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**Galaxy Digital Holdings Ltd.**

**Consolidated Financial Statements**

For the Years Ended December 31, 2023 and 2022

(Expressed in US Dollars)

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KPMG LLP  
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New York, NY 10154-0102

## **Independent Auditors' Report**

To the Shareholders and Board of Directors of  
Galaxy Digital Holdings Ltd.:

### *Opinion*

We have audited the consolidated financial statements of Galaxy Digital Holdings Ltd. and its subsidiaries (collectively, the Company), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### *Basis for Opinion*

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

### *Key Audit Matters*

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

### *Investment in associate*

As discussed in Notes 2, 3, and 6 to the consolidated financial statements, as of December 31, 2023, the Company's carrying value of the investment in associate is \$763.9 million which represents the Company's investment in Galaxy Digital Holdings LP (Partnership). Management has determined it has significant influence over the investment and is accounting for it using the equity method under International Accounting Standard No. 28 – Investments in Associates and Joint Ventures (IAS 28). The Company assesses whether the overall carrying value of its investment in associate exceeds its recoverable amount, which is determined based on the fair value of the Company's investment in the Partnership. If, in a subsequent period, the Company determines that the impairment loss recognized on the investment in the associate is no longer appropriate or the reasons for the impairment loss have been resolved, the Company will reverse the impairment loss to the extent of the improvement in the associate's recoverable

amount. The Company reversed all previously recognized impairment of its investment in associate of \$391 million during the year ended December 31, 2023.

We identified the evaluation of the carrying value of the Company's investment in associate as a key audit matter. Specifically, auditor judgment was required to evaluate (1) the sufficiency of audit evidence obtained over the accounting impacts of applying the equity method to the investment in associate including the reasonableness of the underlying financial performance of the Partnership, and (2) the recoverable amount used in the evaluation of impairment or impairment reversal.

The following are the primary procedures we performed to address this key audit matter. We audited the consolidated financial statements of the Partnership for the year ended December 31, 2023. We evaluated the Company's assessment of the recoverable amount of its investment in associate for compliance with IAS 28. We evaluated the sufficiency of audit evidence obtained related to the Company's carrying value of the investment in associate by assessing the results of the audit procedures performed, including the appropriateness of the nature and extent of such evidence, as well as the qualitative aspects of the Company's accounting practices.

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

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

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

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

#### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such



procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise significant doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

#### *Other Information*

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis for the year ended December 31, 2023 but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

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

*KPMG LLP*

New York, New York  
March 26, 2024

# Galaxy Digital Holdings Ltd.

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

	Notes	December 31, 2023	December 31, 2022
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 833	\$ 10,049
Accounts receivable		123	16
Receivable from associate	7	65,956	45,200
Taxes receivable		22,051	22,996
Other receivables		267	653
		<b>89,230</b>	<b>78,914</b>
Investment in associate	6	763,851	257,810
Deferred tax asset	11	22,155	57,551
<b>Total assets</b>		<b>\$ 875,236</b>	<b>\$ 394,275</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Taxes payable		57,217	56,806
		<b>57,217</b>	<b>56,806</b>
Liability from tax receivable agreement	11	36,984	38,161
<b>Total liabilities</b>		<b>94,201</b>	<b>94,967</b>
<b>Shareholders' equity</b>			
Share capital	8	422,195	419,871
Reserves	8	93,985	69,342
Accumulated other comprehensive income		791	791
Retained earnings (deficit)		264,064	(190,696)
<b>Total shareholders' equity</b>		<b>781,035</b>	<b>299,308</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 875,236</b>	<b>\$ 394,275</b>
Nature and continuance of operations	1		
Commitments and contingencies	10		

The consolidated financial statements were authorized by the board of directors of Galaxy Digital Holdings Ltd. to be issued on March 26, 2024.

