



galaxy

Galaxy Digital Holdings Ltd.

Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2022 and 2021

(Expressed in US Dollars)

(Unaudited)

Galaxy Digital Holdings Ltd.

Condensed Consolidated Interim Statements of Financial Position
(Expressed in thousands of US Dollars - unaudited)

	Notes	September 30, 2022	December 31, 2021
Assets			
Current assets			
Cash		\$ 2,926	\$ 26,823
Accounts receivable		98	3
Receivable from associate		28,226	—
Other receivables		3,946	—
Investment receivable from warrant exercise	8	318	20,488
		35,514	47,314
Investment in associate	6	475,698	841,463
Deferred tax asset		12,963	—
Total assets		\$ 524,175	\$ 888,777
Liabilities			
Current liabilities			
Payable to associate		\$ —	\$ 25,203
Warrant liability	8,12	318	20,488
Taxes payable		24,088	20,928
		24,406	66,619
Liability from tax receivable agreement		40,507	5,272
Deferred tax liability		—	30,593
Total liabilities		64,913	102,484
Shareholders' equity			
Share capital	8	395,828	417,395
Reserves	8	62,838	36,128
Accumulated other comprehensive income		791	791
Retained earnings (deficit)		(195)	331,979
Total shareholders' equity		459,262	786,293
Total liabilities and shareholders' equity		\$ 524,175	\$ 888,777
Nature and continuance of operations	1		
Commitments and contingencies	10		

The condensed consolidated interim financial statements were authorized by the Board of Directors of Galaxy Digital Holdings Ltd. to be issued on November 9, 2022.

"Bill Koutsouras" Director

"Michael Novogratz" Director

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

	Notes	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine Months Ended September 30, 2021
Operating expenses					
Director fees	7	\$ 249	\$ 43	\$ 646	\$ 287
Professional fees		2	239	725	2,108
General and administrative		162	344	653	1,013
Recoveries from associate - reimbursable expenses	7	(471)	(585)	(2,024)	(3,367)
		58	(41)	—	(41)
Equity income (loss) from associate	6	(22,183)	155,030	(241,908)	353,808
Revaluation of warrant liability	8	307	9,352	20,005	(24,802)
Recoveries from associate - warrant liability	8	(307)	(9,352)	(20,005)	24,802
Tax receivable agreement expense		—	(2,886)	—	(2,886)
Interest income		651	—	1,035	—
Impairment of investment in associate	6	(143,503)	—	(143,503)	—
Income (loss) before income taxes		(164,977)	152,144	(384,376)	350,922
Income taxes expense (benefit)	11	(8,594)	42,529	(52,202)	88,451
		8,594	(42,529)	52,202	(88,451)
Net income (loss) and comprehensive income (loss) for the period		\$ (156,383)	\$ 109,574	\$ (332,174)	\$ 262,430
Basic income (loss) per share	9	\$ (1.46)	\$ 1.15	\$ (3.15)	\$ 2.82
Diluted income (loss) per share	9	\$ (1.46)	\$ 1.07	\$ (3.15)	\$ 2.47
Weighted average number of ordinary shares outstanding - basic	9	107,208,495	95,447,743	105,559,492	93,075,067
Weighted average number of ordinary shares outstanding - diluted	9	107,208,495	349,210,552	105,559,492	348,041,169

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

Galaxy Digital Holdings Ltd.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Expressed in thousands of US Dollars except per share data - unaudited)

	Notes	Share Capital		Reserves	Accumulated Other Comprehensiv e Income	Surplus / (Deficit)	Total
		Number	Amount				
Balance at December 31, 2020		91,248,507	\$ 301,306	\$ 14,999	\$ 791	\$ (70,103)	\$ 246,993
Issuance of ordinary shares		4,578,389	2,782	—	—	—	2,782
Shares issued on exercise of PIPE warrants (Note 6, 8)		1,128,554	12,200	—	—	—	12,200
Equity based compensation from investment in associate	6,8	—	260	13,165	—	—	13,425
Shares issued for acquisition	6	1,220,185	4,955	—	—	—	4,955
Income tax impact from investment in associate		—	25,144	—	—	—	25,144
Income for the period		—	—	—	—	262,430	262,430
Balance at September 30, 2021		98,175,635	\$ 346,647	\$ 28,164	\$ 791	\$ 192,327	\$ 567,929
Balance at December 31, 2021		101,550,494	\$ 417,395	\$ 36,128	\$ 791	\$ 331,979	\$ 786,293
Issuance of ordinary shares	6,8	12,543,528	75,906	—	—	—	75,906
Repurchase of ordinary shares	8	(6,707,806)	(41,054)	—	—	—	(41,054)
Cancellation of ordinary shares		(186,621)	(113)	—	—	—	(113)
Equity based compensation from investment in associate	6,8	—	—	26,710	—	—	26,710
Income tax impact from investment in associate		—	(56,306)	—	—	—	(56,306)
Loss for the period		—	—	—	—	(332,174)	(332,174)
Balance at September 30, 2022		107,199,595	\$ 395,828	\$ 62,838	\$ 791	\$ (195)	\$ 459,262

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

Galaxy Digital Holdings Ltd.

