given reporting date, and according to such reports, its reserves have included commercial paper and certificates of deposit, cash and bank deposits, reverse repo notes, money market funds, treasury bills, secured loans, corporate bonds, funds and precious metals, and other investments (including digital tokens), and Tether reserves the right to redeem USDT by making in-kind redemptions of any assets held in its reserves. As a result of the discretion afforded to certain stablecoin issuers to determine the composition and amounts of assets held in the issuers' accounts backing those stablecoins, there is a risk that an issuer may be unable to liquidate enough backing assets if it were to face mass redemptions of its stablecoin, which could cause the price of the stablecoin to deviate from the price of the underlying fiat currency or other asset that it is designed to track. If a stablecoin issuer were to fail to honor its redemption obligations, this could undermine public

confidence in stablecoins and in digital assets more broadly, which could have a widespread impact on the cryptoeconomy, causing the prices of other stablecoins and digital assets to become more volatile.

The emergence of a new form of stablecoin, referred to as algorithmic stablecoins, poses additional risks. Rather than being explicitly backed by assets or fully collateralized, algorithmic stablecoins are designed to maintain price parity with an underlying asset through market forces via smart contracts to increase/decrease supply, for example via an algorithmic relationship with a cryptocurrency backing the stablecoin. However, there is a risk that a particular algorithmic stablecoin can lose its peg with the asset that it is designed to maintain parity with, notwithstanding the algorithmic relationship between the stablecoin and its backing cryptocurrency. For example, in May 2022, TerraUSD (UST), which is designed to maintain one-to-one parity with the U.S. dollar via an algorithmic relationship with Terra's native cryptocurrency, LUNA, lost its peg with the U.S. dollar following a series of events including several large-volume UST withdrawals from certain of the DeFi protocols built on the Terra protocol, swaps of UST for other stablecoins resulting in a significant supply imbalance on third party digital asset trading platforms, short sales of BTC and LUNA, and general market-wide weakness. Despite the efforts of participants within the Terra community to stabilize UST, which included deploying significant amounts of capital to alleviate selling pressures around UST and the issuance of large volumes of LUNA, as the price of UST rapidly declined, their efforts—as well as the on-chain redemption mechanism—were insufficient in slowing the selling pressure on UST, causing UST to trade below \$0.20. In addition, the resulting increase in supply of LUNA, together with the loss of confidence in the Terra platform and corresponding sell-off of LUNA, caused the price of LUNA to fall by 99.9% over the span of several days. This series of events undermined public confidence in other stablecoins, with many other cryptocurrencies and digital assets also suffering price declines, and ultimately leading to the bankruptcies of several digital asset industry players throughout 2022. While UST is the most prominent and recent example of an algorithmic stablecoin failure, there have been several other failed attempts to create algorithmic stablecoins in the past, some with similar or different designs to UST, including Basis Cash, Empty Set Dollar, and TITAN (Iron Finance).

Some digital assets may be more difficult to value than other investments because such assets may not have a liquid or transparent trading market. For example, some digital asset trading platforms have created their own digital assets and used them in opaque and potentially fraudulent manners to facilitate transactions and trading relationships. In certain circumstances, such digital assets are thinly traded, making it difficult to ascertain the true value of such assets. We may not be able to sell a digital asset promptly or at a reasonable time or price. Although there may be an institutional market for certain digital assets, it is not possible to predict exactly how the market for such assets will develop or whether it will continue to exist. A digital asset that was liquid at the time of purchase may subsequently become illiquid, and its value may decline as a result. In addition, transaction costs are generally higher for digital assets.

There is no assurance that cryptocurrencies will maintain their long-term value in terms of purchasing power in the future, or that acceptance of cryptocurrency payments by mainstream retail merchants and commercial businesses will continue to grow. Only a limited number of cryptocurrencies, including bitcoin, have become sometimes accepted as a means of payment for some goods and services, and use of cryptocurrencies by consumers to pay at retail and commercial outlets remains very limited. In part, this is because cryptocurrencies face significant scaling obstacles that can lead to high fees or slow transaction settlement times and attempts to increase the volume of transactions may not be effective. A lack of expansion by cryptocurrencies into retail and commercial markets, or a contraction of such limited use as has developed to date, may result in increased volatility or a reduction in the value of that cryptocurrency or cryptocurrencies generally, which has in the past, and could materially and adversely affect our investment and trading strategies, the value of our assets and the value of any investment in us.

***Due to a lack of familiarity and some negative publicity associated with digital asset trading platforms, existing and potential customers, counterparties and regulators may lose confidence in digital asset trading platforms.***

Since the inception of the cryptoeconomy, numerous digital asset trading platforms have been sued, investigated, or shut down due to fraud, manipulative practices, business failure, and security breaches. In many of these instances, customers of these platforms were not compensated or made whole for their losses. Larger platforms like us are more appealing targets for hackers and malware, and may also be more likely to be targets of regulatory enforcement actions. For example, in February 2014, Mt. Gox, the then-largest digital asset trading platform worldwide, filed for bankruptcy protection in Japan after an estimated 700,000 bitcoins were stolen from its wallets. In May 2019, Binance, one of the

world's largest platforms, was hacked, resulting in losses of approximately \$40 million, and in February 2021, Bitfinex settled a long- running legal dispute with the State of New York related to Bitfinex's alleged misuse of over \$800 million of customer assets. Further, in 2022 and 2023, each of Celsius Networks, Voyager Digital, Three Arrows Capital, FTX and Genesis declared bankruptcy. In particular, in November 2022, FTX – which was at the time one of the world's largest and most popular digital asset trading platforms – became insolvent, and it was revealed that the platform had been misusing customer assets, resulting in a loss of confidence in participants of the cryptoeconomy and negative publicity surrounding crypto more broadly.

U.S. and Bahamian authorities continue to wrestle with significant jurisdictional questions regarding the FTX proceedings. As the FTX dispute develops, both in the media and the U.S. and Bahamian court systems, the Bahamian cryptoeconomy and the firms that operate within it may be materially and/or disproportionately disrupted. In December 2022, Galaxy Bahamas received approval from the SCB for registration as a digital asset business under the DARE Act. Galaxy Bahamas will physically operate out of the Bahamas and intends to initially serve as an extension of GT and GPL, and also offer market making and staking services. In light of the FTX dispute, customers, counterparties and regulators may view operations within the Bahamian cryptoeconomy as more risky than operations in other jurisdictions.

In addition, there have been reports that a significant amount of trading volume on digital asset trading platforms is fabricated and false in nature, with a specific focus on unregulated platforms located outside the United States. Such reports may indicate that the market for digital asset trading platform activities is significantly smaller than otherwise understood.

Negative perception, a lack of stability and standardized regulation in the cryptoeconomy, and the closure or temporary shutdown of digital asset trading platforms due to fraud, business failure, hackers or malware, or government mandated regulation, and associated losses suffered by customers may reduce confidence in the cryptoeconomy and result in greater volatility of the prices of assets, including significant depreciation in value. Any of these events could have an adverse impact on our reputation, financial condition and our business.

***Many digital asset transactions are irrevocable and stolen or incorrectly transferred digital assets may be irretrievable. As a result, any incorrectly executed digital asset transactions could adversely affect the price of our Ordinary Shares.***

Digital asset transactions are typically not reversible without the consent and active participation of the recipient of the transaction. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer or theft of a digital asset generally will not be reversible and we may not be capable of seeking compensation for any such transfer or theft. Although transfers of digital assets that we hold and/or that are custodied on behalf of our customers will regularly be made to or from our custody accounts, it is possible that, through computer or human error, or through theft or criminal action, such digital assets could be transferred from our custody accounts in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts.

Such events have occurred in connection with digital assets in the past. For example, in September 2014, the digital asset trading platform Huobi announced that it had sent approximately 900 bitcoins and 8,000 Litecoins (worth approximately \$400,000 at the prevailing market prices at the time) to the wrong customers.

To the extent that we are unable to seek a corrective transaction with such third party or are incapable of identifying the third party which has received our digital assets through error or theft, we will be unable to revert or otherwise recover incorrectly transferred digital assets. We will also be unable to convert or recover the digital assets transferred to uncontrolled accounts. To the extent that we are unable to seek redress for such error or theft, such loss could have a material adverse effect on us.

***Political or economic crises may motivate large-scale sales of digital assets, which would result in a reduction in values and materially and adversely affect us.***

Cryptocurrencies, as an alternative to fiat currencies that are backed by central governments, are subject to supply and demand forces based upon the desirability of an alternative, decentralized means of buying and selling goods and

services, and it is unclear how such supply and demand will be impacted by geopolitical events. For example, political or economic crises could motivate large-scale acquisitions or sales of digital assets either globally, regionally or locally. Large-scale sales of certain digital assets would result in a reduction in their value and could materially and adversely affect our investment and trading strategies, the value of our assets and the value of an investment in our Ordinary Shares.

***The value of cryptocurrencies and other digital assets may be subject to momentum pricing risk.***

Momentum pricing typically is associated with growth stocks and other assets whose valuation, as determined by the investing public, accounts for anticipated future appreciation in value. Cryptocurrency and other digital asset market prices are determined primarily using data from various digital asset trading platforms, over-the-counter markets, and derivative platforms. Momentum pricing may have resulted, and may continue to result, in speculation regarding future appreciation in the value of cryptocurrencies and other digital assets, inflating and making their market prices more volatile, and such effects may be material and adverse. As a result, cryptocurrencies and other digital assets may be more likely to fluctuate in value due to changing investor confidence in future appreciation (or depreciation) in their market prices, which could adversely materially affect the value of our cryptocurrency and other digital asset inventory and thereby affect the market price of our Ordinary Shares.

***Short sales and borrowings of digital assets pose additional risks.***

We engage in short sales and borrowings of digital assets. In a short sale, we would sell digital assets that we do not own, typically borrowed from a third party. Borrowing and lending markets for digital assets are currently limited and are unlikely to become as developed and stable as those for securities or other established assets in the near term, if ever, which exposes us to risks.

Because we would remain liable to return any digital assets that we borrowed, whether in connection with a short sale or otherwise, we would be required to purchase an equivalent amount of digital assets prior to the date on which delivery to the third-party lender is required. We will incur a loss as a result of a short sale or borrowing if the price of the digital assets increases between the date of the short sale or borrowing and the date on which we replace the borrowed digital assets. The amount of any loss will be increased by the amount of the premium or interest that we may be required to pay in connection with a short sale or borrowing. Short selling and borrowing exposes us to unlimited risk with respect to the borrowed digital assets because of the lack of an upper limit on the prices to which those digital assets can rise. Purchasing digital assets to close out a short position can itself cause the price of the digital assets to rise further, thereby exacerbating any losses. Under adverse market conditions, we may have difficulty purchasing digital assets to meet our short sale delivery obligations and may have to sell other digital assets to raise the necessary capital at a time when it would be unfavorable to do so. If a request for return of borrowed assets occurs at a time when other short sellers are receiving similar requests, a “short squeeze” can occur, and we may be compelled to replace borrowed digital assets previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the assets short. In addition, we may have difficulty purchasing assets to meet our delivery obligations if the assets sold short or borrowed by us have a limited daily trading volume or limited market capitalization. Short sales by us and “short” derivative positions are forms of investment leverage, and the amount of our potential loss is theoretically unlimited.

***Lending of digital assets pose additional risks.***

We lend digital assets to third parties, including affiliates. On termination of the loan, the borrower is required to return the digital assets to us; any gains or loss in the market price during the loan would inure to us. In the event of the bankruptcy of the borrower, we could experience delays in recovering our digital assets. In addition, to the extent that the value of the digital assets increases during the term of the loan, the value of the digital assets may exceed the value of collateral provided to us, exposing us to credit risks with respect to the borrower and potentially exposing us to a loss of the difference between the value of the digital assets and the value of the collateral. If a borrower defaults under its obligations with respect to a loan of digital assets, including by failing to deliver additional collateral when required or by failing to return the digital assets upon the termination of the loan, we may expend significant resources and incur significant expenses in connection with efforts to enforce the loan agreement, which may ultimately be unsuccessful. Moreover, we have in the past, and may in the future, engage in unsecured lending of digital assets;

which exposes us to losses amounting to the full value of any such digital assets. In addition, there is significant operational infrastructure required to scale the borrowing and lending of digital assets. The failure to appropriately implement the infrastructure related to the lending business could lead to operational risk and have a material adverse effect on us. In addition, our lending operations may be subject to regulatory risk. While there is no U.S. federal law that requires registration or licensing for lending activities, some digital asset lending arrangements have been found to be securities. If we were to originate consumer or commercial loans in the United States, we would be subject to federal laws including the TILA, the ECOA, the Consumer Protection Act, the FCRA and the FDCPA. Further, some U.S. state laws may, under certain circumstances, require us to obtain a license from the relevant regulatory authority or authorities in a given state before conducting those lending activities. See “*Market Controls and Regulation*” for more information.

***Blockchain networks, digital assets and the digital asset trading platforms on which these assets are traded are dependent on internet and other blockchain infrastructure and susceptible to system failures, security risks and rapid technological change.***

The success of cryptocurrency-based blockchain and other digital asset platforms will depend on the continued development of a stable public infrastructure, with the necessary speed, data capacity and security, and the timely development of complementary products such as high-speed modems for providing reliable internet access and services. Digital assets have experienced, and are expected to continue to experience, significant growth in the number of users and amount of content. Blockchains will continue to be increasingly interconnected with other blockchains and real-world applications. As services and applications continue to be built on top of blockchains, there will place increased reliance on third-party infrastructure providers, including in connection with cross-chain bridges and messaging, liquidity providers, wallets, data feeds and oracles. Reliance on any of these third-parties introduces additional risks and points of failure. There is no assurance that the relevant digital asset infrastructure will continue to be able to support the demands placed on it by this continued growth or that the performance or reliability of the technology will not be adversely affected by this continued growth. There is also no assurance that the infrastructure or complementary products or services necessary to make digital assets a viable product for their intended use will be developed in a timely manner, or that such development will not result in the requirement of incurring substantial costs to adapt to changing technologies. The failure of these technologies or platforms or their development could materially and adversely affect our investment and trading strategies, the value of our assets and the value of any investment in us. Any number of technical changes, software upgrades, soft or hard forks, cybersecurity incidents or other changes to the underlying blockchain network may occur from time to time, causing incompatibility, technical issues, disruptions or security weaknesses to our systems. If we are unable to identify, troubleshoot and resolve any such issues successfully, we may no longer be able to support such cryptocurrency, our customers’ assets may be frozen or lost, the security of our hot or cold wallets may be compromised and our systems and technical infrastructure may be affected, all of which could adversely impact the success of our business, financial condition and results of operations. Cryptocurrencies are created, issued, transmitted, and stored according to protocols run by computers in the cryptocurrency network. It is possible these protocols have undiscovered flaws or could be subject to network scale attacks which could result in losses to us. Advancements in quantum computing could break the cryptographic rules of protocols which support certain of our assets.

***If the digital asset award for mining blocks and transaction fees for recording transactions on a digital asset network is not sufficiently high to incentivize miners, or if certain jurisdictions continue to limit mining activities, miners may cease expending processing power or demand high transaction fees, which could negatively impact the value of the digital asset and the market price of our Ordinary Shares.***

If the digital asset awards for mining blocks or the transaction fees for recording transactions on a digital asset network are not sufficiently high to incentivize miners, or if certain jurisdictions continue to limit mining activities, miners may cease expending processing power to mine blocks and confirmations of transactions on the digital asset’s blockchain could be slowed. We pay miner fees in connection with our digital asset transactions. Miner fees can be unpredictable. For instance, in 2017, bitcoin miner fees increased from approximately \$0.35 per transaction in January 2017 to over \$50 per transaction in December 2017. The realization of one or more of the following risks could materially adversely affect the market price of our Ordinary Shares:

- Over the past several years, digital asset mining operations have evolved from individual users mining with computer processors, graphics processing units and first generation application specific integrated circuit machines to “professionalized” mining operations using proprietary hardware or sophisticated machines. If the profit margins of digital asset mining operations are not sufficiently high, including due to an increase in electricity costs, digital asset miners are more likely to immediately sell tokens earned by mining, resulting in an increase in liquid supply of that digital asset, which would generally tend to reduce that digital asset’s market price.
- A reduction in the processing power expended by miners on a digital asset network could increase the likelihood of a malicious actor disrupting or obtaining control of the network.
- Miners have historically accepted relatively low transaction confirmation fees on most digital asset networks due to income skewed toward the block reward. If miners demand higher transaction fees for recording transactions in the blockchain or a software upgrade automatically charges fees for all transactions on a digital asset network, the cost of using such digital asset may increase and the marketplace may be reluctant to accept such digital asset as a means of payment. Alternatively, miners could collude in an anti-competitive manner to reject low transaction fees on a digital asset network and force users to pay higher fees, thus reducing the attractiveness of the digital asset network. Higher transaction confirmation fees resulting from collusion or other factors may reduce the attractiveness of the digital asset network, the value of the digital asset, and could materially and adversely affect our investment and trading strategies, the value of our assets and the market price of our Ordinary Shares. Losses associated with the payment of miner fees in excess of what we charge our customers, could result in adverse impacts on our operating results.
- To the extent that any miners cease to record transactions that do not include the payment of a transaction fee in mined blocks or do not record a transaction because the transaction fee is too low, such transactions will not be recorded on the blockchain of a digital asset until a block is mined by a miner who does not require the payment of transaction fees or is willing to accept a lower fee. Any widespread delays in the recording of transactions could result in a loss of confidence in a digital asset network.
- Digital asset mining operations can consume significant amounts of electricity, which may have a negative environmental impact and give rise to public opinion against allowing, or government regulations restricting, the use of electricity for mining operations. Additionally, miners may be forced to cease operations during an electricity shortage or power outage.

***From time to time, we may encounter technical issues in connection with changes or upgrades to the underlying digital asset networks of supported cryptocurrencies or protocols, and more broadly, such changes or upgrades may be delayed or unsuccessful, any of which could materially and adversely affect our investments and trading strategies, our financial condition and results of operations.***

Rising adoption of blockchain networks leads to network congestion, as space on decentralized ledgers is inherently scarce. From a design standpoint, striking a balance between security, decentralization, and scalability (or transactional throughput) is subject of great debate among innovators and has led to the creation of a variety of networks that make different trade-offs to achieve different outcomes. If network congestion rises to the point where transaction fees make it prohibitively expensive for average users to operate on the network, those users may stop using the network, and application developers may seek to build on other networks where users can afford to transact.