"Bill Koutsouras" Director

"Michael Novogratz" Director

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

# Galaxy Digital Holdings Ltd.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)  
(Expressed in thousands of US Dollars, except share and per share data)

	Notes	Year ended	
		December 31, 2023	December 31, 2022
<b>Operating expenses</b>			
Director fees	7	\$ 926	\$ 986
Professional fees		927	812
General and administrative		304	681
Recoveries from associate - reimbursable expenses	7	(2,157)	(2,479)
		—	—
Equity income (loss) from associate	6	97,239	(333,981)
Revaluation of warrant liability	8	—	20,322
Recoveries from associate - warrant liability	8	—	(20,322)
Tax receivable agreement income (expense)	11	(9)	6,005
Interest income		5,116	1,913
(Impairment) reversal of impairment of investment in associate	6	390,884	(252,518)
<b>Income (loss) before income taxes</b>		<b>493,230</b>	<b>(578,581)</b>
Income taxes expense (benefit)	11	38,469	(55,905)
<b>Net income (loss) and comprehensive income (loss)</b>		<b>\$ 454,761</b>	<b>\$ (522,676)</b>
Basic income (loss) per share	9	\$ 4.30	\$ (4.99)
Diluted income (loss) per share	9	\$ 3.65	\$ (4.99)
Weighted average number of ordinary shares outstanding - basic	9	105,677,379	104,835,527
Weighted average number of ordinary shares outstanding - diluted	9	127,039,052	104,835,527

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

# Galaxy Digital Holdings Ltd.

## Consolidated Statements of Changes in Shareholders' Equity (Expressed in thousands of US Dollars except share data)

	Notes	Share Capital		Reserves	Accumulated Other Comprehensive Income	Surplus / (Deficit)	Total
		Number	Amount				
<b>Balance at December 31, 2021</b>		<b>101,550,494</b>	<b>\$ 417,395</b>	<b>\$ 36,128</b>	<b>\$ 791</b>	<b>\$ 331,979</b>	<b>\$ 786,293</b>
Issuance of ordinary shares	8	14,131,494	80,260	—	—	—	80,260
Repurchase of ordinary shares	8	(10,596,720)	(53,348)	—	—	—	(53,348)
Cancellation of ordinary shares	8	(273,729)	(113)	—	—	—	(113)
Equity based compensation from investment in associate	6	—	—	33,215	—	—	33,215
Income tax impact from investment in associate		—	(24,323)	—	—	—	(24,323)
Loss for the year		—	—	—	—	(522,676)	(522,676)
<b>Balance at December 31, 2022</b>		<b>104,811,539</b>	<b>\$ 419,871</b>	<b>\$ 69,343</b>	<b>\$ 791</b>	<b>\$ (190,697)</b>	<b>\$ 299,308</b>
<b>Balance at December 31, 2022</b>		<b>104,811,539</b>	<b>\$ 419,871</b>	<b>\$ 69,343</b>	<b>\$ 791</b>	<b>\$ (190,697)</b>	<b>\$ 299,308</b>
Issuance of ordinary shares	8	8,709,592	11,248	—	—	—	11,248
Repurchase of ordinary shares	8	(1,248,900)	(4,316)	—	—	—	(4,316)
Cancellation of ordinary shares	8	(2,972,899)	(6,352)	—	—	—	(6,352)
Equity based compensation from investment in associate	6	—	—	24,642	—	—	24,642
Income tax impact from investment in associate		—	1,748	—	—	—	1,748
Other		—	(4)	—	—	—	(4)
Income for the year		—	—	—	—	454,761	454,761
<b>Balance at December 31, 2023</b>		<b>109,299,332</b>	<b>\$ 422,195</b>	<b>\$ 93,985</b>	<b>\$ 791</b>	<b>\$ 264,064</b>	<b>\$ 781,035</b>