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in thousands of US Dollars - unaudited)

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Operating activities		
Net income (loss) for the period	\$ (332,174)	\$ 262,430
Adjustments for:		
Equity loss (income) from associate	241,908	(353,808)
Net unrealized (gain) on warrant liability	(20,005)	(24,802)
Recoveries from associate - warrant liability	20,005	24,802
Deferred tax (benefit) expense	(64,627)	24,824
Impairment of investment in associate	143,503	—
Changes in operating assets and liabilities:		
Payable (receivable) from associate	(55,718)	14,089
Taxes payable	3,160	51,448
Tax receivable agreement - payable	—	6,071
Other receivables	(3,946)	—
Accounts receivable	(94)	(1,547)
Net cash (used in) provided by operating activities	(67,988)	3,507
Investing activities		
Investment in associate	79,897	10,541
Net cash provided by investing activities	79,897	10,541
Financing activities		
Proceeds from issuance of ordinary shares	5,247	—
Repurchase of ordinary shares	(41,053)	—
Net cash used in financing activities	(35,806)	—
Net (decrease) increase in cash	(23,897)	14,048
Cash, beginning of period	26,823	—
Cash, end of period	\$ 2,926	\$ 14,048
Supplemental disclosure of cash flow information and non-cash investing and financing activities:		
Cash paid during the year for taxes	\$ 7,607	\$ 8,993
Non-cash activities:		
Share-based payments issued to employees of the Partnership	26,710	13,165
Exchange of Class B Units of the Partnership	70,344	3,042
Exercise of share options by employees of the Partnership	165	12,093
Shares issued for acquisitions	—	4,955
Shares issued for exercise of warrants	—	12,200

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Galaxy Digital Holdings Ltd.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2022 and 2021
(Expressed in US Dollars - unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

Galaxy Digital Holdings Ltd. (“GDH Ltd.” or, together with its subsidiaries, the “Company”), was originally formed and incorporated under the Business Corporations Act (Ontario) on February 10, 2006. On July 31, 2018, GDH Ltd. continued out of the Province of Ontario to become a company existing under the laws of the Cayman Islands. The Company’s principal address is 300 Vesey Street, New York, New York, 10282.

The Company is listed on the Toronto Stock Exchange (“TSX”) under the ticker “GLXY”.

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

Corporate Transaction

GDH LP, an operating partnership which was formed on May 11, 2018, is managed by the board of managers and officers of the Partnership's general partner. Galaxy Digital Holdings GP LLC (“GDH GP” or the “General Partner”), is a limited liability company incorporated under the laws of the Cayman Islands on July 26, 2018 and serves as the general partner of GDH LP. The sole LLC member of the General Partner is Galaxy Group Investments LLC (“GGI”), which is controlled by the Chief Executive Officer (“CEO”) of the Company.

These condensed consolidated interim financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are to manage its minority interest in GDH LP and are dependent on financial support from GDH LP, who has the obligation to reimburse the Company for all reasonable operational expenses, excluding tax (Note 5). As at September 30, 2022, the Company had total equity of \$459.3 million (December 31, 2021 - \$786.3 million). Management estimates that, based on the financial support from GDH LP, the Company has the ability to maintain its operations and activities for the upcoming year.

2. BASIS OF PRESENTATION

Statement of Compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 – Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in the December 31, 2021 audited consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with GDH Ltd. audited consolidated financial statements for the year ended December 31, 2021.

Basis of Measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value. In addition, the condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow disclosure.

Basis of Consolidation

The condensed consolidated interim financial statements include the financial statements of GDH Ltd. and its wholly-owned consolidated subsidiaries which are controlled by GDH Ltd. The reporting period, as well as the accounting policies, of the financial statements are consistent across the entities included in consolidation. All inter-company transactions, balances, income and expenses and unrealized gains and losses, if any, are eliminated in full upon consolidation.

Use of estimates and judgments

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

Significant judgments in applying accounting policies

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

Influence over Investment in associate

Classification of investments requires judgment on whether the Company controls, has joint control or significant influence over the strategic financial and operating decisions relating to the activity of the investee. In assessing the level of control or influence that the Company has over an investment, management considers ownership percentages, board representation as well as other relevant provisions in shareholder agreements. If an investor holds 20% or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated.

The Company has classified its investment in GDH LP as an associate based on management's judgment that the Company has significant influence but no controlling financial interest.

Key sources of estimation uncertainty

Deferred tax assets

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

Investment in associate

The underlying value of the equity investment includes valuations of digital assets and investments in private companies. Digital assets may be subject to significant fluctuations in value; and when the fair value of the investments in private companies cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair value and this value may not be indicative of recoverable value.