Any number of anticipated or unforeseen technical changes or software upgrades, soft or hard forks, cybersecurity incidents or other changes to the underlying blockchain network may cause incompatibility, technical issues, disruptions or security weaknesses to our systems. If we or our third-party providers are unable to identify, troubleshoot and resolve any such issues successfully, we may no longer be able to support such cryptocurrency, our customers’ assets may be frozen or lost, the security of our hot or cold wallets may be compromised and our technical infrastructure may be affected, all of which could adversely impact the success of our business, financial condition and results of operations.

***Changes in the governance of a digital asset network may not receive sufficient support from users and miners, which may negatively affect that digital asset network's ability to grow and respond to challenges.***

The governance of decentralized networks, such as the Bitcoin and Ethereum networks, is by voluntary consensus and open competition. As a result, there may be a lack of consensus or clarity on the governance of any particular decentralized digital asset network, which may stymie such network's utility and ability to grow and face challenges. The foregoing notwithstanding, the protocols for some decentralized networks, such as the Bitcoin network, are informally managed by a group of core developers that propose amendments to the relevant network's source code. Core developers' roles evolve over time, largely based on self-determined participation. If a significant majority of users and miners adopt amendments to a decentralized network based on the proposals of such core developers, such network will be subject to new protocols that may adversely affect the value of the relevant digital asset.

As a result of the foregoing, it may be difficult to find solutions or marshal sufficient effort to overcome any future problems, especially long-term problems, on digital asset networks.

***A temporary or permanent "fork" could adversely affect the market price of our Ordinary Shares.***

Many public blockchain networks, including the Bitcoin network, operate using open-source protocols, meaning that any user can download the software, modify it and then propose that the users and miners of bitcoin, for example, adopt the modification. The development team for a network might propose and implement amendments to a network's source code through software upgrades altering the original protocol, including fundamental ideas such as the irreversibility of transactions and limitations on the validation of blockchain software distributed ledgers. Such changes to original protocols and software could materially and adversely affect our investment and trading strategies, the value of our assets and the value of any investment in us.

When a modification is introduced and a substantial majority of users and miners consent to the modification, the change is implemented and the network remains uninterrupted. However, if less than a substantial majority of users and miners consent to the proposed modification, and the modification is not compatible with the software prior to its modification, the consequence would be what is known as a "hard fork" of the Bitcoin network, with one group running the pre-modified software and the other running the modified software. The effect of such a fork would be the existence of two versions of Bitcoin running in parallel, yet lacking interchangeability. Both Bitcoin and Ethereum have experienced "forks" in recent years. A fork can lead to a disruption of networks and our information technology systems, which can further lead to temporary or even permanent loss of customer assets. For example, in August 2017, Bitcoin "forked" into Bitcoin and a new digital asset, Bitcoin Cash, as a result of a several-year dispute over how to increase the rate of transactions that the Bitcoin network can process.

Forks may also occur as a network community's response to a significant security breach. For example, in June 2016, an anonymous hacker exploited a smart contract running on the Ethereum network to siphon approximately \$60 million of ETH held by the DAO, a distributed autonomous organization, into a segregated account. In response to the hack, most participants in the Ethereum community elected to adopt a "fork" that effectively reversed the hack. However, a minority of users continued to develop the original blockchain, now referred to as "Ethereum Classic" with the digital asset on that blockchain now referred to as Ether Classic, or ETC. ETC now trades on several digital asset trading platforms.

A fork may also occur as a result of an unintentional or unanticipated software flaw in the various versions of otherwise compatible software that users run. Such a fork could lead to users and miners abandoning the digital asset with the flawed software. It is possible, however, that a substantial number of users and miners could adopt an incompatible version of the digital asset while resisting community-led efforts to merge the two chains. This could result in a permanent fork, as in the case of Ether and Ether Classic.

In addition, many developers have previously initiated hard forks in the Bitcoin blockchain to launch new digital assets, such as Bitcoin Cash, Bitcoin Gold, Bitcoin Silver and Bitcoin Diamond. Later, the Bitcoin Cash blockchain was again forked to launch a new digital asset, Bitcoin Satoshi's Vision. To the extent such digital assets compete with a digital asset held by Galaxy, such competition could impact demand for such digital asset and could adversely impact the market price of our Ordinary Shares. Furthermore, a hard fork can lead to new security concerns. For

example, when the Ethereum and Ethereum Classic networks split in July 2016, replay attacks, in which transactions from one network were rebroadcast to nefarious effect on the other network, plagued Ethereum trading platforms through at least October 2016. An Ethereum trading platform announced in July 2016 that it had lost 40,000 Ether Classic, worth about \$100,000 at that time, as a result of replay attacks. Another possible result of a hard fork is an inherent decrease in the level of security due to significant amounts of mining power remaining on one network or migrating instead to the new forked network. After a hard fork, it may become easier for an individual miner or mining pool's hashing power to exceed 50% of the processing power of the digital asset network that retained or attracted less mining power, thereby making digital assets that rely on proof-of-work more susceptible to attack.

A hard fork may adversely affect the price of the digital asset at the time of announcement or adoption. For example, the announcement of a hard fork could lead to increased demand for the pre-fork digital asset, in anticipation that ownership of the pre-fork digital asset would entitle holders to a new digital asset following the fork. The increased demand for the pre-fork digital asset may cause the price of the digital asset to rise. After the hard fork, it is possible the aggregate price of the two versions of the digital asset running in parallel would be less than the price of the digital asset immediately prior to the fork.

The Ethereum network is in the process of implementing software upgrades and other changes to its protocol. For example, in September 2022, the Ethereum network activated the long-awaited "Merge" upgrade. The Merge effectively swapped Ethereum's consensus mechanism away from proof-of-work to proof-of-stake. A digital asset network's consensus mechanism is a material aspect of its source code, and any failure to properly implement such a change could have a material adverse effect on the value of digital assets that rely on the Ethereum network, including some of which we hold, and the market price of our Ordinary Shares. Although the Merge appears to be successful thus far, it is possible that the Merge introduced a currently undiscovered error or vulnerability. It is expected that further developments and forks for the Ethereum network are forthcoming.

Any future forks could adversely affect our business and the market price of our Ordinary Shares.

***We engage in DeFi activities and may suffer losses if the DeFi protocols, or our activities thereon, do not function as expected.***

We engage in various DeFi activities. DeFi protocols achieve their purposes through self-executing smart contracts. Some of these DeFi protocols allow users to, for example, transfer digital assets to a pool from which other users can borrow without requiring an intermediate party to facilitate these transactions. Digital assets transferred to a pool generally earn interest to the lender, based on the rates at which borrowers repay the loan, and can generally be withdrawn with no restrictions. However, these DeFi protocols pose heightened regulatory concerns and are subject to various risks, including the risk that the underlying smart contract is insecure, the risk that borrowers may default and the lender will not be able to recover its digital assets, the risk that any underlying collateral may experience significant volatility, and the risk that certain core developers with protocol administration rights can make unauthorized or harmful changes to the underlying smart contract. If any of these risks materialize, our digital assets in these DeFi protocols may be adversely impacted and we may lose some or all of our digital assets.

***The emergence of DeFi subjects us to evolving risks and uncertainties relating to our investments and our services.***

DeFi refers to a variety of blockchain-based applications or protocols that provide for peer-to-peer financial services using smart contracts and other technology rather than such services being offered by central intermediaries. There are various DeFi applications and protocols, each with its own unique risks and uncertainties. Common DeFi applications include borrowing/lending digital assets and providing liquidity or market making in digital assets. DeFi applications and ecosystems are demonstrating how public blockchains and smart contracts can revolutionize financial services, but the nascent technology comes with several risks that could materially and adversely affect our investments and trading strategies. It is difficult to quantify the amount of leverage that exists within the DeFi ecosystem and price volatility can result in deleveraging that moves asset prices dramatically. In addition, smart contracts may contain bugs which put funds at risk of theft or loss. Furthermore, in certain decentralized protocols, it may be difficult or impossible to verify the identity of a transaction counterparty necessary to comply with any applicable anti-money laundering, countering the financing of terrorism, or sanctions regulations or controls.

The complexity and interconnectedness of digital asset networks, applications, and economic systems enables new forms of malicious attacks that leverage a feature or vulnerability of one system to attack another. Such an attack may take the form of a temporary manipulation of the price of certain digital assets that trigger second order behaviors, such as automatic collateral liquidations on decentralized applications or digital asset trading platforms. Such an attack could adversely affect investments. A malicious actor can exploit the structure of one or a series of smart contracts or applications in ways that do not technically constitute exploitation of a “bug” or flaw in the smart contract or application. For example, such an exploit has occurred repeatedly in the Ethereum DeFi ecosystem, whereby a decentralized exchange or lending application is designed to reference an external pricing source of a particular digital asset to determine when to liquidate collateral. By manipulating the price of the particular digital asset on a third-party platform (such as a digital asset trading platform), the pricing source used by the decentralized trading platform or application is consequently manipulated, which then leads to uneconomic collateral liquidations on the decentralized trading platform or application. Such liquidations may be processed automatically and could have a material adverse effect on our investments and trading strategies.

***DeFi protocols and digital assets used in DeFi protocols pose heightened regulatory concerns even beyond those that face digital asset networks and digital assets generally.***

The U.S. financial system is extensively regulated at both the federal and state level with a particular focus on intermediaries such as banks, broker-dealers, futures commission merchants, investment funds, investment advisers, and financial asset exchanges, trading platforms, clearinghouses and custodians. U.S. laws and regulations impose specific obligations on financial services intermediaries both for the protection of their customers and for the protection of the U.S. financial system as a whole. These include capital requirements, activities restrictions, reporting and disclosure requirements and obligations to monitor the activities of their customers and to ensure that the intermediaries’ activities and the activities of their customers are conducted in accordance with applicable laws and regulations. Non-U.S. laws and regulatory requirements may impose similar obligations. By seeking to eliminate or substantially limit the role of traditional financial services intermediaries in lending, brokering, advisory, trading, clearing, custodying and other financial services activities, DeFi protocols pose numerous challenges to the longstanding oversight framework developed under U.S. law and used by U.S. and other regulators. For example, one former commissioner of the CFTC has publicly stated that he believes certain DeFi protocols and activities operating without regulatory licensing likely violates the CEA. Moreover, on September 22, 2022, the CFTC filed a federal civil enforcement action against the founders of a DeFi protocol as well as a DAO , alleging that the founders, and now the DAO, operated or operate a DeFi protocol that has not registered as a futures commission merchant (“FCM”) and thereby illegally offers leveraged and margined retail commodity transactions in digital assets; engages in activities only registered FCMs can perform; and has failed to adopt a customer identification program as part of a BSA compliance program, as required of FCMs. In an accompanying settled enforcement order, the CFTC found the two founders, as token holders who voted their DAO tokens to govern the DAO, personally liable for the DAO’s violations of the CEA and regulations promulgated thereunder. While the scope of liability for persons associated with a DAO, or its accompanying DeFi protocol are currently unclear, it is possible that regulatory agencies may consider other DeFi token holders, or users of a DeFi protocol, liable for potential violations of the DeFi protocol. Further, most DeFi activities rely on users maintaining “self-hosted” wallets, and DeFi protocols generally do not engage in AML and KYC or other customer identification and due diligence processes, each of which have raised concerns for regulators, including international standard-setting bodies such as the Financial Action Task Force.

Legislative bodies and regulators may be required to adapt their regulatory models to accommodate decentralized financial activities, or take novel steps to supervise, limit or even prohibit decentralized financial activities. Recently, there have been public reports of instances of SEC oversight, including SEC subpoenas of teams behind DeFi platforms. It is not possible to predict how or when these challenges will be resolved or what the impact on specific DeFi protocols will be, and it is likely that the DeFi industry will face a prolonged period of regulatory uncertainty. It is possible that some DeFi protocols, including those using digital assets that we invest in, will be subjected to costly and burdensome compliance regimes or even prohibited outright.

In addition, traditional financial services intermediaries bear significant and ongoing costs to comply with financial services regulation, and individually or through trade associations may actively oppose legislative or regulatory efforts to accommodate DeFi activities that compete with their core service offerings. Traditional financial services intermediaries may instead actively encourage policymakers and regulatory authorities to take actions that impede the

development and use of DeFi protocols. DeFi protocols that significantly improve on traditional financial services offerings by making transactions more efficient and inexpensive, including those using digital assets, can be expected to draw the most attention and potential opposition from traditional financial services intermediaries, the associations that represent them, and their legislative allies.

Any action taken by federal, state or international policymakers or regulators to address risks and perceived risks to the public or to the U.S. and other countries' financial systems from decentralized financial activities, or the threat of such action, could have a material adverse impact on one or more digital assets and therefore materially and adversely impact our investments, our revenue and the market price of our Ordinary Shares.

***If a malicious actor or botnet obtains control of more than 50% of the processing power on a digital asset network, or otherwise obtains control over a digital asset network through its influence over core developers or otherwise, such actor or botnet could manipulate the blockchain of such digital asset to adversely affect the market price of our Ordinary Shares or our ability to operate.***

If a malicious actor or botnet (a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers) obtains a majority of hash rate on a proof-of-work system, or otherwise controls a sizeable portion of supply in a proof-of-stake system, it can maliciously disrupt the blockchain, either by halting functionality, censoring transactions, or even double-spending coins. If such an actor or botnet obtains a majority of the processing power dedicated to mining on a particular digital asset network, it may be able to alter the relevant blockchain on which transactions in that digital asset rely by constructing fraudulent blocks or preventing certain transactions from completing in a timely manner, or at all. The malicious actor or botnet could also control, exclude or modify the ordering of transactions. Although the malicious actor or botnet would not be able to generate new tokens or transactions using such control, it could "double-spend" its own tokens (i.e., spend the same tokens in more than one transaction) and prevent the confirmation of other users' transactions for so long as it maintained control. To the extent that such malicious actor or botnet did not yield its control of the processing power on the relevant digital asset network or the digital asset community did not reject the fraudulent blocks as malicious, reversing any changes made to the relevant blockchain may not be possible. Further, a malicious actor or botnet could create a flood of transactions in order to slow down the relevant digital asset network.

For example, in August 2020, the Ethereum Classic Network was the target of two double-spend attacks by an unknown actor or actors that gained more than 50% of the processing power of the Ethereum Classic Network. The attack resulted in reorganizations of the Ethereum Classic Blockchain that allowed the attacker or attackers to reverse previously recorded transactions in excess of over \$5.0 million and \$1.0 million.

In addition, in May 2019, the Bitcoin Cash network experienced a 51% attack when two large mining pools reversed a series of transactions in order to stop an unknown miner from taking advantage of a flaw in a recent Bitcoin Cash protocol upgrade. Although this particular attack was arguably benevolent, certain individuals believe it negatively impacts the Bitcoin Cash network.

Further, a malicious actor or botnet could create a flood of transactions in order to slow down the relevant digital asset network. For example, on June 2, 2018, the Horizen network was the target of a double-spend attack by an unknown actor that gained more than 50% of the processing power of the Horizen network. The attack was the result of delayed submission of blocks to the Horizen network. The core developers of Zen have since begun to implement mitigation procedures to significantly increase the difficulty of attacks of this nature by introducing a penalty for delayed block submissions.

The crossing of the 50% threshold indicates a greater risk that a single mining pool or small group of mining pools could exert authority over the validation of digital asset transactions, and this risk is heightened if over 50% of the processing power on the network falls within the jurisdiction of a single governmental authority. To the extent that such events occur on the network of a digital asset that we hold, if the network participants, including any core developers and administrators of mining pools, do not ensure greater decentralization of mining processing power of such network, the feasibility of a malicious actor obtaining control of the processing power on such network will increase, which may adversely affect our business.

More generally, the practice of Maximum Extractable Value, or MEV, has become standard and widespread across proof-of-stake-based smart contracting platforms like Ethereum. MEV also refers to “Miner Extractable Value” for proof-of-work-based platforms like the Bitcoin Network. MEV is the practice by which miners and validators exploit their role in a particular digital asset network in order to extract value from transactors by censoring, frontrunning, backrunning or otherwise executing arbitrage strategies against transactors. MEV can reduce the effectiveness of certain blockchain transactions and in turn increase the cost of transacting on networks, which may discourage users from transacting on such networks altogether. There are currently no means to completely mitigate the effects of MEV, and to the extent that we transact on these blockchains, whether for proprietary purposes or on behalf of our clients, we may be unable to protect ourselves or our clients from the effects or impacts of MEV, which could include a reduction in the speed, quality and/or security of our trades. Furthermore, if any one digital asset network’s user experience is harmed at scale, the value of the digital assets carried on that network could decline. The occurrence of any of the aforementioned risks associated with MEV could adversely affect the value of our transactions and investments, our ability to operate efficiently and the market price of our Ordinary Shares.

A malicious actor may also obtain control over the Bitcoin network through its influence over core developers by gaining direct control over a core developer or an otherwise influential programmer. To the extent that the Bitcoin ecosystem does not grow, the possibility that a malicious actor may be able to obtain control of the processing power on the Bitcoin network in this manner will remain heightened.

Any of the above events could materially and adversely affect certain of our investments and trading strategies, the value of our assets and the value of any investment in us.

***Adverse developments affecting financial institutions could adversely affect our industry and business.***

Adverse developments that affect financial institutions, such as events involving liquidity that are rumored or actual, have in the past and may in the future lead to bank failures and market-wide liquidity problems. For example, on March 10, 2023, Silicon Valley Bank (“SVB”) was closed by the California Department of Financial Protection and Innovation, which appointed the FDIC as receiver. Similarly, on March 12, 2023, the New York Department of Financial Services took possession of Signature Bank and appointed the FDIC as receiver of the bank. The U.S. Department of the Treasury, the Federal Reserve and the FDIC released a statement that indicated the FDIC would complete its resolution of SVB and Signature in a manner that fully protects all depositors. The U.S. Department of Treasury, FDIC and Federal Reserve Board also announced a program to provide up to \$25 billion of loans to financial institutions secured by certain of such government securities held by financial institutions to mitigate the risk of potential losses on the sale of such instruments, widespread demands for customer withdrawals or other liquidity needs of financial institutions. We have diversified U.S. banking relationships, with most of our deposits at a large, systemically important financial institution. Nonetheless, to the extent that we have deposited funds with banking institutions that fail and are not otherwise protected, we would lose the amount of our deposits over the then current FDIC insurance limit. The loss of our deposits could reduce the amount of cash we have available to operate our business and have an adverse impact on our investment and trading strategies, the value of our assets, the value of any investment in us, financial condition and results of operations.