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



# Galaxy Digital Holdings Ltd.

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

	Year ended	
	December 31, 2023	December 31, 2022
<b>Operating activities</b>		
Net income (loss) for the period	\$ 454,761	\$ (522,676)
Adjustments for:		
Equity loss (income) from associate	(97,239)	333,981
Net unrealized gain on warrant liability	—	(20,322)
Recoveries from associate - warrant liability	—	20,322
Tax (benefit) expense	36,204	(112,468)
Impairment (reversal) of impairment of investment in associate	(390,884)	252,518
Changes in operating assets and liabilities:		
Receivable from associate	(22,172)	(73,234)
Taxes payable	411	35,878
Taxes receivable	945	(22,996)
Tax receivable agreement - payable	1,179	32,889
Other receivables	385	(653)
Accounts receivable	(107)	(13)
Net cash used in operating activities	(16,517)	(76,774)
<b>Investing activities</b>		
Investment in associate	6,862	107,400
Net cash provided by investing activities	6,862	107,400
<b>Financing activities</b>		
Proceeds from issuance of ordinary shares	11,107	5,948
Repurchase of ordinary shares	(10,668)	(53,348)
Net cash provided (used in) by financing activities	439	(47,400)
Net decrease in cash	(9,216)	(16,774)
Cash, beginning of period	10,049	26,823
Cash, end of period	\$ 833	\$ 10,049
<b>Supplemental disclosure of cash flow information and non-cash investing and financing activities:</b>		
Cash paid (refunded) during the year for taxes	\$ (2,827)	\$ 3,124
Non-cash activities:		
Share-based payments issued to employees of the Partnership	24,642	33,213
Exchange of Class B Units of the Partnership	141	74,034
Shares issued for exercise of warrants	—	165

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

# Galaxy Digital Holdings Ltd.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2023 and 2022  
(Expressed in US Dollars)

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## 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". In these financial statements, a reference to "Galaxy", "we", "us", "our" and similar words refer to GDH Ltd., its subsidiaries and affiliates, or any one of them, as the context requires.

The Company has a minority interest in Galaxy Digital Holdings LP ("GDH LP" or the "Partnership"). GDH LP 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. GDH LP's mission is engineering a new economic paradigm. Today, the Partnership is primarily focused on digital assets and blockchain technology, and how these technological innovations will alter the way we store and transfer value. Commencing with the first quarter of 2023, the Partnership began managing and reporting its activities in the following three operating segments: Global Markets, Asset Management and Digital Infrastructure Solutions. Prior periods are presented on a comparable basis.

### 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 (the "Board of Managers"). Galaxy Digital Holdings GP LLC ("GDH GP" or the "General Partner"), a limited liability company, was 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 of the Company (the "CEO").

These consolidated 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, which has the obligation to reimburse the Company for all reasonable operational expenses, excluding tax (Note 5). As at December 31, 2023, the Company had total equity of \$781.0 million (December 31, 2022 - \$299.3 million). Management estimates that, based on the financial support from GDH LP, the Company has the ability to meet its obligations as they become due for one year following the issuance date of these financial statements.

## 2. BASIS OF PRESENTATION

### Statement of Compliance

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

These consolidated financial statements were approved by the Company's board of directors and authorized to be issued on March 26, 2024.

### Basis of Measurement

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

### Functional and Presentation Currency

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency determination was conducted through an analysis of the indicators identified in International Accounting Standard ("IAS") 21. The functional and the presentation currency for the Company is the United States dollar ("US dollar").

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognized in profit or

loss. Non-monetary items that are not re-translated at period end are measured at historical cost (translated using the exchange rates at the transaction date). Non-monetary items measured at fair value are translated using the exchange rates as at the date when fair value was determined.

## **Basis of Consolidation**

The consolidated financial statements include the financial statements of GDH Ltd. and its wholly-owned subsidiaries which are controlled by GDH Ltd. The reporting period, as well as the accounting policies, of the financial statements are consistent across all entities included in the consolidation. All inter-company transactions are accounted for on an accrual basis and, balances, income and expenses, if any, are eliminated in full upon consolidation.