Furthermore, the Company consistently assesses the overall carrying value of its investment in associate to ensure that it is carried at no more than its recoverable amount. The Company recognized an impairment of its Investment in associate during the quarter ended September 30, 2022 (Note 6).

Valuation of warrant liability

The warrants issued in connection with the private investment in public equity ("PIPE") (Note 8) are recorded as a derivative financial liability as these warrants are exercisable in Canadian dollars, differing from the Company's functional currency. The Company measures the initial warrant liability and subsequent revaluations of the warrant liability by reference to the fair value of the warrants at the date at which they were issued and subsequently revalues them at each reporting date. Estimating fair value for these warrants requires management to determine the most appropriate valuation model. The Company uses the Black-Scholes Option Pricing Model to determine the fair value of its warrant liability. This estimate also requires management to make significant judgments and to make assumptions about the most appropriate inputs to the valuation model including the

expected life of the warrants, fair value per unit, volatility and dividend yield. If different input assumptions are used, the changes can materially affect the fair value estimate.

COVID-19

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended December 31, 2021.

4. NEW ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

There are no new accounting policies or recent accounting pronouncements adopted in the period ended September 30, 2022.

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

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

In January 2020, the IASB issued amendment to IAS 1, *Presentation of Financial Statements* to clarify the requirements for classifying liabilities as current or non-current. The new guidance will be effective for annual periods starting on or after January 1, 2023. The Partnership is assessing the impact of this amendment.

5. KEY TERMS OF LIMITED PARTNERSHIP AGREEMENT

The key terms of Limited partnership agreement are consistent with those disclosed in the Company's audited financial statements for the year ended December 31, 2021.

6. INVESTMENT IN ASSOCIATE

The Company holds a 32.9% interest in GDH LP as of September 30, 2022 (30.8% at December 31, 2021), which is subject to key terms of the LPA (Note 5).

Per the LPA, as long as the Company owns more than 10% of GDH LP, the Company has the right to appoint one person to the general partner board of directors. In addition, through the LPA, the Company participates in all significant financial and operating decisions of GDH LP, is generally required to acquire additional GDH LP units with all of the proceeds raised in financings, and is to receive reimbursements from GDH LP for the Company's reasonable operating costs. Therefore, the Company has determined that it has significant influence over GDH LP.

As of September 30, 2022, the carrying value of the investment in GDH LP was \$475.7 million (December 31, 2021 - \$841.5 million).

Galaxy Digital Holdings Ltd.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended September 30, 2022 and 2021
(Expressed in US Dollars - unaudited)

Summarized financial information for GDH LP

Summarized Statements of Financial Position (in thousands)	September 30, 2022	December 31, 2021
Current assets		
Cash	\$ 1,038,176	\$ 840,776
Other current assets	1,275,930	3,059,403
	2,314,106	3,900,179
Non-current assets	963,256	1,196,359
Total assets	\$ 3,277,362	\$ 5,096,538
Liabilities	1,502,274	2,498,187
	\$ 1,502,274	\$ 2,498,187
Net Assets	\$ 1,775,088	\$ 2,598,351

Summarized Statements of Comprehensive Income (in thousands)	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Income/(Loss)	\$ 32,676	\$ 217,069	\$ 456,995	\$ 1,089,191
Operating expenses	(126,053)	(123,649)	(366,271)	(303,970)
Net unrealized gain (loss) on digital assets	69,437	355,245	(664,206)	222,540
Net unrealized (loss) gain on investments	(39,299)	177,894	(372,318)	401,229
Net gain (loss) on notes payable - derivative	(1,041)	—	56,556	—
Net gain (loss) on warrant liability	307	9,352	20,005	(24,802)
Foreign currency gain (loss)	2,579	(229)	3,293	1,566
(Gain) loss attributable to non-controlling interests liability	(8,857)	(89,723)	105,160	(164,730)
	23,126	452,539	(851,510)	435,803
(Loss) income before income taxes	\$ (70,251)	\$ 545,959	\$ (760,786)	\$ 1,221,024
Income taxes	(2,357)	28,126	(26,984)	28,126
Net income (loss)	\$ (67,894)	\$ 517,833	\$ (733,802)	\$ 1,192,898
Foreign currency translation adjustment	(222)	40	(710)	338
Net comprehensive income (loss) for the period	\$ (68,116)	\$ 517,873	\$ (734,512)	\$ 1,193,236
The Company's share of comprehensive income (loss) - 32.6% and 32.9% (September 30, 2021 - 29.9% and 29.7%)	\$ (22,183)	\$ 155,030	\$ (241,908)	\$ 353,808

Galaxy Digital Holdings Ltd.

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Impairment of investment in associate

As at September 30, 2022, the Company considered certain indicators to determine whether its investment in GDH LP is impaired. Amongst others, the Company noted that the carrying amount of its investment in GDH LP is more than its market capitalization.