***Any inability to maintain adequate relationships with affiliates, third-party banks and trading venues with respect to, and any inability to settle customer trades related to, our cryptocurrency offerings, may adversely affect our business, financial condition and results of operations.***

We rely on our affiliates, third-party banks and trading venues to provide our cryptocurrency products and services to our customers. The cryptocurrency market operates 24 hours a day, seven days a week. The cryptocurrency market does not have a centralized clearinghouse, and transactions in cryptocurrencies rely on direct settlements between third parties after trades are executed. Accordingly, we rely on our affiliates and third-party banks to facilitate cash settlements between customers and us and rely on the ability of our trading venues to complete cryptocurrency settlements. In addition, we must maintain cash assets in our bank accounts sufficient to meet the working capital needs of our business, which includes deploying available working capital to facilitate cash settlements between us and our customers or us and our trading venues. If our affiliates, third-party banks or trading venues have operational failures and cannot perform and facilitate our routine cash and cryptocurrency settlement transactions, we will be unable to support normal cryptocurrency trading operations and these disruptions could have an adverse impact on

our business, financial condition and results of operations. Similarly, if we fail to maintain cash assets in our bank accounts sufficient to meet the working capital needs of our business and necessary to complete routine cash settlements related to our trading activity, such failure could impair our ability to support normal trading operations and these disruptions could have an adverse impact on our business, financial condition and results of operations. In addition, the losses of Silvergate SEN and Signature's SIGNET, will remove a settlement mechanism for the cryptocurrency industry, which could lead to fewer transactions, longer settlements and increased credit exposures between industry counterparties.

We may also be harmed by the loss of any of our banking partners and trading venues. The cryptocurrency industry has been facing banking challenges since the start of the year, when U.S. banking regulators first issued a joint statement concerning banks' exposure to crypto deposits. Despite assurance from those regulators at the time that "banking organizations are neither prohibited nor discouraged from providing banking services to customers of any specific class or type, as permitted by law or regulation," subsequent actions have further chilled the banking sector's appetite for servicing the fast-growing industry. In addition, as a result of the many regulations applicable to cryptocurrencies or the risks of digital assets generally, many financial institutions have decided, and other financials may in the future decide, to not provide bank accounts (or access to bank accounts), payments services or other financial services to companies providing cryptocurrency products, including us. Similarly, a number of such companies have had their existing bank accounts closed by their banks. Banks may refuse to provide bank accounts and other banking services to digital asset-related companies, including us, for a number of reasons, such as perceived compliance risks or costs. Our inability to procure or keep banking services would have a material and adverse effect on us. Similarly, continued general banking difficulties may decrease the utility or value of digital assets or harm public perception of those assets and may make it difficult for smaller industry participants to sustain their operations. In addition to banks, other third-party service providers including accountants, lawyers and insurance providers may also decline to provide services to companies engaged in digital asset-related businesses because of the perceived risk profile associated with such businesses or the lack of regulatory certainty. Consequently, if we or our trading venues cannot maintain sufficient relationships with service providers, banking regulators restrict or prohibit banking of cryptocurrency businesses, or if banks impose significant operational restrictions, it may be difficult for us to find alternative business partners for our cryptocurrency offerings, which may result in a disruption of our business and could have an adverse impact on our reputation, business, investment and trading strategies, the value of our assets, the value of any investment in us, financial condition and results of operations.

***Competing industries may have more influence with policymakers than the digital asset industry, which could lead to the adoption of laws and regulations that are harmful to the digital asset industry and our business.***

The cryptoeconomy is relatively novel and does not have the same access to policymakers and lobbying organizations in many jurisdictions compared to industries with which digital assets may be seen to compete, such as banking, payments and consumer finance. Competitors from other, more established industries may have greater access to and influence with governmental officials and regulators and may be successful in persuading these policymakers that digital assets require heightened levels of regulation compared to the regulation of traditional financial services. As a result, new laws and regulations may be proposed and adopted in the United States and elsewhere, or existing laws and regulations may be interpreted in new ways, that disfavor or impose compliance burdens on the cryptoeconomy or digital asset platforms, which could adversely impact the digital assets in which we invest and therefore the value of any investment in our business.

As digital assets have grown in both popularity and market size, various U.S. federal, state, and local and foreign governmental organizations, consumer agencies and public advocacy groups have been examining the operations of cryptocurrency networks, users and platforms, with a focus on how digital assets can be used to launder the proceeds of illegal activities, fund criminal or terrorist enterprises, and the safety and soundness of platforms and other service providers that hold digital assets for users. Many of these entities have called for heightened regulatory oversight, and have issued consumer advisories describing the risks posed by digital assets to users and investors.

For instance, on September 16, 2022, the U.S. Treasury and Justice Departments released regulatory and legislative recommendations and priorities to address illicit finance risks connected to the digital assets ecosystem, following President Biden's executive order on the regulation of digital assets. The reports reflect the proactive posture that both the U.S. Treasury and Justice Departments have taken towards the enforcement and implementation of AML standards

in the digital asset ecosystem. In July 2019, the United Kingdom’s Financial Conduct Authority proposed rules to address harm to retail customers arising from the sale of derivatives and exchange-traded notes that reference certain types of cryptocurrencies, contending that they are “ill-suited” to retail investors due to extreme volatility, valuation challenges and association with financial crimes. The rules, which entered into force on January 6, 2021, prohibit the sale, marketing and distribution to retail clients in the United Kingdom of derivatives and exchange traded notes that reference certain types of unregulated, transferable cryptocurrencies. The prohibition applies to investment firms, credit institutions and branches in the United Kingdom of third-country firms that market, distribute or sell digital asset-derivatives or digital asset trading platform traded notes in, or from, the United Kingdom to retail clients.

***We currently offer services involving, and expect to continue to support, certain smart contract-based digital assets. If the underlying smart contracts for these digital assets do not operate as expected, they could lose value and our business could be adversely affected.***

We currently offer services involving, and expect to continue to support, various digital assets that represent units of value on smart contracts deployed on a third party blockchain. Smart contracts are programs that store and transfer value and execute automatically when certain conditions are met. Since smart contracts typically cannot be stopped or reversed, vulnerabilities in their programming and design can have damaging, and even permanent, ramifications. For instance, in April 2018, a batch overflow bug was found in many Ethereum-based ERC20-compatible smart contract tokens that allowed hackers to create a large number of smart contract tokens, causing multiple digital asset platforms worldwide to shut down ERC20-compatible token trading. Similarly, in March 2020, a design flaw in the MakerDAO smart contract caused forced liquidations of digital assets at significantly discounted prices, resulting in millions of dollars of losses to users who had deposited digital assets into the smart contract. If any such vulnerabilities or flaws come to fruition, smart contract-based digital assets may suffer negative publicity, be exposed to security vulnerabilities, decline significantly in value, and lose liquidity over a short period of time. As smart contract-based digital assets continue to develop and evolve, we may be subject to unintended or unforeseen regulatory risks and regulatory actions, which may be inconsistently applied across jurisdictions.

In some cases, smart contracts can be controlled by one or more “admin keys” or users with special privileges, or “super users.” These users have the ability to unilaterally make changes to the smart contract, enable or disable features on the smart contract, change how the smart contract receives external inputs and data, and make other changes to the smart contract. For smart contracts that hold a pool of assets, these users may also be able to extract funds from the pool, liquidate assets held in the pool, or take other actions that decrease the value of the assets held by the smart contract in reserves. Even for digital assets that have adopted a decentralized governance mechanism, such as smart contracts that are governed by the holders of a governance token, such governance tokens can be concentrated in the hands of a small group of core community members, who would be able to make similar changes unilaterally to the smart contract. If any such super user or group of core members unilaterally make adverse changes to a smart contract, the design, functionality, features and value of the smart contract, its related digital assets may be harmed. In addition, assets held by the smart contract in reserves may be stolen, misused, burnt, locked up or otherwise become unusable and irrecoverable. These super users can also become targets of hackers and malicious attackers. If an attacker is able to access or obtain the super user privileges of a smart contract, or if a smart contract’s super-users or core community members take actions that adversely affects the smart contract, our customers who hold and transact in the affected digital assets may experience decreased functionality and value of the applicable digital assets, up to and including a total loss of the value of such digital assets. Although we do not control these smart contracts, any such events could cause customers to seek damages against us for their losses, result in reputational damage to us, or in other ways adversely impact our business.

***The value of NFTs, any investment in NFTs, and the regulation of NFTs are uncertain and may subject us to unforeseeable risks.***

We have developed, invest in and have funds associated with NFTs. We also invest in companies that create and support NFTs. NFTs are unique, one-of-a-kind digital assets made possible by certain digital asset network protocols. Because of their non-fungible nature, NFTs introduce digital scarcity and have become popular as online “collectibles,” similar to physical rare collectible items, such as trading cards or art. Like real world collectibles, the value of NFTs may be prone to “boom and bust” cycles as popularity increases and subsequently subsides. Certain metadata pertaining to NFTs or the collectible itself (such as digital art) represented by the NFT may be stored

“offchain,” (i.e., not on a decentralized digital asset network). If the entity behind an NFT project or its third-party hosting service or platform ceases hosting relevant data relating to NFTs, such NFTs may become worthless. If any of these events were to occur, it could adversely affect the value of certain of our future investments and strategies. In addition, because NFTs generally rely on the same types of underlying technologies as digital assets, most risks applicable to digital assets (including phishing, hacking, blockchain risks) are also applicable to NFTs and hence any investment into NFTs will be subject to general digital assets risks as described elsewhere in these risk factors. We have also recently begun to develop and release our own NFTs. Prior to developing and releasing an NFT we consult external legal counsel to gain comfort that the NFTs we develop and release are not securities under the federal securities laws. However, we recognize that the application of the securities laws to NFTs is particularly uncertain, as most guidance related to the application of the federal securities laws to digital assets has been applied to more fungible forms of digital assets, such as cryptocurrencies.

***Private keys are required to access or transfer cryptocurrencies held in custody for GPL and GPL customers and the loss or destruction of such private keys may cause complete loss of the ability to retrieve or transfer such cryptocurrencies. If our custodian is unable to access the private keys and any backups thereto or if it experiences a cybersecurity breach, hack or other data loss that would restrict its ability to access any cryptocurrencies held in custody, we could become subject to reputational harm, legal claims, regulatory scrutiny, and other losses.***

Cryptocurrency assets are typically controlled by the holder of the unique private key for the cryptocurrency wallet in which the cryptocurrency assets are held. While public addresses are generally published when used in a transaction on a blockchain, private keys are required to access, retrieve or transfer the cryptocurrency assets in the wallet. Therefore, protection and safekeeping of private keys is necessary to prevent unauthorized third party access to or control over the cryptocurrency assets held in a cryptocurrency wallet. The custodian for digital assets stored on behalf of GPL or GPL customers maintains at all times at least one backup set of keys for this wallet. If any of the private keys for these wallets are stolen, destroyed, lost or otherwise compromised or unavailable, and if the backup versions of these private keys are not available at the time or have been otherwise stolen or compromised, our custodian will not be able to access the digital assets held in the omnibus wallets. Bitcoin and other cryptocurrencies and digital assets, including wallets and other blockchain technologies, can be hacked or otherwise subject to security breaches and other malicious activities, which may result in, among other things, malicious actors obtaining the ability to retrieve, transfer and otherwise misappropriate the digital assets held in custody for GPL and GPL customers. Destruction, loss or theft of private keys for, or hack or other compromise or unavailability of, the wallets holding digital assets held for GPL and GPL customers could adversely affect customers’ ability to retrieve, access or transfer the digital asset, could require the relevant custodian to pay reimbursements to customers and/or other third parties for their losses, and could subject such custodian to significant liabilities and financial losses in addition to losing trust of customers and other market participants. For these reasons, any destruction, loss or theft of private keys due to a hack, misconduct or error, or any other compromise of the security and confidentiality of the private keys for the cryptocurrency wallets holding digital assets could harm our brand and reputation, could result in significant legal liability or other financial losses, and could adversely impact our business.

### **Risks Related to Regulation, Information Systems and Privacy Matters**

***The financial services industry is subject to government regulation in the United States, and our failure or inability to comply with these regulations or regulatory action against us could adversely affect our results of operations, financial condition or business.***

The financial services industry is among the most extensively regulated industries in the United States. We operate an investment advisory and broker-dealer, each of which is subject to a specific and extensive regulatory scheme. In addition, we are subject to numerous state and federal laws and regulations of general application. It is very difficult to predict the future impact of the legislative and regulatory requirements affecting our business and our clients’ businesses.

Our subsidiary GDCM LP is registered as an “investment adviser” with the SEC under the Advisers Act and is regulated thereunder. GDCM LP, and certain affiliates, also manage several funds that do not invest in securities and therefore GDCM LP, and such affiliates, do not manage such funds in a registered investment adviser capacity. GDCM LP also intends to provide advice to funds that are registered as “investment companies” under the Investment

Company Act. Moreover, the Advisers Act mandates that if a registered adviser has custody of client funds and securities, it must maintain them with a “qualified custodian.” Given the characteristics of digital assets and the relative immaturity of the asset class, there are limited numbers of “qualified custodians” available at this time (if any) and there can be no assurance that we will ourselves qualify as, or be successful in maintaining client funds and securities with, a “qualified custodian”.

Difficulties in finding a “qualified custodian” could have a material adverse effect on the asset management business, including potentially causing it to liquidate a substantial portion of our asset management portfolio. There is also a risk that the SEC determines that certain custodians used are not, regardless of their representations to the contrary, “qualified custodians,” which would potentially require the asset management group to move certain digital assets and/or subject it to regulatory action. The uncertainty and potential difficulties associated with this question and related questions could materially and adversely affect our asset management business. The Advisers Act and the Investment Company Act, together with related regulations and interpretations of the SEC, impose numerous obligations and restrictions on investment advisers and mutual funds, including requirements relating to the safekeeping of client funds and securities, limitations on advertising, disclosure and reporting obligations, prohibitions on fraudulent activities, restrictions on certain transactions between an adviser and its clients, and between a mutual fund and its advisers and affiliates, and other detailed operating requirements, as well as general fiduciary obligations.

Our subsidiary Galaxy DBL is a commodity pool operator registered with the CFTC and is a member of the National Futures Association (the “NFA”). As such, it is subject to regulatory requirements under the CEA, CFTC regulations and NFA bylaws and regulations. These include disclosure and reporting requirements, restrictions on advertising, registration and licensing of certain personnel and conduct and anti-fraud requirements, among others.

GDP, our broker-dealer subsidiary, is subject to regulatory restrictions and requirements imposed by applicable statutes, regulations and policies in the jurisdictions in which we operate. U.S. government agencies and self-regulatory organizations, including U.S. state securities commissions, are empowered to enforce the regulatory restrictions and requirements applicable to us and conduct administrative proceedings that can result in censure, fine, the issuance of cease and desist orders or the suspension or expulsion of a broker-dealer from registration or membership. GDP is registered with the SEC and with all 50 U.S. states and is a member of FINRA, a securities industry self-regulatory organization that supervises and regulates the conduct and activities of its members. As a registered broker-dealer, GDP is subject to periodic examinations and investigations by FINRA. Further, GDP is subject to the Bank Secrecy Act, as amended by the USA PATRIOT Act of 2001, and the implementing regulations thereunder, which require financial institutions, including broker-dealers, to establish anti-money laundering compliance programs, file suspicious activity and other reports with the U.S. government and maintain certain records. Broker-dealers and mutual funds must also implement related customer identification procedures and beneficial ownership identification procedures.

Our KYC and onboarding processes are designed to verify the identity of our customers, manage associated risks and prevent offers and sales of some digital assets and other products and services to certain persons, it is nevertheless possible that customers could intentionally and fraudulently provide us with false information, act contrary to, or otherwise circumvent, our KYC and onboarding policies or procedures. Any improper provision of false information or circumvention of our KYC policies or procedures could result in unintended offering or sale of our services and products to parties that we intend to restrict from our services or products and one or more regulators deeming our KYC policies and procedures inadequate and not in compliance with relevant laws and regulations. Any circumvention of our policies could, among other things, require changes to our business practices and scope of operations or harm our reputation, which, in turn could have a material adverse effect on our results of operations, financial condition or business.

Our subsidiary GPL is registered as a money service business with FinCEN and has money transmitter licenses in a number of states in order to effect aspects of its trading business. As a money services business, GPL is subject to the applicable anti-money laundering rules and any other laws and regulations applicable to a money services business. Furthermore, a number of U.S. states have adopted specific statutory provisions, or have issued guidance, regarding the treatment of virtual currencies under the money transmitter requirements of that U.S. state.

In addition, due to our business activities, we are subject to ongoing examinations, oversight, and reviews by U.S. federal and state regulators, and financial service regulators, which each have broad discretion to audit and examine our business. We are periodically subject to audits and examinations by these regulatory authorities. As a result of findings from these audits and examinations, regulators have, are, and may in the future require us to take certain actions, including amending, updating, or revising our compliance measures from time to time, limiting the kinds of customers which we provide services to, changing, terminating, or delaying the introduction of our existing or new product and services, and undertaking further external audit or being subject to further regulatory scrutiny. We have received, and may in the future receive, examination reports citing violations of rules and regulations, inadequacies in existing compliance programs, and requiring us to enhance certain practices with respect to our compliance program, including due diligence, monitoring, training, reporting, and recordkeeping. Implementing appropriate measures to properly remediate these examination findings may require us to incur significant costs, and if we fail to properly remediate any of these examination findings, we could face civil litigation, significant fines, damage awards, forced removal of certain employees including members of our executive team, barring of certain employees from participating in our business in whole or in part, revocation of existing licenses, limitations on existing and new products and services, reputational harm, negative impact to our existing relationships with regulators, exposure to criminal liability, or other regulatory consequences. Further, we believe increasingly strict legal and regulatory requirements and additional regulatory investigations and enforcement, any of which could occur or intensify, may continue to result in changes to our business, as well as increased costs, and supervision and examination for both ourselves and our agents and service providers. Moreover, new laws, regulations, or interpretations may result in additional litigation, regulatory investigations, and enforcement or other actions, including preventing or delaying us from offering certain products or services offered by our competitors or could impact how we offer such products and services. Adverse changes to, or our failure to comply with, any laws and regulations have had, and may continue to have, an adverse effect on our reputation and brand and our business, operating results, and financial condition. Such additional requirements could cause us to incur extraordinary expenses, possibly materially and adversely affecting our investment and trading strategies, the value of our assets and the value of any investment in us.