## **Use of estimates and judgments**

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

## ***Significant judgments in applying accounting policies***

The judgments that the Company has made in the process of applying its accounting policies, aside from those involving estimations, that have the most significant effect on the amounts recognized in the Company's consolidated 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 consolidated statements 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 forecast cash flows from operations and application of 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 valuation models are derived from observable market data where possible. Where observable market data is not available, judgment is required to establish fair value. As such, carrying 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. If, in a subsequent period, the Company determines that the impairment loss recognized on the investment in the associate is no longer appropriate or the reasons for the impairment loss have been

resolved, the Company will reverse the impairment loss to the extent of the improvement in the associate's recoverable amount. The reversal of impairment losses is recognized in profit or loss in the period in which the impairment loss reversal occurs. The reversal is limited to the amount of the original impairment loss recognized on the investment in the associate. The amount of the reversal is recognized as an increase in the carrying amount of the investment in the associate. The Company recognized a net reversal of impairment of its investment in associate of \$390.9 million during the year ended December 31, 2023, as compared to the recognition of an impairment of its investment in associate of \$252.5 million during the year ended December 31, 2022 (Note 6).

### **3. MATERIAL ACCOUNTING POLICIES**

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

#### **Cash**

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

#### **Financial instruments**

##### ***Financial assets***

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

The classification determines the method by which the financial assets are carried in the consolidated statements of financial position subsequent to inception and how changes in value are recorded. Cash, as applicable, is classified as FVTPL, and in prior periods investment receivable from warrant exercise was classified as FVTPL.

##### ***Impairment***

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

##### ***Financial liabilities***

All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried in the consolidated statements of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities, as applicable, are classified as financial liabilities and carried in the consolidated statement of financial position at amortized cost. Warrant liability in prior periods was classified as FVTPL.

##### **Investment in associate**

The Company accounts for its investment in its associate using the equity method under IAS 28. Under the equity method, the Company's investment in associate is initially recognized at cost and subsequently increased or decreased to recognize the

Company's share of earnings and losses of the associate and for impairment losses and impairment loss reversals after the initial recognition date. The Company's share of an associate's losses that are in excess of its investment in the associate are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of earnings and losses of associates are recognized through profit or loss during the period. Distributions received from an associate are accounted for as a reduction in the carrying amount of the Company's investment in the associate.

At the end of each reporting period, the Company assesses whether there is any objective evidence that the investment in associate is impaired. Objective evidence includes observable data, such as the Company's TSX closing share price, indicating that there is a measurable decrease in the estimated future cash flows of the associate's operations. When there is objective evidence that the investment in associate is impaired, the carrying amount of the investment is compared to its recoverable amount, being the higher of its fair value less cost to dispose ("FVLCD") and value in use (i.e. present value of its future cash flows) ("VIU"), which, in the Company's case, is usually the FVLCD. If the recoverable amount of the investment in associate is less than its carrying amount then an impairment loss is recognized in that period. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in associate is increased to the revised estimate of the recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized through profit or loss in the period that the reversal occurs.

## Earnings per share

Basic income (loss) per share is computed by dividing net earnings (the numerator) by the weighted average number of outstanding ordinary shares for the period (denominator). When diluted earnings per share is calculated, only those outstanding share options with exercise prices below the average trading price of the Company's ordinary shares for the period will be dilutive.

In the periods when the Company reports a net loss, the effect of potential issuances of shares under stock options, and other convertible instruments could be anti-dilutive depending on their relative impact to the numerator and the denominator.

## Income taxes

Income tax expense comprises current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Current income tax assets and liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries, based on the tax rates and laws enacted or substantively enacted as of the date of the statement of financial position. Current income tax assets and liabilities are included in taxes receivable and taxes payable, respectively, if any.

Deferred tax assets are generally recognized for deductible temporary differences, unused tax losses, and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, unless the deferred tax assets arise from the initial recognition of an asset or liability other than in a business combination which, at the time of the transaction, does not affect accounting profit or taxable profit. Deferred tax assets for deductible temporary differences arising from investments in subsidiaries, branches, and associates, and interests in joint arrangements, are only recognized to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available against which the temporary difference will be utilized. The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent it is no longer probable that the income tax assets will be recovered.