As a result, the Company performed a review of the recoverable amount of its investment in GDH LP. Given the inherent volatility in the digital asset industry, 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 are concentrated in the investment in GDH LP.

(in thousands)	September 30, 2022
Investment in GDH LP before impairment	\$ 619,201
Market capitalization of GDH LP (recoverable amount estimate)	475,698
Impairment amount	143,503

Reconciliation to carrying amount of investment in GDH LP:

(in thousands)	Nine months ended September 30, 2022	Year ended December 31, 2021
Balance, beginning	\$ 841,463	\$ 246,993
Shares issued for acquisitions (Note 8)	—	4,955
Shares issued on exercise of PIPE warrants (Note 8)	320	66,314
Equity based compensation allocation	26,710	21,337
Increase in ownership interest as a result of GDH LP Class B unit exchanges (Note 8)	70,344	2,782
Shares issued on exercise of stock options (Note 8)	6,903	12,093
Cancellation of ordinary shares (Note 8)	(41,166)	—
Allocation of comprehensive income (loss)	(241,908)	506,653
Distributions	(43,463)	(19,717)
Impairment of investment	(143,503)	—
Other	(2)	53
Balance, ending	<u>\$ 475,698</u>	<u>\$ 841,463</u>

Accounting for the investment by GDH Ltd.

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

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

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

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

Galaxy Digital Holdings Ltd.

Notes to the Condensed Consolidated Interim Financial Statements
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7. RELATED PARTY TRANSACTIONS

Compensation to key management personnel

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

Compensation provided to key management personnel for the three months ended September 30, 2022 and 2021 was as follows:

(in thousands)	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Director fees	\$ 249	\$ 43	\$ 646	\$ 287

Other

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

In addition, the CEO of GDH Ltd. was a member of the board for another company, resulting in GDH Ltd. and that company being a related party. As of September 30, 2022, GDH LP had an investment in the company valued at \$26.8 million (December 31, 2021 - \$121.3 million).

In accordance with the LPA (Note 5), GDH LP will reimburse or pay for all reimbursable expenses of the Company. For the three and nine months ended September 30, 2022, GDH LP paid or accrued \$0.5 million and \$2.0 million (2021 - \$0.6 million and \$3.4 million) respectively for the reimbursable expenses.

On April 14, 2022 the Partnership entered into a Promissory Note (the "Promissory Note") with GDH Intermediate LLC ("GDHI LLC"), a subsidiary of GDH Ltd. Under the terms of the Promissory Note, the Partnership can request that GDHI LLC make advances to the Partnership from time to time, which decision is in GDHI LLC's sole and absolute discretion. As of September 30, 2022, GDHI LLC has advanced \$37.2 million to the Partnership.

Under the terms of the Promissory Note, interest accrues on any outstanding advances at a rate per annum equal to 7.0%. Interest is payable semi-annually in arrears on June 30 and December 31 of each year, commencing on December 31, 2022, subject to the right of GDHI LLC to elect that the amount of any such interest payment be capitalized and increase the principal amount of the Promissory Note in lieu of being paid in cash by the Partnership. As of September 30, 2022, the Partnership had interest payable of \$1.0 million. The Promissory Note will mature, and the principal amount of all outstanding advances, plus any accrued and unpaid interest, will be due and payable on December 31, 2024, unless extended by GDHI LLC.

As at September 30, 2022, the Company had \$28.2 million in receivables from GDH LP (December 31, 2021 - payable to GDH LP of \$25.2 million) for the aforementioned Promissory note offset by payables for stock options and warrant exercises.

8. SHARE CAPITAL AND RESERVES

Authorized

The authorized share capital of the Company is C\$2.0 million, divided into 2,000,000,000 ordinary shares of C\$0.001 par value each.

Issued

During the nine months ended September 30, 2022, the Company issued 12,543,528 (December 31, 2021 - 5,961,858) ordinary shares valued at \$75.6 million (December 31, 2021 - \$16.5 million) on exchange of Class B Units of GDH LP and exercise of options, and 23,838 (December 31, 2021 - 3,119,944) ordinary shares valued at \$0.3 million (December 31, 2021 - \$66.3 million) on exercise of warrants. There were 1,220,185 ordinary shares valued at \$5.0 million issued for acquisitions as at December 31, 2021.

As at September 30, 2022 2,298,346 shares were held in escrow relating to acquisitions.

Galaxy Digital Holdings Ltd.

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Private Investment in Public Equity ("PIPE")

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

Under the terms of the LPA the Partnership will issue a Class A Unit for each GDH Ltd. ordinary share issued and any liability associated with the warrant will be pushed down to the Partnership. Therefore, the Company has recognized a corresponding asset, investment receivable from warrant exercise, which represents the Class A units that the Partnership will issue to GDH Ltd. on exercise of the warrants. On initial recognition, the warrants were valued at \$6.5 million and are recorded as a derivative financial liability as these warrants are exercisable in Canadian dollars, differing from the Partnership's functional currency. As at September 30, 2022 the value of the warrant liability was \$0.3 million (December 31, 2021 - \$20.5 million) and the gain recognized in the Company's statement of comprehensive income for the period ended September 30, 2022 was \$20.0 million (September 30, 2021 loss - \$24.8 million) offset by a recharge to the Partnership.