All of the foregoing laws and regulations, as well as any other laws and regulations we are or may become subject to, are complex and we are required to expend significant resources to monitor and maintain our compliance with such laws and regulations. Any failure on our part to comply with these and other applicable laws and regulations could result in regulatory fines, suspensions of personnel or other sanctions, including revocation of our registration or that of our subsidiaries as an investment adviser, broker-dealer, commodity pool operator or trust company, as the case may be, which could, among other things, require changes to our business practices and scope of operations or harm our reputation, which, in turn could have a material adverse effect on our results of operations, financial condition or business.

***Regulatory changes or actions by the U.S. Congress or any U.S. federal or state agencies may affect our business or restrict the use of one or more digital assets, mining activity or the operation of the digital asset trading platforms in a manner that adversely affects our business.***

As digital assets have grown in both popularity and market size, the U.S. Congress and a number of U.S. federal and state agencies (including FinCEN, SEC, CFTC, FINRA, the Consumer Financial Protection Bureau, the Department of Justice, the Department of Homeland Security, the Federal Bureau of Investigation, the U.S. Internal Revenue Service (the “IRS”) and state financial institution regulators) have been examining the operations of digital asset networks, digital asset users and the digital asset markets, with particular focus on the extent to which digital assets can be used to launder the proceeds of illegal activities or fund criminal or terrorist enterprises and the safety and soundness of digital asset trading platforms and other service providers that hold digital assets for users. Many of these state and federal agencies have issued consumer advisories regarding the risks posed by digital assets to investors. Ongoing and future regulatory actions with respect to digital assets generally or any digital asset that we hold or invest in may alter, perhaps to a materially adverse extent, the nature of an investment in us or our ability to continue to operate.

In August 2021, the chair of the SEC stated that he believed investors using digital asset trading platforms are not adequately protected, and that activities on the platforms can implicate the securities laws, commodities laws and banking laws, raising a number of issues related to protecting investors and consumers, guarding against illicit activity, and ensuring financial stability. The chair expressed a need for the SEC to have additional authorities to prevent

transactions, products, and platforms from “falling between regulatory cracks,” as well as for more resources to protect investors in “this growing and volatile sector.” The chair called for federal legislation centering on digital asset trading, lending, and decentralized finance platforms, seeking “additional plenary authority” to write rules for digital asset trading and lending. Further, on March 9, 2022, President Biden issued an Executive Order asserting that technological advances and the rapid growth of crypto markets “necessitate an evaluation and alignment of the United States Government approach to digital assets.” The order mandates multiple reports and studies, and it tasks a vast number of U.S. government agencies with responsibility for the effort. Several reports mandated by the Executive Order have already been released, and they appear to signal further regulation of the digital asset industry. Moreover, in June and August 2022, two bills were introduced in the Senate—the Lummis-Gillibrand Responsible Financial Innovation Act and the Digital Commodities Consumer Protection Act of 2022— which, among other things, aim to give the CFTC more regulatory influence over digital assets. Other legislative proposals have also been released. While we anticipate ongoing legislative proposals in the near future in the wake of FTX’s bankruptcy, aspects of these bills may still be adopted, and if adopted, these or other proposed bills would have an effect on the digital asset industry, our business, and the nature of an investment in us. It is not possible to predict what impact this Executive Order or such legislation will have on the digital asset industry, whether Congress will grant additional authorities to the SEC or other regulators, what the nature of such additional authorities might be, how they might impact the ability of digital asset markets to function or how any new regulations that may flow from such authorities might impact the value of digital assets generally and those held by us specifically. The consequences of increased federal regulation of digital assets and digital asset activities could have a material adverse effect on our business and the market price of our Ordinary Shares.

Law enforcement agencies have often relied on the transparency of blockchains to facilitate investigations. However, certain privacy-enhancing features have been, or are expected to be, introduced to a number of digital asset networks, and these features may provide law enforcement agencies with less visibility into transaction-level data. For example, in August 2022, OFAC banned all U.S. citizens from using Tornado Cash, a digital asset protocol designed to obfuscate blockchain transactions, by adding certain Ethereum wallet addresses associated with the protocol to its Specially Designated Nationals list. Notable industry participants and validators on the Ethereum network have reportedly complied with the sanctions and blacklisted the sanctioned addresses from interacting with their networks. In addition, Europol, the European Union’s law enforcement agency, released a report in October 2017 noting the increased use of privacy-enhancing digital assets like Zcash and Monero in criminal activity on the internet. Although no regulatory action has been taken to treat privacy-enhancing digital assets differently, this may change in the future.

Further, under guidance from the FinCEN and recommendations from the Financial Action Task Force, the United States and several foreign jurisdictions are likely to impose the Funds Travel Rule and the Funds Transfer Rule (commonly referred to collectively as the “**Travel Rule**”) on financial service providers in the cryptoeconomy. If we were to become subject to such regulations, we may face substantial compliance costs to operationalize and comply with the Travel Rule and may be further subject to administrative sanctions for technical violations or customer attrition if the user experience suffers as a result. More recently, in December 2020, FinCEN released a proposed rule that would require us to collect personal information from the owners of self-custodied wallets that transfer cryptocurrencies to or receive cryptocurrencies from us, and report certain transactions to the federal government. There are substantial uncertainties on how these requirements would apply in practice as the acting director of FinCEN stated in May 2021 that “nothing has been decided” yet with regard to the December 2020 proposed rule. As another example, the recent extension of anti-money laundering requirements to certain cryptocurrency-related activities by the E.U. Fifth Money Laundering Directive has increased the regulatory compliance burden for our business in Europe and, as a result of the fragmented approach to the implementation of its provisions, resulted in distinct and divergent national licensing and registration regimes for us in different E.U. member states. Further E.U.-level legislation imposing additional regulatory requirements in relation to cryptocurrency-related activities is also expected in the intermediate term which, among other things, may impose new or additional regulatory requirements on both cryptocurrency service providers and issuers of certain digital assets, which may impact our operations in the E.U.

Legal or regulatory changes or interpretations of our existing and planned activities (including those of our subsidiaries or our portfolio companies), including the mere buying and selling of digital assets, could require the registration or licensing of us and/or our subsidiaries in additional, costly and constraining capacities, such as a money services business under the regulations promulgated by the FinCEN under the authority of the U.S. Bank Secrecy Act or the BitLicense scheme adopted by the NYDFS, or pursuant to applicable laws of other jurisdictions, and would therefore

require us and/or our subsidiaries to comply with applicable regulatory, licensing, examination and supervision requirements.

The effect of any future regulatory change on our business or the digital assets we hold is impossible to predict, but such change could be substantial and adverse to the utility of our products and services, our investment and trading strategies, the value of our assets and the value of any investment in us.

***Regulatory changes or actions in foreign jurisdictions may affect our business or restrict the use of one or more digital assets, mining activity or the operation of their networks or the digital asset trading platform market in a manner that adversely affects our business.***

Various foreign jurisdictions have, and may continue to adopt laws, regulations or directives that affect a digital asset network, the digital asset markets, and their users, particularly digital asset trading platforms and service providers that fall within such jurisdictions' regulatory scope.

A number of foreign jurisdictions have recently taken regulatory action aimed at digital asset activities. China has made transacting in cryptocurrencies illegal for Chinese citizens in mainland China, and additional restrictions may follow. China's central bank has further restricted digital asset-related activities, stating that activity by overseas digital asset trading platforms, and services offering trading, order matching, and token issuance and derivatives, constitute illegal activity. Both China and South Korea have banned initial coin offerings entirely (although South Korean regulators have indicated they may replace the outright ban with regulations in the future) and regulators in other jurisdictions, including Canada, Singapore and Hong Kong, have opined that initial coin offerings may constitute securities offerings subject to local securities regulations. As of December 31, 2022, there are over 50 countries with absolute or implicit bans on digital assets, including approximately two-thirds of the countries in Africa. Since 2018, a large number of countries have instituted either formal or implicit bans. See "*Market Controls and Regulation*".

Foreign laws, regulations or directives, as well as the assertion of jurisdiction by foreign regulators and other government entities over digital assets and digital asset markets, may conflict with those of the United States. Such conflicts may negatively impact the acceptance of one or more digital assets by users, merchants and service providers outside the United States and may therefore impede the growth or sustainability of the digital asset economy in the European Union, China, Japan, Russia, the Bahamas and the United States and globally, or otherwise negatively affect the value of digital assets that we invest in. While the European Union's digital asset regulations are effectively uniform, the laws and regulations in other regions are disparate, conflicting and subject to regular change and reinterpretation. The effect of any future regulatory change on our business or the digital assets that we invest in is impossible to predict, but such change could be substantial and adverse to our investment and trading strategies, the value of our assets and the value of any investment in us.

***If regulators or public utilities take actions that restrict or otherwise impact mining activities, there may be a significant decline in such activities, which could adversely affect digital asset networks, our business and the market price of our Ordinary Shares.***

Concerns have been raised about the electricity required to secure and maintain digital asset networks. For example, as of December 31, 2022 over 249.78 exa hashes per second, using a 7-day moving average, are performed in connection with mining on the Bitcoin network. Although measuring the electricity consumed by this process is difficult because these operations are performed by various machines with varying levels of efficiency, the process consumes a significant amount of energy. The operations of other digital asset networks may also consume significant amounts of energy. Further, in addition to the direct energy costs of performing calculations on any given digital asset network, there are indirect costs that impact a network's total energy consumption, including the costs of cooling the machines that perform these calculations.

Driven by concerns around energy consumption and the impact on public utility companies, various states and cities have implemented, or are considering implementing, moratoriums on mining activity in their jurisdictions. Such actions could increasingly cause cryptocurrency networks or protocols to adopt "proof of stake" methods of validation rather than "proof of work", which would have an adverse impact on our mining business. In addition, a significant reduction in mining activity as a result of such actions could adversely affect the security of a digital asset network by

making it easier for a malicious actor or botnet to manipulate the relevant blockchain. See “*Risk Factors – If a malicious actor or botnet obtains control of more than 50% of the processing power on a digital asset network, or otherwise obtains control over a digital asset network through its influence over core developers or otherwise, such actor or botnet could manipulate the blockchain of such digital asset to adversely affect the market price of our Ordinary Shares or our ability to operate*”. If regulators or public utilities take action that restricts or otherwise impacts mining activities, such actions could result in decreased security of a digital asset network and consequently adversely impact our revenues, our business and the market price of our Ordinary Shares.

***Our businesses may require regulatory licenses and qualifications that we do not currently have and that may be costly and time-consuming to obtain and, if obtained, may subsequently be revoked.***

Our businesses involve certain activities which require regulatory licenses and qualifications such as dealing, management and advisory activities. These activities are often subject to material, costly and constraining financial regulation in jurisdictions worldwide. The process of acquiring and maintaining these licenses and qualifications will be costly and time-consuming, will occupy material management attention and is not certain to be successful, given that we may not meet the requirements for such licenses or qualifications or may fail to secure discretionary approval of relevant regulatory bodies.

Although we have the authorizations and licenses that we believe are necessary to operate our business in all material respects, with respect to certain jurisdictions, we take the view that we are not conducting regulated activities requiring specific licenses. We acknowledge that relevant regulators in such jurisdictions may take a different view, and changes in regulators’ interpretation of existing licensing statutes or regulations, or disagreement by a regulatory authority with our interpretation of such statutes or regulations, could require additional registrations or licenses, limit certain of our business activities until they are appropriately licensed, and expose us to financial penalties or other non-monetary penalties, or could damage our reputation. We consult with external counsel regarding changes in the relevant laws or regulations and refresh our assessment on a regular basis.

GDP’s Continuing Membership Application (“CMA”) to the Financial Industry Regulatory Authority to act as an underwriter to registered public offerings of equity, debt or other corporate securities in the United States was approved in July 2019. However, there is no assurance this approval will be maintained or will not be subsequently limited in scope, and these events could have a significant and negative effect not only on our businesses in that market, but also on our reputation generally. Future expansions or material changes to GDP’s CMA will require additional approvals that may be difficult to obtain. The law and regulation surrounding the operation of financial businesses with respect to digital assets is also unclear, uncertain, rapidly evolving and not assured to develop in a way that is favorable to us. There is a risk that aspects of our businesses could be outlawed in jurisdictions around the world.

***Many of the digital assets in which we facilitate trading are subject to regulatory authority by the CFTC. Any fraudulent or manipulative trading activity in a digital asset could subject us to increased regulatory scrutiny, regulatory enforcement, and litigation.***

The CFTC has stated and judicial decisions involving CFTC enforcement actions have confirmed that at least some digital assets, including bitcoin, fall within the definition of a “commodity” under the CEA. As a result, the CFTC has general enforcement authority to police against manipulation and fraud in at least some spot digital asset markets. From time to time, manipulation, fraud, and other forms of improper trading by market participants have resulted in, and may in the future result in, CFTC investigations, inquiries, enforcement action, and similar actions by other regulators, government agencies, and civil litigation. Such investigations, inquiries, enforcement actions, and litigation may cause us to incur substantial costs and could result in negative publicity.

***Certain transactions in digital assets may constitute “retail leveraged commodity transactions” subject to regulation by the CFTC as futures contracts. If digital asset transactions we facilitate are deemed to be such retail commodity transactions, we would be subject to additional regulatory requirements, licenses and approvals, and potentially face regulatory enforcement, civil liability, and significant increased compliance and operational costs.***

Any transaction in a commodity, including a digital asset, entered into with or offered to retail investors using leverage, margin, or other financing arrangements (a “retail leveraged commodity transaction”) is subject to CFTC regulation as a futures contract unless such transaction results in actual delivery within 28 days. The meaning of “actual delivery” has been the subject of commentary and litigation, and in March 2020, the CFTC unanimously approved final interpretive guidance addressing the “actual delivery” of a digital asset. To the extent that digital asset transactions that we facilitate or facilitated are deemed retail leveraged commodity transactions, including pursuant to current or subsequent rulemaking or guidance by the CFTC, we may be subject to additional regulatory requirements and oversight, and we could be subject to judicial or administrative sanctions if we do not or did not at a relevant time possess appropriate registrations. The CFTC has previously brought enforcement actions against entities, including DAOs, engaged in retail leveraged commodity transactions without appropriate registrations.

***Particular digital assets or transactions therein could be deemed “commodity interests” (e.g., futures, options, swaps) or security-based swaps subject to regulation by the CFTC or SEC, respectively. If a digital asset that we facilitate trading in is deemed a commodity interest or a security-based swap, we would be subject to additional regulatory requirements, licenses and approvals, and potentially face regulatory enforcement, civil liability, and significant increased compliance and operational costs.***

Commodity interests, as such term is defined by the CEA and CFTC rules and regulations, are subject to more extensive supervisory oversight by the CFTC, including licensing of entities engaged in, and platforms offering, commodity interest transactions. This CFTC authority extends to digital asset futures contracts and swaps, including transactions that are based on current and future prices of digital assets and indices of digital assets. To the extent that a digital asset in which we facilitate or facilitated trading or transactions in a digital asset which we facilitate or facilitated are deemed to fall within the definition of a commodity interest, whether as a swap or otherwise and including pursuant to subsequent rulemaking or guidance by the CFTC, we may be subject to additional regulatory requirements and oversight and could be subject to judicial or administrative sanctions if we do not or did not at a relevant time possess appropriate registrations as an exchange (for example, as a designated contract market for trading futures or options on futures, or as a swaps execution facility for trading swaps) or as a registered intermediary (for example, as a futures commission merchant or introducing broker). Such actions could result in injunctions, cease and desist orders, as well as civil monetary penalties, fines, and disgorgement, as well as reputational harm. The CFTC has previously brought enforcement actions against entities engaged in digital asset activities for failure to obtain appropriate exchange, execution facility and intermediary registrations.

Furthermore, the CFTC and the SEC have jointly adopted regulations defining “security-based swaps” which include swaps based on single securities and narrow-based indices of securities. If a digital asset is deemed to be a security, certain transactions referencing that digital asset could constitute a security-based swap. A digital asset or transaction therein that is based on or references a security or index of securities, whether or not such securities are themselves digital assets, could also constitute a security-based swap. To the extent that a digital asset in which we facilitate or have facilitated trading or transactions in a digital asset which we facilitate or have facilitated are deemed to fall within the definition of a security-based swap, including pursuant to subsequent rulemaking or guidance by the CFTC or SEC, we may be subject to additional regulatory requirements and oversight by the SEC and could be subject to judicial or administrative sanctions if we do not or did not at a relevant time possess appropriate registrations as an exchange (for example, as a security-based swaps execution facility) or as a registered intermediary (for example, as a security-based swap dealer or broker-dealer). This could result in injunctions, cease and desist orders, as well as civil monetary penalties, fines, and disgorgement, as well as reputational harm.

Moreover, we are subject to potential regulatory risk arising out of any failure to accurately report swap transactions to registered swap data repositories where we are the reporting party for such transactions. Failure to comply with applicable CFTC and/or SEC reporting rules and regulations could subject the company to investigation and enforcement and possible monetary fines and sanctions.

***Cybersecurity incidents and other issues related to our information systems, technology and data may materially and adversely affect us.***

Cybersecurity incidents and cyberattacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. The digital asset industry is a particular target for cybersecurity

incidents, which may occur through intentional or unintentional acts by individuals or groups having authorized or unauthorized access to our systems or our clients' or counterparties' information, which may include confidential information. These individuals or groups include employees, vendors and customers, as well as hackers. The information and technology systems used by us and our service providers, and other third parties, are vulnerable to damage or interruption from, among other things: hacking, ransomware, malware and other computer viruses; denial of service attacks; network failures; computer and telecommunication failures; phishing attacks; infiltration by unauthorized persons; security breaches; usage errors by their respective professionals; power outages; terrorism; and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes.