Deferred tax liabilities are generally recognized on taxable temporary differences between the tax bases and the carrying amounts of assets and liabilities for financial statement purposes other than for liabilities arising from: (1) the initial recognition of goodwill, (2) the initial recognition of assets or liabilities other than in a business combination which, at the time of the transaction, do not affect either the accounting or the taxable profit and do not give rise to equal taxable and deductible temporary differences, or (3) temporary differences associated with investments in subsidiaries, branches, and associates, and interests in joint arrangements, but only to the extent that the entity is able to control the timing of the reversal of the differences and it is probable that the reversal will not occur in the foreseeable future.

A provision for tax treatment uncertainties which meet the probable threshold for recognition is measured using either the most likely amount or the expected value, depending upon which method provides the better prediction of the resolution of the uncertainty.

#### 4. NEW ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

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 help to distinguish between changes in accounting estimates versus accounting policies. These amendments are effective for annual periods starting on or after January 1, 2023. Adoption of these amendments did not have a significant impact on the Company's consolidated financial statements.

In 2021, the Organization for Economic Co-operation and Development (OECD) announced the OECD/G20 Inclusive Framework (the "Framework") on Base Erosion and Profit Shifting which agreed to a two-pillar solution to address tax challenges arising from digitalization of the economy and continues to release additional guidance on these rules proposed to take effect in 2023 and 2024. On May 23, 2023, the IASB issued *International Tax Reform—Pillar Two Model Rules – Amendments* (the "Amendments") to IAS 12 to clarify the application of IAS 12 *Income Taxes* to income taxes arising from tax law enacted or substantively enacted to implement the Framework rules. Included within the Amendments is a mandatory temporary exception to accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two Model Rules, applicable immediately. It is unclear whether the rules will impact the Company given the current state of approval and implementation across jurisdictions where the Company operates. For periods in which Pillar Two legislation is enacted or substantively enacted, but not yet in effect, the Company does not anticipate that it will have exposure to such legislation in any of the jurisdictions in which it operates. In accordance with the amendment, the Company has not recorded or reported deferred taxes arising from the jurisdictional implementation of the Pillar Two Model Rules for any of the periods presented within these consolidated financial statements.

#### 5. KEY TERMS OF LIMITED PARTNERSHIP AGREEMENT

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

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

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exchanged and issue Class A Units to GDH Ltd. equal to the number of Class B Units being surrendered, after accounting for any withholding obligation if applicable.

- Removal of General Partner - The General Partner may generally be removed by the limited partners holding at least 66 2/3% of the outstanding Units.
- Reimbursable Expenses - All expenses reasonably incurred by GDH Ltd. in the conduct of its business, including fees related to professional advisors, required or advisable licenses and filings, and meetings and compensation of directors, will be reimbursable by GDH LP, excluding tax.
- General Partner Board - As long as GDH Ltd. owns more than 10% of the outstanding Units of GDH LP, GDH Ltd. will have the right to appoint one person to the board of the General Partner. In addition, if GDH Ltd. owns more than 40%, but not more than 50%, of the outstanding Units of GDH LP, GDH Ltd. will have the right to appoint another person to the board of the General Partner.

## 6. INVESTMENT IN ASSOCIATE

The Company holds a 33.6% interest in GDH LP as of December 31, 2023 (December 31, 2022 - 32.6%). This investment is subject to the key terms of the LPA (Note 5).

Per the LPA as long as the Company owns more than 10% but no more than 50% of the total outstanding units of GDH LP, the Company has the right to appoint one manager to the Board of Managers. 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 Class A Units with all proceeds raised in financings, and is entitled to receive reimbursements from GDH LP for the Company's reasonable operating costs, excluding taxes. Therefore, the Company has determined that it has significant influence over GDH LP and accounts for its investment in the Partnership under the equity method.

As of December 31, 2023, the carrying value of the investment in GDH LP was \$763.9 million (December 31, 2022 - \$257.8 million).