The fair value of the warrant liability is calculated using the Black-Scholes Option Pricing Model. A continuity table for the change in the liability-classified warrant and the inputs used to value the warrant liability as at issuance date and September 30, 2022 are included in Note 13. These are the only warrants outstanding in GDH Ltd. During the period ended September 30, 2022, 23,838 of the warrants were exercised at an exercise price of C\$8.25. At September 30, 2022, there were 1,623,718 warrants outstanding and exercisable (December 31, 2021 - 1,647,556).

Exchangeable Notes

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

Ordinary Share Repurchase

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

GDH Ltd. began repurchasing shares on May 18, 2022. As of September 30, 2022, GDH Ltd. repurchased a total of 6,707,806 shares for a total cost of \$41.1 million. All repurchased shares of GDH Ltd. and the equivalent number of Class A Units in the Partnership were cancelled, and hence not accounted as treasury shares.

The Company completed its normal course issuer bid program on October 24, 2022. As of October 24, 2022, GDH Ltd. repurchased a total of 10,596,720 shares, the maximum number of shares under the Bid, for a total cost of \$53.3 million.

Reserves

Until mid-2018, the Company had a separate stock option plan, which provided employees, directors, officers and consultants of the Company with the opportunity to acquire ordinary shares of the Company through the exercise of stock options. Stock options granted under the plan were limited to a maximum term of ten years and limited to 10% of the Company's outstanding ordinary shares. The remaining 11,869 options with a weighted average exercise price of C\$12.64 expired on July 21, 2021. No options were granted, exercised or forfeited under the above plan during the three months ended September 30, 2022 or 2021.

Refer to Note 10 for share options granted under the Company's stock option plan to employees, officers, directors and consultants of the Company and its affiliates.

Equity based compensation from investment in associate

During the nine months ended September 30, 2022, the Company recognized \$26.7 million (September 30, 2021 \$13.4 million) equity based compensation related to GDH LP employees through its investment in associate (Note 6).

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9. INCOME (LOSS) PER SHARE

The table below presents basic and diluted net income (loss) per ordinary share for the three and nine months ended September 30, 2022 and 2021, respectively:

	Three Months ended September 30, 2022	Three Months ended September 30, 2021	Nine months ended September 30, 2022	Nine Months Ended September 30, 2021
Basic income (loss) per share	\$ (1.46)	\$ 1.15	\$ (3.15)	\$ 2.82
Diluted income (loss) per share	\$ (1.46)	\$ 1.07	\$ (3.15)	\$ 2.47

Basic income (loss) per share

The net income (loss) and weighted average number of ordinary shares used in the calculation of basic income (loss) per share are as follows (in thousands):

	Three months ended September 30, 2022	(1)	Three months ended September 30, 2021	Nine months ended September 30, 2022	(1)	Nine months ended September 30, 2021
Net income (loss) used in the calculation of basic income (loss) per share	\$ (156,383)		\$ 109,574	\$ (332,174)		\$ 262,430
Weighted average number of ordinary shares for the purposes of basic income (loss) per share	107,208,495		95,447,743	105,559,492		93,075,067

(1) For the three and nine months ended September 30, 2022 diluted loss per share was equivalent to basic loss per share. Diluted loss per share for the three and nine months ended September 30, 2022 are therefore omitted in the following tables.

Diluted income per share

The net income and weighted average number of ordinary shares used in the calculation of diluted income per share are as follows (in thousands):

	Three months ended September 30, 2021	Nine months ended September 30, 2021
Net income used in the calculation of diluted income per share	372,388	859,693
Weighted average number of ordinary shares for the purposes of diluted income per share	349,210,552	348,041,169

For the three and nine months ended September 30, 2021, the weighted average number of ordinary shares for diluted income per share includes the potential conversion of the outstanding GDH LP Class B Units. For the three and nine months ended September 30, 2022, there were 244,658,529 and 258,872,897, respectively of such potentially dilutive shares that were not included in the calculation of diluted loss per share because they were antidilutive for the periods.

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Reconciliation of the net income used in the calculation of basic income per share to net income used in the calculation of diluted income per share:

(in thousands)	Three months ended September 30, 2021	Nine months ended September 30, 2021
Net income used in the calculation of basic income per share	\$ 109,574	\$ 262,430
Net income currently allocated to outstanding GDH LP Class B Units ⁽¹⁾	262,814	597,263
Net income used in the calculation of diluted income per share	372,388	859,693

⁽¹⁾ Net income allocated to GDH LP Class B Units for the three and nine months ended September 30, 2021 was net of an estimated tax adjustment.