We have experienced cybersecurity incidents in the past, and expect to experience cybersecurity incidents in the future. While we take efforts to protect our systems and data, including establishing internal processes and implementing technological measures designed to provide multiple layers of security, and contract with third-party service providers to take similar steps, we have experienced cybersecurity breaches in the past, and there can be no assurance that our safety and security measures (and those of our third-party service providers) will prevent damage to, or interruption or breach of, our information systems, data (including personal data) and operations. We have recently taken steps to expand and enhance our cybersecurity controls and practices and, as cybersecurity-related threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. Nevertheless, it is possible we could suffer an impact or disruption that could materially and adversely affect us. Our operational infrastructure may be breached due to the actions of outside parties, error or malfeasance of our employee, or otherwise, and, as a result, an unauthorized party may obtain access to our accounts, private keys, data, or digital assets. Additionally, outside parties may attempt to fraudulently induce our employees to disclose sensitive information in order to gain access to our infrastructure. As the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, or may be designed to remain dormant until a predetermined event, and often are not recognized until launched against a target, we may be unable to anticipate these techniques or implement adequate preventative measures. Additionally, due to the current COVID-19 pandemic, there is an increased risk that we may experience cybersecurity-related incidents as a result of our employees, service providers and other third parties working remotely on less secure systems and environments. Controls employed by our information technology department and our customers and third-party service providers, including cloud vendors, could prove inadequate. If an actual or perceived breach of any of our digital asset account occurs, the market perception of our effectiveness could be harmed.

Moreover, there could be public announcements regarding any cybersecurity-related incidents and any steps we take to respond to or remediate such incidents, and if securities analysts or investors perceive these announcements to be negative, it could, among other things, have a substantial adverse effect on the price of our Ordinary Shares. Further, any publicized security problems affecting our businesses or those of third parties with whom we are affiliated or otherwise conduct business may discourage consumers from doing business with us, which could have a material and adverse effect on our business, financial condition and results of operations.

It is difficult or impossible to defend against every risk being posed by changing technologies, as well as criminals' intent to commit cybercrime, and these efforts may not be successful in anticipating, preventing, detecting or stopping attacks, or reacting in a timely manner. The increasing sophistication and resources of cybercriminals and other non-state threat actors and increased actions by nation-state actors make it difficult to keep up with new threats and could result in a breach of security. Additionally, we cannot guarantee that our insurance coverage would be sufficient to cover any such losses.

To the extent the operation of our systems relies on our third-party service providers, through either a connection to, or an integration with, third parties' systems, the risk of cybersecurity attacks and loss, corruption, or unauthorized access to or publication of our information or the confidential information and personal data of customers and employees may increase. Third-party risks may include insufficient security measures, data location uncertainty, and the possibility of data storage in inappropriate jurisdictions where laws, security measures or other controls may be inadequate or in which there are uncertainties regarding governmental intervention and use of such data, and our ability to monitor our third-party service providers' data security practices are limited. Although we generally have agreements relating to cybersecurity and data privacy in place with our third-party service providers, they are limited in nature and we cannot guarantee that such agreements will prevent the accidental or unauthorized access to or disclosure, loss, destruction, disablement or encryption of, use or misuse of or modification of data (including personal

data) or enable us to obtain adequate or any reimbursement from our third-party service providers in the event we should suffer any such incidents. Due to applicable laws and regulations or contractual obligations, we may be held responsible for any information security failure or cybersecurity attack attributed to our vendors as they relate to the information we share with them. A vulnerability in or related to a third-party service provider's software or systems, a failure of our third-party service providers' safeguards, policies or procedures, or a breach of a third-party service provider's software or systems could result in the compromise of the confidentiality, integrity or availability of our systems or the data housed in our third-party solutions.

The security of the information and technology systems used by us and our service providers may continue to be subjected to cybersecurity threats that could result in material failures or disruptions in our business. If these systems are compromised, become inoperable for extended periods of time or cease to function properly, we or a service provider may have to make a significant investment to fix or replace them. The failure of these systems or of disaster recovery plans for any reason could cause significant interruptions in operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to stockholders (and the beneficial owners of stockholders). Such a failure could harm our reputation, subject us to legal claims and otherwise materially and adversely affect our investment and trading strategies and our value.

***We obtain and process sensitive customer data. Any real or perceived improper use of, disclosure of, or access to such data could harm our reputation, as well as have an adverse effect on our business.***

We obtain and process sensitive data, including personal data related to our customers and their transactions, such as their names, addresses, trading data, tax identification, and bank account information. We face risks, including to our reputation, in the handling and protection of this data, and these risks will increase as our business continues to expand. Federal, state, and international laws and regulations governing privacy, data protection, and e-commerce transactions require us to safeguard our customers', employees', and service providers' personal data.

We have administrative, technical, and physical security measures and controls in place and maintain a robust information security program. However, our security measures may be inadequate or breached as a result of third-party action, employee or service provider error, malfeasance, malware, phishing, hacking attacks, system error, trickery, advances in computer capabilities, new discoveries in the field of cryptography, inadequate facility security or otherwise, and, as a result, someone may be able to obtain unauthorized access to sensitive information, including personal data, on our systems. Additionally, privacy and data protection laws are evolving, and it is possible that these laws may be interpreted and applied in a manner that is inconsistent with our data handling safeguards and practices that could result in fines, lawsuits, and other penalties, and significant changes to our or our third-party partners' business practices and products and service offerings.

To the extent that the measures we or our third-party business partners have taken prove to be insufficient or inadequate, we may become subject to litigation, breach notification obligations, or regulatory or administrative sanctions, which could result in significant fines, penalties, damages, harm to our reputation, or loss of customers. If our own confidential business information or sensitive customer information were improperly disclosed, our business could be adversely affected. Additionally, a party who circumvents our security measures could, among other effects, appropriate customer information or other proprietary data, cause interruptions in our operations, or expose customers to hacks, viruses, and other disruptions.

Depending on the nature of the information compromised, in the event of a data breach or other unauthorized access to our customer data, we may also have obligations to notify customers and regulators about the incident, and we may need to provide some form of remedy, such as a subscription to credit monitoring services, pay significant fines to one or more regulators, or pay compensation in connection with a class-action settlement (including under the new private right of action under the California Consumer Privacy Act of 2018 ("CCPA"), which is expected to increase security breach litigation). Such breach notification laws continue to evolve and may be inconsistent from one jurisdiction to another. Complying with these obligations could cause us to incur substantial costs and could increase negative publicity surrounding any incident that compromises customer data. Additionally, the financial exposure from the events referenced above could either not be insured against or not be fully covered through any insurance that we may maintain, and there can be no assurance that the limitations of liability in any of our contracts would be enforceable or adequate or would otherwise protect us from liabilities or damages as a result of the events referenced

above. Any of the foregoing could have an adverse effect on our business, reputation, operating results, and financial condition.

Furthermore, we may be required to disclose personal data pursuant to demands from individuals, regulators, government agencies, and law enforcement agencies in various jurisdictions with conflicting privacy and security laws, which could result in a breach of privacy and data protection policies, notices, laws, rules, court orders, and regulations. Additionally, changes in the laws and regulations that govern our collection, use, and disclosure of customer data could impose additional requirements with respect to the retention and security of customer data, could limit our marketing activities, and have an adverse effect on our business, operating results, and financial condition.

***We are subject to stringent laws, rules, regulations, policies, industry standards and contractual obligations regarding data privacy and security and may be subject to additional related laws and regulations in jurisdictions into which we expand. Many of these laws and regulations are subject to change and reinterpretation and could result in claims, changes to our business practices, monetary penalties, increased cost of operations or other harm to our business.***

We and our third-party service providers are subject to a variety of federal, state, local, and non-U.S. laws, directives, rules, policies, industry standards and regulations, as well as contractual obligations, relating to privacy and the collection, protection, use, retention, security, disclosure, transfer and other processing of personal data and other data, including Section 5(c) of the Federal Trade Commission Act, the Consumer Financial Protection Bureau and the CCPA. The regulatory framework for data privacy and security worldwide is continuously evolving and developing and, as a result, interpretation and implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future. New laws, amendments to or reinterpretations of existing laws, regulations, standards and other obligations may require us to incur additional costs and restrict our business operations, and may require us to change how we use, collect, store, transfer or otherwise process certain types of personal data and to implement new processes to comply with those laws and our customers' exercise of their rights thereunder.

In the United States, federal law restricts certain collection, processing, storage, use and disclosure of personal data, requires notice to individuals of privacy practices and provides individuals with certain rights to prevent the use and disclosure of certain non-public or otherwise legally protected information. These rules also impose requirements for the safeguarding and proper destruction of personal data through the issuance of data security standards or guidelines. The U.S. government, including Congress, the Federal Trade Commission, the Consumer Financial Protection Bureau and the Department of Commerce, has announced that it is reviewing the need for greater regulation for the collection, use and other processing of information concerning consumer behavior on the internet, including regulation aimed at restricting certain targeted advertising practices. There is also a risk of enforcement actions in response to rules and regulations promulgated under the authority of federal agencies and state attorneys general and legislatures and consumer protection agencies. In addition, privacy advocates and industry groups have proposed and may propose new and different self-regulatory standards that either legally or contractually apply to us. If we fail to follow these security standards, even if no customer information is compromised, we may incur significant fines or experience a significant increase in costs.

Numerous states have enacted or are in the process of enacting state-level data privacy laws and regulations governing the collection, use, and other processing of state residents' personal data. For example, the CCPA, which took effect on January 1, 2020, established a new privacy framework for covered businesses such as ours, and may require us to modify our data processing practices and policies and incur compliance related costs and expenses. The CCPA provides new and enhanced data privacy rights to California residents, such as affording California residents the right to access and delete their information and to opt out of certain sharing and sales of personal information. The law also prohibits covered businesses from discriminating against California residents (for example, charging more for services) for exercising any of their CCPA rights. The CCPA imposes severe civil penalties and statutory damages as well as a private right of action for certain data breaches that result in the loss of personal information. This private right of action is expected to increase the likelihood of, and risks associated with, data breach litigation. However, it remains unclear how various provisions of the CCPA will be interpreted and enforced. In November 2020, California voters passed the California Privacy Rights Act of 2020 ("CPRA"). Effective in most material respects starting on January 1, 2023, the CPRA will impose additional obligations on companies covered by the legislation and will significantly modify the CCPA, including by expanding the CCPA with additional data privacy compliance

requirements that may impact our business. The CPRA also establishes a regulatory agency dedicated to enforcing the CCPA and the CPRA. Additionally, on March 2, 2021, the Virginia Consumer Data Protection Act (“CDPA”) was signed into law. The CDPA becomes effective beginning January 1, 2023, and contains provisions that require businesses to conduct data protection assessments in certain circumstances, and that require opt-in consent from consumers to process certain sensitive personal information. The effects of the CPRA, the CCPA, the CDPA, other similar state or federal laws and other future changes in laws or regulations relating to privacy, data protection and information security, particularly any new or modified laws or regulations that require enhanced protection of certain types of data or new obligations with regard to data retention, transfer or disclosure, are significant and may require us to modify our data processing practices and policies and could greatly increase the cost of providing our offerings, require significant changes to our operations or even prevent us from providing certain offerings in jurisdictions in which we currently operate and in which we may operate in the future or incur potential liability in an effort to comply with such legislation.

The CPRA, CCPA and CDPA may lead other states to pass comparable legislation, with potentially greater penalties and more rigorous compliance requirements relevant to our business. For example, many state legislatures have adopted legislation that regulates how businesses operate online, including measures relating to privacy, data security, data breaches and the protection of sensitive and personal information. Laws in all 50 states require businesses to provide notice to customers whose personally identifiable information has been disclosed as a result of a data breach. The laws are not consistent, as certain state laws may be more stringent or broader in scope, or offer greater individual rights, with respect to sensitive and personal information than federal, international or other state laws, and such laws may differ from each other, which may complicate compliance efforts. Compliance in the event of a widespread data breach may be costly.

The NYDFS also issued Cybersecurity Requirements for Financial Services Companies, which took effect in 2017, and which require banks, insurance companies and other financial services institutions regulated by the NYDFS, to establish and maintain a cybersecurity program designed to protect consumers and ensure the safety and soundness of New York State’s financial services industry. The cybersecurity regulation adds specific requirements for these institutions’ cybersecurity compliance programs and imposes an obligation to conduct ongoing, comprehensive risk assessments. Further, on an annual basis, each institution is required to submit a certification of compliance with these requirements. We may in the future become subject to such NYDFS regulations and requirements, which could subject us to additional investigations and examinations of our compliance programs.

We make public statements about our use, collection, disclosure and other processing of personal data through our privacy policies, information provided on our website and press statements. Although we endeavor to comply with our public statements and documentation, we may at times fail to do so or be alleged to have failed to do so. The publication of our privacy policies and other statements that provide promises and assurances about data privacy and security can subject us to potential government or legal action if they are found to be deceptive, unfair or misrepresentative of our actual practices. Any failure or perceived failure by us or our third-party service providers to comply with our posted privacy policies or with any applicable federal, state or similar foreign laws, rules, regulations, industry standards, policies, certifications or orders relating to data privacy and security, or any compromise of security that results in theft, unauthorized access, acquisition, use, disclosure, or misappropriation of personal data or other customer data, could result in significant awards, fines, civil and/or criminal penalties or judgments, proceedings or litigation by governmental agencies or customers, including class action privacy litigation in certain jurisdictions and negative publicity and reputational harm, one or all of which could have an adverse effect on our reputation, business, financial condition and results of operations. All of these evolving compliance and operational requirements impose significant costs, such as costs related to organizational changes, implementing additional protection technologies, training employees and engaging consultants, which are likely to increase over time. In addition, such requirements may require us to modify or restrict our data processing practices and policies, distract management or divert resources from other initiatives and projects, all of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

***We may face particular privacy, data security, and data protection risks as our business expands into the United Kingdom and the EU in connection with the GDPR and other data protection regulations.***

International presence in the United Kingdom and the EU, as well as the fact that some of our customers are residents of the United Kingdom and the EU, subjects us or may subject us to the EU GDPR, which became effective in May 2018, supplemented by national laws and further implemented through binding guidance from the European Data Protection Board, which regulates the collection, control, sharing, disclosure, use and other processing of personal data and imposes stringent data protection requirements with significant penalties, and the risk of civil litigation, for non-compliance. As described further below, following Brexit, we also are subject to the United Kingdom General Data Protection Regulation (“**U.K. GDPR**”) (i.e., a version of the GDPR as implemented into United Kingdom law). Among other requirements, the GDPR regulates transfers of personal data subject to the GDPR to third countries that have not been found to provide adequate protection to such personal data, including the United States.

One of the primary safeguards that allowed U.S. companies to import personal data from Europe had been certification to the EU-U.S. Privacy Shield and Swiss U.S. Privacy Shield frameworks administered by the U.S. Department of Commerce. However, the Court of Justice of the EU (“**CJEU**”), invalidated the EU U.S. Privacy Shield, in a case known as “Schrems II.” Following this decision, the United Kingdom government has similarly invalidated use of the EU U.S. Privacy Shield as a mechanism for lawful personal data transfers from the United Kingdom to the United States under the U.K. GDPR and the Swiss Federal Data Protection and Information Commissioner announced that the Swiss-U.S. Privacy Shield does not provide adequate safeguards for the purposes of personal data transfers from Switzerland to the United States. The CJEU’s decision in Schrems II also raised questions about whether one of the primary alternatives to the EU-U.S. Privacy Shield, namely, the European Commission’s Standard Contractual Clauses, can lawfully be used for personal data transfers from Europe to the United States or other third countries that are not the subject of an adequacy decision of the European Commission. At present, there are few, if any, viable alternatives to the Standard Contractual Clauses. As such, if we are unable to implement a valid mechanism for personal data transfers from Europe, we will face increased exposure to regulatory actions, substantial fines and injunctions against processing personal data from Europe. Inability to export personal data may also: restrict our activities outside Europe; limit our ability to collaborate with partners as well as other service providers, contractors and other companies outside of Europe; and/or require us to increase our processing capabilities within Europe at significant expense or otherwise cause us to change the geographical location or segregation of our relevant systems and operations—any or all of which could adversely affect our operations or financial results. Additionally, other countries outside of Europe have enacted or are considering enacting similar cross-border data transfer restrictions and laws requiring local data residency, which could increase the cost and complexity of delivering our services and operating our business. The type of challenges we face in Europe will likely also arise in other jurisdictions that adopt regulatory frameworks of equivalent complexity. While we have taken steps to mitigate the impact on us with respect to transfers of data, such as implementing standard contractual clauses, the efficacy and longevity of these transfer mechanisms remains uncertain. The enactment of the GDPR also introduced numerous privacy-related changes for companies operating in the EU, including greater control for data subjects (including, for example, the “right to be forgotten”), increased data portability for EU consumers, data breach notification requirements, and increased fines. In particular, the GDPR includes obligations and restrictions concerning the consent and rights of individuals to whom the personal data relates, the transfer of personal data out of the European Economic Area (“**EEA**”) or the United Kingdom, security breach notifications and the security and confidentiality of personal data. Under the GDPR, fines of up to €20 million or up to 4% of the annual global revenue of the noncompliant company, whichever is greater, could be imposed for violations of certain of the GDPR’s requirements. Such penalties are in addition to any civil litigation claims by customers and data subjects. The GDPR requirements will likely apply not only to third-party transactions, but also to transfers of information between us and our subsidiaries, including employee information.

Further, the United Kingdom’s vote in favor of exiting the EU, often referred to as Brexit, and ongoing developments in the United Kingdom have created uncertainty with regard to data protection regulation in the United Kingdom. As of January 1, 2021, following the expiry of transitional arrangements agreed to between the United Kingdom and EU, data processing in the United Kingdom is governed by a United Kingdom version of the GDPR (combining the GDPR and the United Kingdom’s Data Protection Act 2018), exposing us to two parallel regimes, each of which authorizes similar fines and other potentially divergent enforcement actions for certain violations. With respect to transfers of personal data from the EEA to the United Kingdom, the European Commission has published its draft adequacy decision, finding that the United Kingdom ensures an adequate level of data protection. Before the decision is formally adopted, the European Data Protection Board will need to issue a nonbinding opinion on the draft and each member state must approve the decision. There is currently uncertainty as to how long this process will take. In the interim, transfers of personal data from the EEA to the United Kingdom will not be considered transfers to a third country.