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## GDH LP financial information

The following tables represent summarized consolidated financial information for GDH LP:

### Summarized Statements of Financial Condition

(in thousands)	December 31, 2023	December 31, 2022
<b>Current assets</b>		
Cash and cash equivalents	\$ 316,610	\$ 542,101
Other current assets	2,166,525	801,177
	2,483,135	1,343,278
<b>Non-current assets</b>	1,192,114	1,002,865
<b>Total assets</b>	<b>\$ 3,675,249</b>	<b>\$ 2,346,143</b>
<b>Current liabilities</b>	1,433,285	479,128
<b>Non-current liabilities</b>	452,183	428,223
<b>Total liabilities</b>	<b>\$ 1,885,468</b>	<b>\$ 907,351</b>
<b>Net Assets</b>	<b>\$ 1,789,781</b>	<b>\$ 1,438,792</b>

### Summarized Statements of Comprehensive Income (Loss)

(in thousands)	Year ended	
	December 31, 2023	December 31, 2022
<b>Income (Loss)</b>	<b>\$ 613,861</b>	<b>\$ 419,462</b>
<b>Operating expenses</b>	<b>(376,399)</b>	<b>(496,861)</b>
Net unrealized gain (loss) on digital assets	1,950	(659,169)
Net unrealized gain (loss) on investments	84,415	(496,184)
Net gain (loss) on notes payable - derivative	(9,603)	57,998
Net gain on warrant liability	—	20,322
Foreign currency loss	(493)	(316)
Loss attributable to non-controlling interests liability	—	97,219
	<b>76,269</b>	<b>(980,130)</b>
<b>Income (loss) before income taxes</b>	<b>\$ 313,731</b>	<b>\$ (1,057,529)</b>
Income taxes	17,833	(35,952)
<b>Net income (loss)</b>	<b>\$ 295,898</b>	<b>\$ (1,021,577)</b>
Foreign currency translation adjustment	88	(1,726)
<b>Comprehensive income (loss) for the period</b>	<b>\$ 295,986</b>	<b>\$ (1,023,303)</b>
The Company's share of comprehensive income (loss) - 32.8% (December 31, 2022 - 32.6%)	\$ 97,239	\$ (333,981)



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## Reversal of impairment of investment in associate

The Company considers its market capitalization a reasonable approximation of the Company's enterprise value and uses it 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. As at December 31, 2023, the carrying amount of the Company's investment in GDH LP was less than its market capitalization. As a result, the Company reversed previously recognized impairment losses of \$390.9 million during the year ended December 31, 2023. The Company had recorded an impairment loss of \$252.5 million during the year ended December 31, 2022.

The following table reflects activity of the Company's investment in GDH LP for the years ended December 31, 2023 and December 31, 2022:

(in thousands)	Notes	Year ended	
		December 31, 2023	December 31, 2022
Balance, beginning		\$ 257,810	\$ 841,463
Shares issued on exercise of PIPE warrants	8	—	320
Equity based compensation allocation		24,642	33,215
Increase in ownership interest as a result of GDH LP Class B unit exchanges	8	141	74,034
Shares issued on exercise of stock options and restricted share units	8	11,107	7,567
Cancellation of ordinary shares	8	(10,668)	(53,461)
Allocation of comprehensive income (loss)		97,239	(333,981)
Distributions		(7,301)	(58,827)
(Impairment) Reversal of impairment of investment in associate		390,884	(252,518)
Other		(3)	(2)
Balance, ending		<u>\$ 763,851</u>	<u>\$ 257,810</u>

## Accounting for the investment by GDH Ltd.

GDH Ltd. is deemed to have significant influence and accounts for its investment in the Partnership under the equity method.

As the Company's interest in GDH LP is based on its proportional ownership of the Class A Units, the Company performs regular assessments to determine whether its economic and voting interests result in control of GDH LP. The Company receives additional Class A Units of the Partnership upon exchange of Class B Units of the Partnership for ordinary shares of the Company and upon issuance of new shares on exercise of options and restricted share units. 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 replace the general partner.