Reconciliation of the weighted average number of ordinary shares used in the calculation of basic income per share to weighted average number of ordinary shares used in the calculation of diluted income per share:

	Three months ended September 30, 2021	Nine months ended September 30, 2021
Weighted average number of ordinary shares for the purposes of basic income per share	95,447,743	93,075,067
Diluted shares:		
Weighted average of outstanding Class B Units for the period	224,367,722	223,239,794
Compensatory Class B Unit awards	4,408,895	5,680,798
Stock options	22,261,350	24,253,565
Restricted stock	938,808	934,688
Restricted stock units	1,651,329	712,459
Held back shares	134,705	144,798
Weighted average number of ordinary shares for the purposes of diluted income per share	349,210,552	348,041,169

10. COMMITMENTS AND CONTINGENCIES

GDH LP Class B Units

GDH LP has two classes of ownership interests: Class A Units and Class B Units. The units rank equal from an economic perspective; however, under the terms of the LPA (Note 5), Class B Units will, subject to certain limitations, be exchangeable for GDH Ltd. shares on a one-for-one basis.

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

- Standard Units - 19,068 of the Standard Units vested 100% on December 15, 2020. The fair value was recognized in 2020.
- Profit Interest Units - 355,932 of the Profit Interest Units vested on December 15, 2020, 15,226 vested on December 1, 2021, 390,226 vest on December 1, 2022, 185,255 vest on December 1, 2023 and 15,226 vest on December 1, 2024. Once a Profit Interest Unit has vested and has been fully "caught up", such Profit Interest Unit may be exchanged for one share of GDH Ltd. for no additional consideration. The fair value of the Profit Interest Units granted was \$3.5 million (or approximately \$3.8325 per Profit Interest Unit). The fair value of the Profit Interest Units was estimated

using the probability-weighted expected return method. In applying this method, a payoff was determined for a Profit Interest Unit under three potential scenarios, each payoff was weighted by an estimated probability of the corresponding scenario, and then the probability-weighted payoffs were discounted to the date of grant and summed. The scenarios, probabilities, and other inputs into the model consider, among other things, the results of a one-period trinomial model, the results of a standard Black-Scholes option pricing model under different assumptions, and the estimated fair value of a common share of GDH Ltd. The scenarios probability ranged from 5% to 65%, the annual discount rate used was 0.50%, the term used was 5.04 years, and the share price used ranged from C\$0 to C\$100. The number of Profit Interest Units expected to vest ranged from 90% to 100%.

As of September 30, 2022, after accounting for exchanges (Note 8) and forfeitures, there were 219,374,317 (December 31, 2021 - 228,701,080) Class B Units issued, of which 218,783,610 (December 31, 2021 - 228,110,373) were outstanding and exercisable into ordinary shares of GDH Ltd.

Stock Option Plan

The Company has a stock option plan (the “Plan”) to grant options, which are exercisable into an equivalent amount of the Company's ordinary shares, to employees, officers, directors and consultants of the Company and its affiliates (inclusive of GDH LP). The number of stock options granted to any person within a one-year period will not exceed 5% and the number granted to those individuals considered consultants, or providing investor relations services, may not exceed 2% in a one-year period, in each case on a fully diluted basis. Under the Plan, the exercise price of each option may not be less than the market price of the Company's shares at the date of grant. Options granted under the Plan will have a term not to exceed 5 years and be subject to vesting provisions as determined by the Board of Directors of the Company who administer the Plan. On exercise of an option, the holder will receive one ordinary share in the Company and GDH LP will issue one Class A Unit to the Company. The maximum number of shares reserved for issuance under the Plan is fixed at 45,565,739 shares of the Company. Following the approval of the Long Term Incentive Plan, the Company will no longer make grants under the Plan and future grants will be made from the Long Term Incentive Plan. The Plan reserve has been rolled over into the Long Term Incentive Plan.

Long Term Incentive Plan

In May 2021, the Board of Directors of the Company approved a Long Term Incentive Plan (“LTIP”) to grant stock options, stock appreciation rights, restricted stock, and share units (in the form of restricted share units and/or performance share units) to employees, officers, and consultants of the Company and its affiliates (inclusive of GDH LP) and deferred share units to non-employee directors of the Corporation and non-employee managers of the board of managers of the General Partner, subject to shareholder approval, which was received on June 29, 2021. Under the LTIP Plan, the exercise price of each option may not be less than the market price of GDH Ltd.'s shares at the date of grant. Options granted under the Plan will have a term not to exceed ten years and will be subject to vesting provisions as determined by the board of directors of GDH Ltd., who administer the Plan. On exercise of an option, the holder will receive one ordinary share in GDH Ltd. and GDH LP will issue one Class A Unit to GDH Ltd. The maximum number of shares reserved for issuance under the Plan is fixed at 48,290,478 shares of GDH Ltd.