Following the adoption of the adequacy decision, there will be increasing scope for divergence in application, interpretation and enforcement of the data protection law as between the United Kingdom and EEA. Other countries have also passed or are considering passing laws requiring local data residency or restricting the international transfer of data.

Other countries have also passed or are considering passing laws requiring local data residency or restricting the international transfer of data. These changes may lead to additional costs and increase our overall risk exposure. Any inability to adequately address data privacy or security-related concerns, even if unfounded, or to comply with applicable laws, regulations, standards and other obligations relating to data privacy and security, could result in litigation, breach notification obligations, regulatory or administrative sanctions, additional cost and liability to us, harm to our reputation and brand, damage to our relationships with customers and have an adverse effect on our business, financial condition and results of operations.

***Our use of technology, proprietary and nonproprietary software, data and intellectual property may be subject to substantial risk.***

We rely heavily on the use of technology, proprietary and nonproprietary software, data and intellectual property, including that of third parties in the both the digital asset sector and otherwise. The reliance on this technology and data is subject to a number of important risks. Much of the existing technology for the financial services businesses was not built to service digital assets, which require a unique set of considerations. We are working with numerous service providers to help develop technology to service the industry. If these platforms and technology solutions do not work as planned, or do not meet the level of quality we require, it may make transacting business less efficient, more expensive and potentially prone to errors.

The operation of any element of the digital assets network or any other electronic platform may be severely and adversely affected by the malfunction of its technology and the technology of third parties. For example, an unforeseen software or hardware malfunction could occur as a result of a virus or other outside force, or as result of a design flaw in the design and operation of the network or platform. Furthermore, if our software, hardware, data or other intellectual property is found to infringe on the rights of, or our rights therein are found to be infringed upon by, any third party, the underlying value of our assets could be materially and adversely affected.

Third parties with which we do business or that facilitate our business activities, including digital asset trading platforms, financial intermediaries or vendors that provide services or security solutions for our operations, could also expose us to technology risk, including from breakdowns or failures of their own systems or capacity constraints or other services that impair our ability to process transactions and communicate with customers and counterparties. In addition, we are exposed to the risk that a technology disruption or other information security event at a vendor to our third-party service providers could impede their ability to provide products or services to us. We may not be able to effectively monitor or mitigate operational risks relating to the use of vendors by third-party service providers.

***The need to adopt technology in response to changing security threats poses a challenge to the safekeeping of our digital asset holdings.***

Holders of digital assets must adapt to technological change to secure and safeguard accounts. As technological change occurs, the security threats to our digital asset holdings will likely adapt, and previously unknown threats may emerge. Furthermore, we may become a greater target of security threats as our size and reputation increases. If we are unable to identify and mitigate or stop new security threats, our assets may be subject to theft, loss, destruction or other attack, which could result in a loss of our assets or materially and adversely affect our investment and trading strategies, the value of our assets and the value of any investment in us.

***Any failure to obtain, maintain, protect, defend or enforce our intellectual property and other proprietary rights could adversely affect our business, financial condition and results of operations.***

Our success and ability to compete depend in part upon our ability to obtain, maintain, protect, defend and enforce our intellectual property and other proprietary rights and technology. Unauthorized use of our intellectual property or a violation of our intellectual property and other proprietary rights by third parties may damage our brand and our

reputation. We rely on a combination of trademark, patent, copyright, and trade secret laws in the United States and internationally, our terms and conditions, other contractual provisions and technological measures to protect our intellectual property rights from infringement, misappropriation or other violation to maintain our brand and competitive position. Various factors outside our control pose a threat to our intellectual property rights, as well as to our products, services and technologies.

The steps we take to protect our intellectual property rights may not be sufficient to effectively prevent third parties from infringing, misappropriating, diluting or otherwise violating our intellectual property rights or to prevent unauthorized disclosure or unauthorized use of our trade secrets or other confidential information. We make business decisions about when to seek patent protection for a particular technology and when to rely upon trade secret protection, and the approach we select may ultimately prove to be inadequate. There can be no assurance our intellectual property rights will be sufficient to protect against unauthorized parties offering products or services that are substantially similar to ours and compete with our business or attempting to copy aspects of our technology and use information that we consider proprietary.

In addition to registered intellectual property rights, we rely on non-registered proprietary information and technology, such as trade secrets, confidential information and know-how. We attempt to protect our intellectual property, technology, and confidential information by requiring our employees, contractors, consultants, corporate collaborators, advisors and other third parties who develop intellectual property on our behalf to enter into confidentiality and invention assignment agreements, and third parties we share information with to enter into nondisclosure and confidentiality agreements. We cannot guarantee that we have entered into such agreements with each party who has developed intellectual property on our behalf and each party that has or may have had access to our confidential information, know-how and trade secrets.

These agreements may be insufficient or breached, or may not effectively prevent unauthorized access to or unauthorized use, disclosure, misappropriation or reverse engineering of our confidential information, intellectual property, or technology. Moreover, these agreements may not provide an adequate remedy for breaches or in the event of unauthorized use or disclosure of our confidential information or technology, or infringement of our intellectual property. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret or know-how is difficult, expensive, and time consuming, and the outcome is unpredictable. In addition, trade secrets and know-how can be difficult to protect and some courts inside and outside the United States are less willing or unwilling to protect trade secrets and know-how. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor or other third party, we would have no right to prevent them from using that technology or information to compete with us, and our competitive position would be materially and adversely harmed.

The loss of trade secret protection could make it easier for third parties to compete with our products and services by copying functionality. Additionally, individuals not subject to invention assignment agreements may make adverse ownership claims to our current and future intellectual property, and, to the extent that our employees, independent contractors or other third parties with whom we do business use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

We will not be able to protect our intellectual property rights if we do not detect unauthorized use of our intellectual property rights. We also may fail to maintain or be unable to obtain adequate protections for certain of our intellectual property rights in the United States and certain non-U.S. countries, and our intellectual property rights may not receive the same degree of protection in non-U.S. countries as they would in the United States because of the differences in non-U.S. patent, trademark, copyright, and other laws concerning intellectual property and proprietary rights. Any of our intellectual property rights may be successfully challenged, opposed, diluted, misappropriated or circumvented by others or invalidated, narrowed in scope or held unenforceable through administrative process or litigation in the United States or in non-U.S. jurisdictions. Furthermore, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain and any changes in, or unexpected interpretations of, intellectual property laws may compromise our ability to enforce our trade secrets and intellectual property rights.

In order to protect our intellectual property and other proprietary rights, we may be required to expend significant resources to apply for, maintain, monitor and protect these rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management and could result in the

impairment or loss of portions of our intellectual property. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. Our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Accordingly, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. An adverse outcome in such litigation or proceedings may therefore expose us to a loss of our competitive position, expose us to significant liabilities or require us to seek licenses that may not be available on commercially acceptable terms, if at all. Our failure to secure, protect and enforce our intellectual property rights could seriously damage our brand and have an adverse effect on our business, financial condition and results of operations.

***Third parties may initiate legal proceedings alleging that we are infringing, misappropriating or otherwise violating their intellectual property rights, the outcome of which would be uncertain and could have a material adverse effect on our business, financial condition and results of operations, or adversely affect the operations of portfolio companies and digital asset networks.***

Our commercial success depends, in part, on our ability to develop and commercialize our services and use our internally developed technology without infringing, misappropriating or otherwise violating the intellectual property or proprietary rights of third parties. In recent years, there has been considerable patent, copyright, trademark, domain name, trade secret and other intellectual property development activity in the cryptoeconomy, as well as litigation, based on allegations of infringement or other violations of intellectual property, including by large financial institutions. We may become subject to intellectual property disputes, whether or not such allegations have merit. Intellectual property disputes can be costly to defend and may cause our business, operating results and financial condition to suffer. As the cryptoeconomy expands and more patents are issued, the risk increases that there may be patents or other intellectual property rights owned by third parties that relate to our technology, and of which we are not aware or that we must challenge to continue our operations as currently contemplated. Whether merited or not, we may face allegations that we, our partners or parties indemnified by us have infringed, misappropriated, or otherwise violated the patents, trademarks, copyrights or other intellectual property rights of third parties. Such claims may be made by competitors seeking to obtain a competitive advantage or by other parties. For example, in recent years, individuals and groups have begun purchasing intellectual property assets for the purpose of making claims of infringement and attempting to extract settlements from companies like ours. It may also be necessary for us to initiate litigation in order to determine the scope, enforceability or validity of third-party intellectual property or proprietary rights, or to establish our intellectual property rights. We may not be able to successfully settle or otherwise resolve such adversarial proceedings or litigation. If we are unable to successfully settle future claims on terms acceptable to us we may be required to engage in or to continue litigation. Regardless of whether third-party claims have merit, litigation can be time consuming, divert management's attention and financial resources, and can be costly to evaluate and defend. Some third parties may be able to sustain the costs of complex litigation more effectively than we can because they have substantially greater resources. Results of any such litigation are difficult to predict and may require us to stop commercializing or using our technology, obtain licenses and pay royalties, modify our services and technology while we develop non-infringing substitutes, or incur substantial damages, settlement costs, or face a temporary or permanent injunction prohibiting us from marketing or providing the affected services.

With respect to any third-party claims regarding intellectual property rights, we may have to seek a license to continue operations found to be in violation of such rights. If we require a third-party license, it may not be available on commercially reasonable terms or at all, and we may have to pay substantial royalties, upfront fees or grant cross-licenses to our intellectual property rights. We may also have to redesign our technology or services so they do not infringe such third-party intellectual property rights, which may not be possible or may require substantial expenditures of money and time, during which our technology may not be available for commercialization or use. Even if we are party to an agreement pursuant to which a third party must indemnify us against such costs, the indemnifying party may be unable or otherwise unwilling to uphold its contractual obligations. If we cannot or do not obtain relevant third-party licenses, or cannot obtain such licenses on commercially reasonable terms, obtain similar technology from another source, or design new technology that is not infringing, our revenue and earnings could be adversely impacted.

We also license software from third-party vendors. Third parties may claim that our use of such licensed software infringes upon their intellectual property rights. Although we seek to secure indemnification protection from our software vendors to protect us against potential third-party infringement claims in connection with our use of such license software, not all of our vendors agree to provide us with sufficient indemnification protection, and in the instances where we do secure indemnification protection from our vendors, it is possible such vendors may not honor such indemnification obligations.

Third parties may assert intellectual property claims relating to portfolio companies or digital asset networks and their source code. Regardless of the merit of any claim, any threatened action that reduces confidence in portfolio companies or digital asset networks could materially and adversely affect our investment and trading strategies, the value of our assets and the value of any investment in us. Additionally, a meritorious intellectual property claim could lead to a loss of value in the impacted portfolio company or prevent us or other end users from accessing a specific blockchain network or holding or transferring their digital assets, which could force the liquidation of certain digital assets in which we have an interest or cause the value of such digital assets to decline significantly. As a result, an intellectual property claim against a portfolio company or large participants on certain blockchain networks could materially and adversely affect our investment and trading strategies, the value of our assets and the value of any investment in us.

Even if resolved in our favor, litigation or other legal proceedings relating to intellectual property may cause us to incur significant expenses, and could distract our technical and management personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments, and if securities analysts or investors perceive these results to be negative, such announcements could have a material adverse effect on the price of our Ordinary Shares. Moreover, any uncertainties resulting from the initiation and continuation of any legal proceedings could have a material adverse effect on our ability to raise the funds necessary to continue our operations. Assertions by third parties that we violate their intellectual property rights could therefore have a material adverse effect on our business, financial condition and results of operations.

***Our business depends on our ability to effectively invest in, implement improvements to, and properly maintain the uninterrupted operation, security and integrity of, our operating platform and other information technology and business systems.***

Our business is highly dependent on maintaining effective information technology systems as well as the integrity and timeliness of the data we use to serve our customers, support our partners and operate our business. It is possible that hardware failures or errors in our systems could result in data loss or corruption, or cause the information that we collect to be incomplete, or contain inaccuracies that our customers regard as significant. Because of the large amount of data that we collect and manage, if our data were found to be inaccurate or unreliable, or became inaccessible, whether due to failures, errors, or other reasons, or if we, or any of our third-party service providers, especially our third-party dialing and routing software systems, were to fail to effectively maintain such information systems and data integrity, we could experience operational disruptions that may impact our customers, individuals and partner teams, and hinder our ability to provide services, establish appropriate pricing for services, retain and attract customers, establish reserves, report financial results timely and accurately and maintain regulatory compliance, among other things.

Our information technology strategy and execution are critical to our continued success. We must continue to invest in long-term solutions that will enable us to anticipate customer needs and expectations, enhance our customer experience, act as a differentiator in the market, comply with applicable laws, and protect against cybersecurity risks and threats. Our success is dependent, in large part, on maintaining the effectiveness of existing technology systems and continuing to deliver and enhance technology systems that support our business processes in a cost-efficient and resource-efficient manner and enable us to analyze and manage data in a comprehensive manner. Increasing and shifting regulatory and legislative requirements are likely to place additional demands on our information technology infrastructure that could have a direct impact on resources available for other projects tied to our strategic initiatives.

Also, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that we may incur. System failures or outages, including any potential disruptions due to significantly increased global demand on certain cloud-based systems during the COVID-19 pandemic, could compromise our ability to perform

these functions in a timely manner, which could harm our ability to conduct business or delay our financial reporting. Such failures could adversely affect our operating results and financial condition. In addition, certain of our third-party service providers are required to notify us if they experience a security breach or unauthorized disclosure of certain personal information, or, in some cases, confidential data or information of ours or our billers, partners or consumers, and their failure to timely notify us of such a breach or disclosure may cause us to incur significant costs or otherwise harm our business. Additionally, we may make critical transactions on behalf of our customers, and any errors, defects or other infrastructure problems could result in damage to such consumers. These consumers could seek significant compensation from us for their losses and our insurance policies may be insufficient to cover a claim. Even if unsuccessful, this type of claim may be time-consuming and costly for us to defend.

Furthermore, prolonged interruption in the availability, or reduction in the speed or other functionality, of our systems, products or services could materially harm our reputation and business. Frequent or persistent interruptions in accessing our systems and services could cause consumers to believe that our systems and services are unreliable, leading them to switch to our competitors or to avoid our systems and services, and could permanently harm our reputation and business.

Connectivity and interoperability among technologies is becoming increasingly important. As a result, we must also develop new systems to meet current market standards and keep pace with continuing changes in information processing technology, evolving industry and regulatory standards and customer needs. Failure to do so may present compliance challenges and impede our ability to deliver services in a competitive manner. Further, system development projects are long term in nature, may be more costly than expected to complete and may not deliver the expected benefits upon completion. In addition, we may not be able to adequately assess the functionality, and data integrity and security impacts, of new or significantly changed products, services, business processes or infrastructure that we use. Our failure to effectively invest in, implement improvements to and properly maintain the uninterrupted operation and integrity of our information technology and other business systems, as well as any write-downs in connection with the obsolescence of our technology, could materially and adversely affect our business, financial condition and results of operations.

***Disruptions of the information technology systems or infrastructure of certain of our third-party vendors and service providers could also disrupt our businesses, damage our reputation, increase our costs, and have a material adverse effect on our business, financial condition and results of operations.***

We rely heavily on the communications and information systems of third parties to conduct our business. For instance, we rely on computing infrastructure operated by Amazon Web Services (“AWS”) and Microsoft Azure (“Azure”) to host or operate some or all of certain key products or functions of our business. Our customers need to be able to access our systems at any time, without interruption or degradation of performance. Our technological infrastructure depends, in part, on the virtual cloud infrastructure hosted in AWS and Azure. Although we have disaster recovery plans that utilize multiple AWS and Azure locations, any incident affecting their infrastructure could adversely affect our cloud-native platform. A prolonged AWS or Azure service disruption affecting our cloud-native platform would adversely impact our ability to service our customers and could damage our reputation with current and potential customers, expose us to liability, result in substantial costs for remediation, could cause us to lose customers, or otherwise harm our business, financial condition and results of operations. We may also incur significant costs for using alternative hosting sources or taking other actions in preparation for, or in reaction to, events that damage the AWS or Azure services we use. Additionally, in the event that our AWS or Azure service agreements are terminated, or there is a lapse of service, elimination of AWS or Azure services or features that we utilize, or damage to such facilities, we could experience interruptions in access to our systems as well as significant delays and additional expenses in arranging for or creating new facilities or re-architecting our systems for deployment on a different cloud infrastructure service provider, which would adversely affect our business, financial condition, and results of operations.

As expectations regarding operational and information security practices have increased, our operating systems and infrastructure, and those of our third-party service providers, must continue to be safeguarded and monitored for potential failures, disruptions, breakdowns, and attacks. Our data processing systems, or other operating systems and facilities, and those of our third-party service providers, may stop operating properly or become disabled or damaged as a result of a number of factors, including events that are wholly or partially beyond our and our third-party service

providers' control. For example, there could be electrical or telecommunication outages, natural disasters such as earthquakes, tornadoes, or hurricanes; disease pandemics and related government orders; events arising from local or larger scale political or social matters, including terrorist acts; cyberattacks and other data security incidents, including ransomware, malware, phishing, social engineering, including some of the foregoing that target the cryptoeconomy in particular. These incidents can range from individual attempts to gain unauthorized access to information technology systems to more sophisticated security threats involving cybercriminals, hacktivists, cyberterrorists, nation-state actors, or the targeting of commercial financial accounts. These events can also result from internal compromises, such as human error or malicious internal actors, of our workforce or our vendors' personnel.

While we have business continuity, disaster recovery and other policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of our information systems, there can be no assurance that any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately addressed. Furthermore, if such failures, interruptions or security breaches are not detected immediately, their effect could be compounded. Our risk and exposure to these matters remains heightened because of the evolving nature of these threats and our use of third-party service providers with access to our systems and data. As a result, cybersecurity and the continued development and enhancement of our controls, processes, and practices designed to protect our systems, computers, software, data, and networks from attack, damage or unauthorized access remain a focus for us. Disruptions or failures in the physical infrastructure or operating systems that support our businesses and customers, or cyberattacks or security breaches of our networks, systems or devices, or those that our customers or third-party service providers use to access our products and services, could result in customer attrition, financial and trading losses, reputational damage, reimbursement or other compensation costs, and/or remediation costs, any of which could have a material effect on our results of operations or financial condition.

***Some of our products and services contain open source software, which may pose particular risks to our proprietary software, products and services in a manner that could harm our business.***

We use open source software in our products and services and anticipate using open source software in the future. Some open source software licenses require those who distribute open source software as part of their own software product to publicly disclose all or part of the source code to such software product or to make available any derivative works of the open source code on unfavorable terms or at no cost, and we may be subject to such terms. The terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts, and there is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide or distribute our products or services. We could face claims from third parties claiming ownership of, or demanding release of, the open source software or derivative works that we developed using such software, which could include our proprietary source code, or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation and could require us to make our software source code freely available, purchase a costly license or cease offering the implicated products or services unless and until we can reengineer them to avoid infringement, which may be a costly and time-consuming process. While we monitor our use of open source software and try to ensure that none is used in a manner that would require us to disclose our proprietary source code or that would otherwise breach the terms of an open source agreement, such use could inadvertently occur, or could be claimed to have occurred, in part because open source license terms are often ambiguous. Any actual or claimed requirement to disclose our proprietary source code or pay damages for breach of contract could harm our business and could help third parties, including our competitors, develop products and services that are similar to or better than ours.

Additionally, the use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software. There is typically no support available for open source software, and we cannot ensure that the authors of such open source software will implement or push updates to address security risks or will not abandon further development and maintenance. Many of the risks associated with the use of open source software, such as the lack of warranties or assurances of title or performance, cannot be eliminated, and could, if not properly addressed, negatively affect our business. Any of these risks could be difficult to eliminate or manage and, if not addressed, could have an adverse effect on our business, financial condition and results of operations.

***Disruptions in our, or our service providers, disaster recovery systems or management continuity planning could limit our ability to operate our business effectively.***

Our information technology systems facilitate our ability to conduct our business. While we have disaster recovery systems and business continuity plans in place, any disruptions in our, or our service providers, disaster recovery systems or the failure of these systems to operate as expected could, depending on the magnitude of the problem, adversely affect our operating results by limiting our capacity to effectively conduct our operations. Despite our implementation of a variety of security measures, our information technology systems could be subject to physical or electronic compromises and similar disruptions from unauthorized tampering, or to weather-related disruptions where our systems are hosted. In addition, in the event that a significant number of our personnel were unavailable in the event of a disaster or we failed to recover office facilities or systems, our ability to effectively conduct business could be adversely affected. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

***If we fail to comply with our obligations under license or technology agreements with third parties or are unable to license rights to use technologies on reasonable terms, we may be required to pay damages and could potentially lose license rights that are critical to our business.***

We license certain intellectual property, including technologies, data, content and software from third parties, that is important to our business, and in the future we may enter into additional agreements that provide us with licenses to valuable intellectual property or technology. If we fail to comply with any of the obligations under our license agreements, we may be required to pay damages and the licensor may have the right to terminate the license. Termination by the licensor would cause us to lose valuable rights, and could prevent us from selling our products and services, or inhibit our ability to commercialize future products and services. Our business would suffer if any current or future licenses terminate, if the licensors fail to abide by the terms of the license, if the licensed intellectual property rights are found to be invalid or unenforceable, or if we are unable to enter into necessary licenses on acceptable terms. Moreover, our licensors may own or control intellectual property that has not been licensed to us and, as a result, we may be subject to claims, regardless of their merit, that we are infringing or otherwise violating the licensor's rights.

In the future, we may identify additional third-party intellectual property we may need to license in order to engage in our business. However, such licenses may not be available on acceptable terms or at all. The licensing or acquisition of third-party intellectual property rights is a competitive area, and several more-established companies may pursue strategies to license or acquire third-party intellectual property rights that we may consider attractive or necessary. In addition, companies that perceive us to be a competitor may be unwilling to assign or license rights to us. Even if such licenses are available, we may be required to pay the licensor substantial royalties based on sales of our products and services. Such royalties are a component of the cost of our products or services and may affect the margins on our products and services. In addition, such licenses may be nonexclusive, which could give our competitors access to the same intellectual property licensed to us. Any of the foregoing could have a material adverse effect on our competitive position, business, financial condition and results of operations.

***We may be subject to claims that we have wrongfully hired an employee from a competitor, or that our employees, consultants or independent contractors have wrongfully used or disclosed confidential information of third parties or that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.***

Many of our employees, consultants and advisors, or individuals that may in the future serve as our employees, consultants and advisors, are currently or were previously employed at companies including our competitors or potential competitors. Although we try to ensure that our employees, consultants, independent contractors and advisors do not use the confidential or proprietary information, trade secrets or know-how of others in their work for us, we may be subject to claims that we have, inadvertently or otherwise, used or disclosed confidential or proprietary information, trade secrets or know-how of these third parties, or that our employees, consultants or, independent contractors or advisors have, inadvertently or otherwise, used or disclosed confidential information, trade secrets or know-how of such individual's current or former employer. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, and whether or not such claims have merit, litigation could result in substantial cost and be a distraction to our management and employees.

We cannot predict whether we would prevail in any such actions. Moreover, intellectual property litigation, regardless of its outcome, may cause negative publicity and could prohibit us from marketing or otherwise commercializing our offerings and technology. Claims that we, our employees, consultants or advisors have misappropriated the confidential or proprietary information, trade secrets or know-how of third parties could therefore have a material adverse effect on our business, financial condition and results of operations.

***If we are unable to protect the confidentiality of our trade secrets, know-how and other proprietary and internally developed information, the value of our technology could be adversely affected.***

We may not be able to protect our trade secrets, know-how and other internally developed information adequately. Although we use reasonable efforts to protect this internally developed information and technology, our employees, consultants and other parties (including independent contractors and companies with whom we conduct business) may unintentionally or willfully disclose our information or technology to competitors. Enforcing a claim that a third party illegally disclosed or obtained and is using any of our internally developed information or technology is difficult, expensive and time consuming, and the outcome is unpredictable. We rely, in part, on nondisclosure, confidentiality and assignment-of-invention agreements with our employees, independent contractors, consultants and companies with whom we conduct business to protect our trade secrets, know-how and other intellectual property rights and internally developed information. These agreements may not be self-executing, or they may be breached and we may not have adequate remedies for such breach. Moreover, third parties may independently develop similar or equivalent proprietary information or otherwise gain access to our trade secrets, know-how and other internally developed information. Additionally, as with other potential information security breaches, our trade secrets could also be compromised. Any of these events could materially and adversely affect our business, financial condition and results of operations.

#### **Risks Related to Financial Reporting and Accounting**

***The nature of our business requires the application of complex financial accounting rules, and there is limited guidance from accounting standard setting bodies. If financial accounting standards undergo significant changes, our operating results could be adversely affected.***

The accounting rules and regulations that we must comply with are complex and subject to interpretation by various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and may even affect the reporting of transactions completed before the announcement or effectiveness of a change. Many companies' accounting policies are subject to heightened scrutiny by regulators and the public. Further, there has been limited precedent for the financial accounting of digital assets and related valuation and revenue recognition. As such, there remains significant uncertainty on how companies can account for digital assets transactions, digital assets, and related revenue. Uncertainties in or changes to in regulatory or financial accounting standards could result in the need to change our accounting methods and restate our financial statements and impair our ability to provide timely and accurate financial information, which could adversely affect our financial statements, result in a loss of investor confidence, and more generally impact our business, operating results, and financial condition.

***Our historical financial statements do not reflect the potential variability in earnings that we may experience in the future relating to digital asset holdings.***

The prices of digital assets have historically been subject to dramatic price fluctuations and are highly volatile. We determine the fair value of our digital assets based on quoted (unadjusted) prices on the active digital asset trading platform that we have determined is our principal market for such digital asset. We perform an analysis each quarter to identify whether events or changes in circumstances, principally decreases in the quoted (unadjusted) prices on the active digital asset trading platform, indicate that it is more likely than not that any of our digital assets are impaired. In determining if an impairment has occurred, we consider the lowest price of one of such digital asset quoted on the active exchange at any time since acquiring the specific digital asset held. If the carrying value of any such digital asset exceeds that lowest price at any time during the quarter, an impairment loss is deemed to have occurred with respect to that digital asset in the amount equal to the difference between its carrying value and such lowest price, and subsequent increases in the price of such digital asset will not affect the carrying value of our holdings of such digital

asset. Gains (if any) are not recorded until realized upon sale, at which point they would be presented net of any impairment losses. In determining the gain to be recognized upon sale, we calculate the difference between the sale price and carrying value of the specific bitcoin sold immediately prior to sale.

As a result, any decrease in the fair value of digital assets below our carrying value for such assets at any time since their acquisition requires us to incur an impairment charge, and such charge could be material to our financial results for the applicable reporting period, which may create significant volatility in our reported earnings and decrease the carrying value of our digital assets, which in turn could have a material adverse effect on the market price of our Ordinary Shares.

We may sell or purchase additional digital assets in future periods and correspondingly decrease or increase our overall holdings of digital assets, and the proportion of our total assets represented by digital asset holdings may increase in the future. As a result, volatility in our earnings in future periods may be significantly more than what we experienced in prior periods.

***In connection with our preparation of GDH LP's consolidated financial statements, we identified material weaknesses in our internal control over financial reporting. If we are unable to remediate these material weaknesses or if we fail to establish and maintain effective internal control over financial reporting, we may be unable to produce timely and accurate financial statements, and we may conclude that our internal control over financial reporting is not effective, which could adversely impact our investors' confidence and the market price of our Ordinary Shares.***

In connection with the preparation of GDH LP's audited consolidated financial statements for the fiscal year 2021, we identified four material weaknesses in our internal control over financial reporting, which had not been remediated as of the respective reporting dates. No additional material weaknesses were identified for the year ended December 31, 2022. A material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis. The noted material weaknesses are as follows:

- We did not design certain process-level and management review controls at a sufficient level of precision to (1) verify that certain information used in accounting for digital asset transactions, obtained through database queries was complete, accurate, appropriate for the intended use, and subject to proper change management and (2) to validate the accuracy of data elements utilized in spreadsheets for accounting for digital assets, derivatives, issued financial instruments, and the valuation of investments.
- We did not have sufficiently designed controls to ensure that all journal entries were properly reviewed and approved prior to posting to the general ledger due to the ability to modify a posted journal entry without an additional review. As such, our control over the risk of management override was not sufficiently designed.
- We had insufficient segregation of duties within our trading operations between authorizing and executing transfers of certain digital assets, as well as the recording and settlement of trades.

#### **Remediation Plan**

- We continue to execute our plan to remediate the material weaknesses identified in the prior year. The remediation measures are ongoing, and although not all inclusive, remediation measures include implementing additional policies, procedures, and controls.
- We are working to remediate these material weaknesses as efficiently and effectively as possible. At this time, we cannot provide an estimate of the timing for achieving full remediation or the costs expected to be incurred in connection with implementing this remediation plan; however, these remediation measures will be time consuming, could result in us incurring significant costs, and could place significant demands on our financial and operational resources. We cannot assure you the measures we

are taking to remediate these material weaknesses will be sufficient or that they will prevent future material weaknesses. Additional material weaknesses or failure to maintain effective internal control over financial reporting could cause us to fail to meet our reporting obligations as a public company and may result in a restatement of our financial statements for prior periods.

### **Remediation of Previously Identified Material Weaknesses**

#### *Material Weakness Related to Accounting Talent*

- Management remediated its previously identified material weakness related to deficient internal controls around application of accounting standards and financial statement presentation. We have restructured the Finance department and increased the number of resources with requisite knowledge of technical accounting. Additionally, management has designed and implemented controls related to determining appropriate accounting treatment and financial statement presentation.

#### *Material Weakness Related to Journal Entry Review*

- In order to address the material weakness, we have implemented and continue to implement controls designed to prevent and detect journal entries posted to the general ledger without proper segregation of duties. Specifically, we have designed a more restrictive systemic journal entry approval workflow and implemented a manual analysis and review of posted entries to confirm segregation of duties. Management is waiting to conclude this material weakness has been remediated until these controls have operated for a sufficient period of time.

Aside from those outlined above, there have been no significant changes to the Partnership's ICFR for the period ended December 31, 2022, which have materially affected, or are reasonably likely to materially affect the Partnership's ICFR.

***We are exposed to losses due to lack of perfect information. Valuation involves significant risks and uncertainties, including the fact that methodologies involve subjective judgments.***

As a trader in digital assets, we will trade in a variety of assets with a number of different counterparties on both an anonymous and disclosed basis. We may at times trade with others who have information that is more accurate or complete than ours, and as a result we may accumulate unfavorable positions at unfavorable prices preceding large price movements in a given instrument. If the frequency or magnitude of these events increases, our losses would likely increase correspondingly, which could have a material and adverse effect on the effectiveness of our investment or trading strategies and on any investment in us.

Digital assets, including but not limited to, bitcoin, can fluctuate dramatically in value and can lose a material portion of their value in a short period of time. There can be no assurance as to the value of our portfolio as of any date in the future. Any future valuation could diverge from previous estimates as a result of market fluctuations or additional third-party valuations of underlying assets using different and potentially inconsistent methods, financial reporting requirements under IFRS or other factors.

For the purposes of IFRS-compliant financial reporting, our assets and liabilities are valued in accordance with IFRS. Accordingly, we are required to follow a specific framework for measuring the fair value of our assets and liabilities and, in our audited financial statements, to provide certain disclosures regarding the use of fair value measurements.

The fair value measurement accounting guidance establishes a hierarchal disclosure framework that ranks the observability of market inputs used in measuring financing instruments at fair value. The observability of inputs depends on a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily quoted prices, or for which fair value can be measured from quoted

prices in active markets, generally will have a high degree of market price observability and less judgment applied in determining fair value.

We hold certain securities, such as privately placed equity, debt, warrants or options, that will not have readily assessable market values. In such instances, we will determine the fair value of such securities based on various factors. In connection with securities for which no external pricing information is available, we may rely on internal pricing models or third-party valuation agents. Such valuations may vary from similar valuations performed by other independent third parties for similar types of securities. The valuation of illiquid securities is inherently subjective and subject to increased risk that the information used to value the security or to create the price models may be inaccurate or subject to other error. Inaccurate valuations may, among other things, hinder us from effectively managing our investment portfolios and risks.

The value of our portfolio may also be affected by changes in accounting standards, policies or practices. From time to time, we will be required to adopt new or revised accounting standards or guidance. It is possible that future accounting standards that we are required to adopt could materially change the valuation of our assets and liabilities.

Because of a wide variety of market factors and the nature of investments held by us, there is no guarantee that the value determined by us or a third-party valuation agent will represent the value that will be realized by us on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment. Moreover, the valuations to be performed by us or a third-party valuation agent are inherently different from the valuation of our securities that would be performed if we were forced to liquidate all or a significant portion of our securities, which liquidation valuation could be materially lower.

***Changes in, or the development of guidance relating to, accounting standards governing the preparation of our financial statements and future events could have a material impact on our reported financial condition, results of operations, cash flows and other financial data.***

Preparation of financial statements in conformity with IFRS requires management to make estimates based upon assumptions about future economic and market conditions which affect reported amounts and related disclosures in our financial statements. If subsequent events occur that are materially different than the assumptions and estimates we used, our reported financial condition, results of operation and cash flows may be materially negatively impacted.

Further, from time to time, regulators change the financial accounting and reporting standards governing the preparation of our financial statements or the interpretation of those standards. These changes are difficult to predict and can materially impact how we record and report our financial condition, results of operations, cash flows and other financial data. In some cases, we may be required to apply a new or revised standard retroactively or to apply an existing standard differently, also retroactively, in each case potentially resulting in the restatement of prior period financial statements and related disclosures, which could have a material adverse effect on the market price of our Ordinary Shares.

## **Risks Related to Taxation**

***U.S. holders of Ordinary Shares of Galaxy may suffer adverse tax consequences if we are characterized as a PFIC.***

Special U.S. federal income tax rules apply to U.S. persons (defined to include but not limited to persons who are U.S. citizens or individual residents of the U.S. (green card holders), or other entities that are treated as U.S. persons under the U.S. federal tax rules) that hold stock (*i.e.*, a “U.S. Holder”) of a “passive foreign investment company”. The determination of PFIC status is inherently complex, factual, and subject to a number of uncertainties, and can be determined only annually after the close of the relevant calendar year. Generally, if for any taxable year 75% or more of our gross income is passive income, or at least 50% of our assets are held for the production of, or produce, passive income, we would be characterized as a PFIC for U.S. federal income tax purposes. A U.S. Holder who held shares in the Company during any year the Company was classified as a PFIC potentially faces adverse tax consequences, including having any gains realized on the sale of the shares treated as ordinary income, rather than capital gain, the loss of the preferential rate applicable to dividends received on the shares by individuals who are U.S. Holders, having

interest charges apply to distributions on the shares and the proceeds of share sales, and being subject to additional tax filings and reporting requirements.

Although it is uncertain, Galaxy has determined that it was likely a PFIC for its 2022 and 2021 taxable years. For further details, please see our PFIC Annual Information Statement under our Financial Reporting section at <https://investor.galaxy.com/financials/annual-reports/default.aspx>. As noted above, Galaxy's actual PFIC status for a given taxable year can be determined only annually after the close of the relevant calendar year and, accordingly, no assurances can be given regarding the Company's PFIC status for future years. **If you are a U.S. holder of Ordinary Shares of Galaxy, we strongly urge you consult with your tax adviser regarding the application of these rules to you and your owners, as applicable. Galaxy is unable to provide advice and nothing described above or in our PFIC Annual Information Statement should be construed as advice.**

***Future distributions may not be sufficient to catch up to tax distributions.***

Although the GDH GP intends to make future distributions to limited partners on a pro rata basis, under the Fifth Amended and Restated LPA, GDH GP, the general partner, in its sole discretion, has the authority to make tax distributions to those limited partners who have been allocated taxable income and/or gain (but no corresponding cash distribution) that would result in them owing tax as a result of such allocation of taxable income and/or gain. A tax distribution is treated as an advance against future distributions, which GDH GP, the general partner, in its sole discretion, also has the authority to make. As such, a tax distribution will reduce (on a dollar for dollar basis) future distributions which should enable all other limited partners be "caught up" on their distributions so that all limited partners will have received their pro rata share of all distributions over the life of GDH LP. If, however, GDH LP were to recognize taxable income and gains early in its life, and recognize losses later, it is possible that those limited partners who received a tax distribution will have received greater than their pro rata share of all tax and "non-tax" distributions. Therefore, future distributions for certain limited partners may not be sufficient to "catch up" to tax distributions made to certain other limited partners.