Non-Treasury Plan

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

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The table below presents a summary of stock options outstanding as at September 30, 2022:

Grant Date	Number Outstanding	Number Exercisable	Exercise Price (C\$)	Expiry Date
Employees and Officers:				
July 31, 2018	3,982,952	3,982,952	3.00	July 23, 2023
June 25, 2019	1,382,200	967,200	2.15	June 25, 2024
April 9, 2020	2,784,873	1,773,214	1.35 - 1.85	April 9, 2025
June 25, 2020	750,000	750,000	1.39	June 25, 2025
November 16, 2020	5,638,400	415,900	5.65	November 16, 2025
December 3, 2020	7,384,300	1,759,300	6.21	December 3, 2025
December 8, 2020	452,500	111,250	6.00	December 8, 2025
December 21, 2020	100,000	25,000	8.02	December 21, 2025
May 27, 2021	3,075,000	165,000	23.12 - 25	May 27, 2026
August 17, 2021	300,000	—	22.27 - 35	August 17, 2026
September 29, 2021	400,000	25,000	20.00	September 29, 2026
December 1, 2021	550,000	—	30.76	December 1, 2026
December 8, 2021	50,000	—	25.69	December 8, 2026
April 1, 2022	1,315,000	—	21.3 - 23.00	April 1, 2027
May 11, 2022	200,000	—	10.52	May 11, 2027
June 30, 2022	50,000	—	5.39	June 30, 2027
September 30, 2022				
Total	28,415,225	9,974,816		

As of September 30, 2022 there were 12,915,999 restricted share units outstanding (December 31, 2021- 7,833,659), including deferred share units granted to the directors.

Other

The Company has provided standard representations for agreements and customary indemnification for claims and legal proceedings. Insurance has been purchased to mitigate certain of these risks. Generally, there are no stated or notional amounts included in these indemnifications and the contingencies triggering the obligation for indemnification are not expected to occur. Furthermore, often counterparties to these transactions provide comparable indemnifications. The Company is unable to develop an estimate of the maximum payout under these indemnifications for several reasons. In addition to the lack of a stated or notional amount in a majority of such indemnifications, it is not possible to predict the nature of events that would trigger indemnification or the level of indemnification for a certain event. The Company believes, however, that the possibility of making any significant payments for these indemnifications is remote. As of September 30, 2022 and December 31, 2021, there was no liability accrued under these arrangements.

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

11. INCOME TAXES

GDH Ltd. is a Cayman company limited by shares which is treated as a corporation for U.S. Federal tax purposes. GDH Intermediate LLC, a wholly-owned subsidiary of GDH Ltd., is a Delaware limited liability company which is treated as a corporation for U.S. federal tax purposes and functions as a tax-efficient block corporation or similar entity for U.S. Federal tax purposes. Under the LPA, items of income, gain, loss, deduction and credit that are attributable to sources within the United States and are effectively connected with GDH LP's United States trade or business ("ECI") are allocated to GDH Intermediate LLC. GDH Ltd. is not subject to tax in any jurisdiction. GDH Intermediate LLC is not subject to tax in any jurisdiction outside the United States (where it is subject to federal, state, and local taxes).

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Components of Income Taxes Expense (Benefit) Recorded in Net Income (Loss)

The following table presents the components of the Company's provision for income taxes:

(in thousands)	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Income taxes expense (benefit) – current	\$ (8,972)	\$ 37,230	\$ 12,426	\$ 61,874
Income taxes expense (benefit) – deferred	378	5,299	(64,628)	26,577
	\$ (8,594)	\$ 42,529	\$ (52,202)	\$ 88,451

Effective Income Tax Rate

The following table presents the reconciliation of the effective income tax rate to the income tax expense calculated at statutory rates:

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Cayman Statutory Tax Rate	— %	— %	— %	— %
Foreign Tax Rate Differential	25.52 %	28.88 %	25.52 %	28.88 %
Change in statutory, foreign tax, foreign exchange and other rates	— %	(0.42)%	— %	(1.97)%
Non-deductible expenses and non-includible income	0.18 %	(0.50)%	0.08 %	0.58 %
Tax Credits and Incentives	0.05 %	— %	0.54 %	— %
Adjustment to prior years provision versus statutory tax returns	— %	— %	— %	1.30 %
Change in Unrecognized Deductible Temporary Differences	(20.54)%	— %	(12.56)%	(3.58)%
Other	— %	— %	— %	— %
Effective Income Tax Rate	5.21 %	27.96 %	13.58 %	25.21 %

Unrecognized Unused Tax losses and Deductible Temporary Differences

The following table presents unrecognized deferred tax assets as of September 30, 2022:

As of September 30, 2022 (in thousands)	Tax Effect
Investment in GDH LP	\$ 84,965

Tax Receivable Agreement

On July 31, 2018, the Company entered into a Tax Receivables Agreement (“TRA”) with holders of Class B Units in GDH LP (each such person and any permitted transferee, a “TRA Holder” and together, the “TRA Holders”). The TRA generally provides for the payment by the Company of 85% of the net cash savings, if any, in U.S. federal, state, local, and non-US income tax that the Company actually realizes (or is deemed to realize in certain circumstances) in periods after the closing, as applicable to each TRA Holder, of (i) certain increases in tax basis that occur as a result of the Company’s acquisition (or deemed acquisition for U.S. federal income tax purposes) of all or a portion of such TRA Holder’s Class B Units in connection with the arrangement and (ii) imputed interest deemed to be paid by the Company as a result of, and additional basis arising from, any payments the Company makes under the TRA.