***The U.S. federal income tax treatment of transactions in digital assets is unclear.***

Due to the new and evolving nature of digital assets and the absence of comprehensive guidance with respect to digital assets, many significant aspects of the U.S. federal income tax treatment of digital assets are uncertain. Our operations and dealings, in or in connection with digital assets, as well as transactions in digital assets generally, could be subject to adverse tax consequences in the United States, including as a result of development of the legal regimes surrounding digital assets, and our operating results, as well as the price of digital assets, could be adversely affected thereby.

Many significant aspects of the U.S. federal income tax treatment of digital assets (including with respect to the amount, timing and character of income recognition) are uncertain. In 2014, the IRS released a notice (the "Notice") discussing certain aspects of digital assets for U.S. federal income tax purposes and, in particular, stating that such digital assets (1) are "property," (2) are not "currency" for purposes of the rules relating to foreign currency gain or loss and (3) may be held as a capital asset. In 2019, the IRS released a revenue ruling and a set of "Frequently Asked Questions" (the "Ruling & FAQs") that provide some additional guidance, including guidance to the effect that, under certain circumstances, hard forks of digital assets are taxable events giving rise to ordinary income and guidance with respect to the determination of the tax basis of digital assets. The Notice and the Ruling & FAQs, however, do not address other significant aspects of the U.S. federal income tax treatment of digital assets. We do not intend to request a ruling from the IRS on these issues, and we will take positions on these and other U.S. federal income tax issues relating to digital assets that we believe to be reasonable. There can be no assurance that the IRS will agree with the positions we take, and it is possible that the IRS will successfully challenge our positions. There can be no assurance that the IRS will not alter its position with respect to digital assets in the future or that a court would uphold the treatment set forth in the Notice and the Ruling & FAQs. It is also unclear what additional guidance on the treatment of digital assets for U.S. federal income tax purposes may be issued in the future. Any such alteration of the current IRS positions or additional guidance could result in adverse tax consequences for us and could have an adverse effect on the value of bitcoin or other digital assets. Because of the evolving nature of digital assets, it is not possible to predict potential future developments that may arise with respect to digital assets. Such developments may increase the uncertainty with respect to the treatment of digital assets for U.S. federal income tax purposes. For example, the Notice addresses only digital assets that are "convertible virtual currency," and it is conceivable that we will hold

certain types of digital assets that are not within the scope of the Notice. On November 15, 2021, President Biden signed into law the Infrastructure Investment and Jobs Act (the “**IIJA**”). The IIJA implements a set of comprehensive financial account information reporting rules that will apply to persons, including digital asset trading platforms and custodians, that regularly effect transfers of digital assets on behalf of other persons. In particular, these rules will require digital asset trading platforms and custodians to report digital asset transactions (including sales, exchanges and other transfers) effected on behalf of other persons on an annual return, in a manner similar to the current reporting rules for brokers that effect stock and other securities transactions on behalf of customers. These rules will be effective for digital asset transactions occurring after associated final regulations are issued by the IRS. In addition, beginning in 2024, the IIJA extends the reporting requirements for businesses that receive more than \$10,000 in cash in a transaction (or related transactions) to transactions involving the receipt of digital assets with a fair market value of more than \$10,000. These rules, the effects of which may depend in significant part on regulation or other guidance from the IRS on their implementation, could create significant compliance burdens for us and our customers, and could affect the price of digital assets, which could have an adverse effect on our business.

***The state, local and non-U.S. tax treatment of digital assets is unclear.***

The taxing authorities of certain states (i) have announced that they will follow the Notice with respect to the treatment of digital assets for state income tax purposes and/or (ii) have issued guidance exempting the purchase and/or sale of digital assets for fiat currency from state sales tax. It is unclear what further guidance on the treatment of digital assets for state tax purposes may be issued in the future. Any future guidance on the treatment of digital assets for state or local tax purposes could result in adverse tax consequences to us and could adversely affect the price of digital assets.

The treatment of digital assets for tax purposes by non-U.S. jurisdictions may differ from the treatment of digital currency for U.S. federal, state or local tax purposes. It is possible, for example, that a non-U.S. jurisdiction would impose sales tax or value-added tax on purchases and sales of digital assets for fiat assets. For instance, if a foreign jurisdiction with a significant share of the market of bitcoin users imposes onerous tax burdens on digital asset users, or imposes sales or value-added tax on purchases and sales of digital assets for fiat assets, such actions could result in decreased demand for digital currency in such jurisdiction, which could adversely affect the price of digital assets.

You are urged to consult your own tax advisors regarding the tax treatment of digital assets and the consequences of investing in us, given the nature of our business.

***The current structure of Galaxy and GDH LP is based in part on current U.S. tax law, which is subject to change, possibly on a retroactive basis.***

In the event of changes to U.S. tax law, GDH LP could seek to restructure its organization and operations, but there can be no assurance that such a restructuring would be successful, efficient or optimal from a business or operations perspective. Changes in tax laws, regulations or interpretations may have an adverse effect on GDH LP’s businesses, financial condition, results of operations and investments.

## **ADDITIONAL INFORMATION**

Additional information relating to us may be found under the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

Additional information, including directors’ and officers’ remuneration and indebtedness, the Company’s principal Shareholders, and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company’s most recently filed 2022 Circular available under the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

Additional financial information is provided in the:

- audited consolidated financial statements of GDH Ltd. for the fiscal years ended December 31, 2022 and December 31, 2021, together with the notes thereto and the auditor’s report thereon;

- audited consolidated financial statements of GDH LP for the fiscal year ended December 2022 and the period ended December 31, 2021, together with the notes thereto and the auditor's report thereon;
- management's discussion and analysis of financial condition and results of operations of GDH Ltd. for the fiscal years ended December 31, 2022 and December 31, 2021; and
- management's discussion and analysis of financial condition and results of operations of GDH LP for the fiscal year ended December 31, 2022 and the period ended December 31, 2021.

(collectively, the "**Financial Disclosure**").

The Financial Disclosure is available under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

**APPENDIX "A"**  
**AUDIT COMMITTEE CHARTER**  
**GALAXY DIGITAL HOLDINGS LTD.**

**1. Purpose**

The Audit Committee (the “**Committee**”) of Galaxy Digital Holdings Ltd. (the “**Company**”) is a committee of the Board of Directors (the “**Board**”). As delegated by the Board, the Committee shall attend to the responsibilities and duties set out in this Charter.

**2. Membership**

*Number of Members*

The Committee shall be composed of three or more members of the Board.

*Independence of Members*

Each member of the Committee must be independent. “**Independent**” shall have the meaning, as the context requires, given to it in National Instrument 52-110 – Audit Committees, as may be amended from time to time.

*Chair*

The members of the Committee shall designate a Chair by majority vote of the full Committee membership. The Chair must be a member of the Committee.

*Financial Literacy of Members*

At the time of his or her appointment to the Committee, each member of the Committee shall have, or shall acquire within a reasonable time following appointment to the Committee, the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

*Term of Members*

The members of the Committee shall be appointed annually by the Board. Each member of the Committee shall serve at the pleasure of the Board until the member resigns, is removed, or ceases to be a member of the Board.

**3. Meetings**

*Number of Meetings*

The Committee may meet as many times per year as necessary to carry out its responsibilities.

*Quorum*

No business may be transacted by the Committee at a meeting unless a quorum of the Committee is present. A majority of members of the Committee shall constitute a quorum.

### ***Calling of Meetings***

The Chair, any member of the Committee, the external auditor, the Chair of the Board, or the Chief Executive Officer or the Chief Financial Officer may call a meeting of the Committee by notifying the Company's Corporate Secretary who will notify the members of the Committee.

### ***Minutes; Reporting to the Board***

The Committee shall maintain minutes or other records of meetings and activities of the Committee in sufficient detail to convey the substance of all discussions held. Upon approval of the minutes by the Committee, the minutes shall be circulated to the members of the Board. However, the Chair may report orally to the Board on any matter in his or her view requiring the immediate attention of the Board.

The Committee shall also propose agenda items and content for submission to the Board related to matters for which the Committee is responsible and provide periodic updates on recent developments concerning such matters to the Board.

### ***Attendance of Non-Members***

The external auditor is entitled to attend and be heard at each Committee meeting. In addition, the Committee may invite to a meeting any officers or employees of the Company, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities. At least once per year, the Committee shall meet with management in separate sessions to discuss any matters that the Committee or such individuals consider appropriate. The Chair of the Board may attend any Committee meeting. Meetings of the Committee may be held in person or by telephone conference or similar communications equipment by means of which all persons participating in the meeting can hear each other.

### ***Meetings without Management***

As part of each meeting of the Committee, the Committee shall hold a meeting with the external auditor of the Company and an in-camera session, at which management and non-independent directors of the Board are not present, and the agenda for each Committee meeting will afford an opportunity for such a session.

### ***Access to Management and Books and Records***

The Committee shall have unrestricted access to the Company's management and employees and the books and records of the Company.

## **4. Duties and Responsibilities**

The Committee shall have the functions and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board and that the Board is authorized to delegate by applicable laws and regulations. In addition to these functions and responsibilities, the Committee shall perform the functions and responsibilities required of an audit committee by any exchange upon which securities of the Company are traded, or any governmental or regulatory body exercising authority over the Company, as are in effect from time to time (collectively, the "**Applicable Requirements**") or as the Board otherwise deems necessary or appropriate.

### ***Financial Reports***

#### **(a) General**

The Committee is responsible for overseeing the Company's financial statements and financial disclosures. Management is responsible for the preparation, presentation and integrity of the Company's financial statements and financial disclosures and for the appropriateness of the accounting principles and the reporting

policies used by the Company. The external auditor is responsible for auditing the Company's annual consolidated financial statements and for reviewing the Company's unaudited interim financial statements.

**(b) Review of Annual Financial Reports**

The Committee shall review the annual consolidated audited financial statements of the Company, the auditors' report thereon and the related management's discussion and analysis of the Company's financial condition and financial performance ("MD&A"). After completing its review, if advisable, the Committee shall approve and recommend for Board approval the annual financial statements and the related MD&A.

**(c) Review of Interim Financial Reports**

The Committee shall review the interim consolidated financial statements of the Company, the auditors' review report thereon and the related MD&A. After completing its review, if advisable, the Committee shall approve and recommend for Board approval the interim financial statements and the related MD&A.

**(d) Review Considerations**

In conducting its review of the annual financial statements or the interim financial statements, the Committee shall:

- (i) meet with management and the auditors to discuss the financial statements and MD&A;
- (ii) review the disclosures in the financial statements;
- (iii) review the audit report or review report prepared by the auditors;
- (iv) discuss with management, the auditors and internal legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the financial statements;
- (v) review the accounting policies followed and critical accounting and other significant estimates and judgements underlying the financial statements as presented by management;
- (vi) review any material effects of regulatory accounting initiatives or off-balance sheet structures on the financial statements as presented by management, including requirements relating to complex or unusual transactions, significant changes to accounting principles and alternative treatments under applicable accounting principles;
- (vii) review any material changes in accounting policies and any significant changes in accounting practices and their impact on the financial statements as presented by management;
- (viii) review management's report on the effectiveness of internal controls over financial reporting;
- (ix) review the factors identified by management as factors that may affect future financial results;
- (x) review results of the Company's audit committee whistleblower hotline program; and
- (xi) review any other matters, related to the financial statements, that are brought forward by the auditors, management or which are required to be communicated to the Committee under accounting policies, auditing standards or Applicable Requirements.

(e) **Approval of Other Financial Disclosures**

The Committee is responsible for reviewing financial disclosure in a prospectus or other securities offering document of the Company, as well as press releases disclosing, or based upon, financial results of the Company and any other publicly disseminated material financial disclosure, including disclosure of material non-GAAP financial measures.

(f) **Review of Forward-Looking Financial Information**

The Committee shall review and, if advisable, recommend for Board approval any material financial outlook (e.g., earnings guidance) or forward-oriented financial information (“**FOFI**”) (e.g., forecasted financial statements). Unless exempted by the Applicable Requirements, the Committee shall endeavour to ensure that such materials (including electronic materials) are disclosed only if (a) the financial outlook or FOFI is based on assumptions that are reasonable in the circumstances, including that it is (i) limited to a period for which the information in the financial outlook or FOFI can be reasonably estimated and (ii) uses the accounting policies the Company expects to use to prepare its historical financial statements for the period covered by the financial outlook or FOFI, and (b) the Company includes disclosure that (i) states the date management approved the financial outlook or FOFI, if the document containing the financial outlook or FOFI is undated (ii) explains the purpose of the financial outlook or FOFI and (iii) cautions readers that the information may not be appropriate for other purposes.

*Auditors*

(a) **General**

The Committee shall be responsible for oversight of the work of the auditors, including the auditors’ work in preparing or issuing an audit report, performing other audit, review or attest services or any other related work.

(b) **Nomination and Compensation**

The Committee shall review and, if advisable, select and recommend for Board approval the external auditor to be nominated and the compensation of such external auditor. The Committee shall have ultimate authority to approve all audit engagement terms and fees, including the auditor’s audit plan.

(c) **Resolution of Disagreements**

The Committee shall resolve any disagreements between management and the auditors as to financial reporting matters brought to its attention.

(d) **Discussions with Auditors**

The Committee shall periodically discuss with the auditors such matters as are required by applicable auditing standards to be discussed by the auditors with the Audit Committee.

(e) **Audit Plan**

At least annually, the Committee shall review a summary of the auditors’ annual audit plan. The Committee shall consider and review with the auditors any material changes to the scope of the plan.

(f) **Quarterly Review Report**

The Committee shall review a report prepared by the auditors in respect of each of the interim financial statements of the Company.

**(g) Independence of Auditors**

Before the auditor issues its report on the annual financial statements, the Committee shall obtain from the auditors a formal written statement describing all relationships between the auditors and the Company; discuss with the auditors any disclosed relationships or services that may affect the objectivity and independence of the auditors; and obtain written confirmation from the auditors that they are objective and independent within the meaning of the applicable Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of chartered accountants to which the auditors belong and other Applicable Requirements. The Committee shall take appropriate action to oversee the independence of the auditors.

**(h) Evaluation of Lead Partner**

The Committee shall periodically review the qualifications and performance of the lead partner(s) of the auditor.

**(i) Requirement for Pre-Approval of Non-Audit Services**

The Committee shall approve in advance any retainer of the auditors to provide any non-audit service to the Company that it deems advisable in accordance with Applicable Requirements and Board approved policies and procedures. The Committee may delegate pre-approval authority to any member of the Committee. The decisions of any member of the Committee to whom this authority has been delegated must be presented to the full Committee at its next scheduled Committee meeting.

**(j) Approval of Hiring Policies**

The Committee shall review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.

**(k) Financial Executives**

The Committee shall review and discuss with management the appointment of key financial executives and recommend qualified candidates to the Board, as appropriate.

***Internal Controls***

**(a) General**

The Committee shall review the Company's system of internal controls.

**(b) Establishment, Review and Approval**

The Committee shall require management to implement and maintain appropriate systems of internal controls in accordance with Applicable Requirements, including internal controls over financial reporting and disclosure and to review, evaluate and approve these procedures. The Committee shall periodically consider and review with management and the auditors:

- (i) the effectiveness of, or weaknesses or deficiencies in: the design or operation of the Company's internal controls (including computerized information system controls and security); the overall control environment for managing business risks; and accounting, financial and disclosure controls (including, without limitation, controls over financial reporting), non-financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions;
- (ii) any significant changes in internal controls over financial reporting that are disclosed, or considered for disclosure, including those in the Company's periodic regulatory filings;

- (iii) any material issues raised by any inquiry or investigation by the Company's regulators;
- (iv) the Company's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the Company to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other employees who have a significant role in financial reporting; and
- (v) any related significant issues and recommendations of the auditors together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls.

### ***Risk Management***

The Committee shall be responsible for overseeing management's identification and assessment of the principal risks to the operations of the Company and the establishment and management of appropriate systems to manage such risks with a view to achieving a proper balance between risks incurred and potential return to holders of securities of the Company and to the long-term viability of the Company. In this regard, the Committee shall require management to report periodically to the Committee, and the Committee shall report periodically to the Board, on the principal risks faced by the Company and the steps implemented by management to manage these risks.

### ***Compliance with Legal and Regulatory Requirements***

The Committee shall receive reports from the Company's Corporate Secretary and other management members on: (a) legal or compliance matters that may have a material impact on the Company; (b) the effectiveness of the Company's compliance policies; and (c) any material communications received from regulators. The Committee shall review management's evaluation of and representations relating to compliance with specific applicable law and guidance, and management's plans to remediate any deficiencies identified.

### ***Audit Committee Whistleblower Procedures***

The Committee shall establish a policy and procedure for (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. Any such complaints or concerns that are received shall be reviewed by the Committee and, if the Committee determines that the matter requires further investigation, it will direct the Chair of the Committee to engage outside advisors, as necessary or appropriate, to investigate the matter and will work with management and the Company's General Counsel to reach a satisfactory conclusion.

The Committee shall review the Company's whistleblower policy on a periodic basis to determine whether the procedures established under the policy operate effectively in respect of the receipt, retention and treatment of reports and in providing a confidential and anonymous procedure as may be required by applicable laws.

### ***Audit Committee Disclosure***

The Committee shall prepare, review and recommend to the Board for approval any audit committee disclosures required by Applicable Requirements in the Company's disclosure documents.

## **5. Outside Advisors**

The Committee shall have the authority to retain and terminate external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities and to set and pay the respective compensation for these advisors. The Company shall provide appropriate funding, as determined by the Committee, for the services of these advisors.

**6. No Rights Created**

This Charter is a statement of broad policies and is intended as a component of the flexible governance framework within which the Committee, functions. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Company's constating documents, it is not intended to establish any legally binding obligations.

**7. Delegation**

The Committee may, to the extent permissible by applicable law, designate a sub-committee to review any matter within this Charter as the Committee deems appropriate.

**8. Charter Review & Committee Self-Evaluation**

The Committee shall review and update this Charter from time to time to ensure compliance with the Applicable Requirements and recommend it to the Board for approval of any applicable modifications. The Committee shall also periodically conduct a self-evaluation to evaluate its effectiveness.