The term of the TRA commenced on July 31, 2018 and will continue until all such tax benefits that are subject to the TRA have been utilized or expired, unless the Company experiences a change of control or the TRA is terminated early, and the Company makes the termination payments specified in the TRA.

The amounts payable, as well as the timing of any payments, under the TRA are dependent upon significant future events and assumptions, including the timing of the redemptions of Class B Units, the price of the Company's ordinary stock at the time of each redemption, the extent to which such redemptions are taxable transactions, the amount of the redeeming unit holder's tax basis in its Class B Units at the time of the relevant redemption, the depreciation and amortization periods that apply to the increase in tax basis and the portion of the Company's payments under the TRA that constitute imputed interest or give rise to depreciable or amortizable tax basis

The Company has a liability associated with the TRA of \$40.5 million as of September 30, 2022 (December 31, 2021 - \$5.3 million).

12. CAPITAL MANAGEMENT

GDH Ltd.'s objectives when managing capital are to safeguard its ability to continue as a going concern, to meet the needs of its ongoing operations, and to maintain a flexible capital structure which optimizes the cost of capital. The Company considers the items included in shareholders' equity as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. The Company is not subject to externally imposed capital requirements.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

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

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

The Company's warrant liability is classified as a Level 3 financial liability. The warrant liability was deemed to be a Level 3 financial liability as one or more inputs to the valuation are unobservable and significant to the fair value measurement of the liability. The fair value of the warrant liability is calculated using the Black-Scholes Option Pricing Model. (Unobservable inputs reflect management's assumptions on how market participants would price the asset or liability based on the information available.)

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Quantitative Information for Warrant Liability:

Financial Instrument	Fair Value at September 30, 2022 (in thousands)	Significant Unobservable Inputs	Range
Investment receivable from warrant exercise	\$318	Volatility	100%
		Time to liquidity event (years)	0.15
		Risk free rate	3.77%
		Expected dividend payout ratio	—
		Dilution factor	0.5%
Warrant liability	\$318	Volatility	100%
		Time to liquidity event (years)	0.15
		Risk free rate	3.77%
		Expected dividend payout ratio	—
		Dilution factor	0.5%

Financial Instrument	Fair Value at December 31, 2021 (in thousands)	Significant Unobservable Inputs	Range
Investment receivable from warrant exercise	\$20,488	Volatility	120%
		Time to liquidity event (years)	0.87
		Risk free rate	0.69%
		Expected dividend payout ratio	—
		Dilution factor	0.5%
Warrant liability	20,488	Volatility	120%
		Time to expiration (years)	0.87
		Risk free rate	0.69%
		Expected dividend payout ratio	—
		Dilution factor	0.5%

Level 3 Continuity

The following is a reconciliation of the Level 3 asset and liability for the period ended September 30, 2022:

Assets (in thousands)	Fair value at December 31, 2021	Conversions	Revaluation	Fair Value at September 30, 2022
Investment receivable from warrant exercise	\$ 20,488	\$ (165)	\$ (20,005)	\$ 318

Liabilities (in thousands)	Fair value at December 31, 2021	Conversions	Revaluation	Fair Value at September 30, 2022
Warrant liability	\$ 20,488	\$ (165)	\$ (20,005)	\$ 318

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The following is a reconciliation of the Level 3 asset and liability for the period ended December 31, 2021:

Assets (in thousands)	Fair value at December 31, 2020	Conversions	Revaluation	Fair Value at December 31, 2021
Investment receivable from warrant exercise	\$ 20,781	\$ (45,937)	\$ 45,644	\$ 20,488

Liabilities (in thousands)	Fair value at December 31, 2020	Conversions	Revaluation	Fair Value at December 31, 2021
Warrant liability	\$ 20,781	\$ (45,937)	\$ 45,644	\$ 20,488

Risk Management

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. As at September 30, 2022, the Company is not exposed to significant credit risk.

Liquidity risk

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

Interest rate risk

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

Foreign exchange risk

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

Digital assets and market risks

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

14. SUBSEQUENT EVENTS

On November 8, 2022, FTX.com ("FTX"), a digital asset exchange on which the Partnership holds cash and digital assets, announced that it entered into a non-binding arrangement with Binance Holdings Ltd. to provide liquidity. As of the date of this filing, the Partnership has an exposure of approximately \$76.8 million of cash and digital assets to FTX, of which \$47.5 million is currently in the withdrawal process. The Company is evaluating the recoverability of these assets.