## 7. RELATED PARTY TRANSACTIONS

### Compensation to key management personnel

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

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transactions the Company enters into with related parties are made on terms equivalent to those that prevail in arm's length transactions.

Compensation provided to key management personnel for the years ended December 31, 2023 and 2022 was as follows:

(in thousands)	Year ended		Year ended	
	December 31, 2023		December 31, 2022	
Director fees	\$	926	\$	986

## Other

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

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

In accordance with the LPA (Note 5), GDH LP will reimburse or pay for all reasonably incurred expenses in the conduct of the Company's business, excluding taxes. For the year ended December 31, 2023, GDH LP paid or accrued \$2.2 million (2022 - \$2.5 million) for reimbursable expenses of the Company. GDH LP has also provided a financial guarantee to a subsidiary of the Company sufficient to cover its costs and obligations as they come due through August 11, 2024. The Company's subsidiary has not incurred any costs or obligations that would be covered under this financial guarantee for the years ended December 31, 2023 or December 31, 2022.

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

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

As at December 31, 2023, the Company had \$66.0 million in receivables from GDH LP (December 31, 2022 - \$45.2 million) representing the aforementioned Promissory Note offset by payables for stock options exercises and withholding tax associated with restricted share units vesting.

## 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.

# Galaxy Digital Holdings Ltd.

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## Issued

During the year ended December 31, 2023, the Company issued 8,709,592 ordinary shares (December 31, 2022 - 14,131,494) valued at \$11.2 million (December 31, 2022 - \$80.3 million) on exchange of Class B Units of GDH LP and exercise of options, and vesting of restricted share units. The Company cancelled 4,221,799 ordinary shares during the year ended December 31, 2023 (December 31, 2022 - 10,870,449), 2,347,831 (December 31, 2022 - 254,979) of which were cancelled in association with withholding obligations on exercised stock options and vested restricted share units.

As at December 31, 2023, 281,808 shares were held in escrow relating to acquisitions.

## Private Investment in Public Equity ("PIPE")

On November 12, 2020, GDH Ltd. closed a PIPE with \$50.0 million of aggregate gross proceeds. As part of the PIPE, GDH Ltd. issued 19,070,000 shares and 4,767,500 warrants. Each warrant was exercisable into an ordinary share of the Company for a term of two years from the date of issuance at an exercise price of C\$8.25. Under the terms of the LPA the Partnership issued a Class A Unit for each GDH Ltd. ordinary share issued and any liability associated with the warrant was pushed down to the Partnership. Therefore, the Company recognized a corresponding asset, investment receivable from warrant exercise, which represented the Class A units that the Partnership would issue to GDH Ltd. on exercise of the warrants. The gain recognized in the Company's statement of income (loss) and comprehensive income (loss) for the period ended December 31, 2022 was \$20.3 million. All the remaining warrants expired in November 2022.

## Exchangeable Notes

On December 9, 2021, GDH LP issued \$500 million, aggregate principal amount, of 3.00% exchangeable notes ("Exchangeable Notes"). Outstanding Exchangeable Notes will mature and the aggregate principal amount is due in 2026, unless earlier exchanged, redeemed or repurchased. Interest on the Exchangeable Notes is payable semi-annually. There was no discount or premium associated with the notes. The Exchangeable Notes had an initial exchange rate of 7,498.2210 ordinary shares per US\$250,000 principal amount. All Exchangeable Notes issued are subject to certain selling and transfer restrictions set forth in each investor's note purchase agreement and as set forth in the indenture that governs the Exchangeable Notes. As of December 31, 2023, the total amount of notes payable was \$408.1 million (December 31, 2022 - \$ 384.5 million), net of repurchases. As of December 31, 2023 and 2022, there was \$445 million in principal outstanding on the Exchangeable Notes.

## Ordinary Share Repurchase

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

On May 16, 2022, GDH Ltd announced that the TSX approved the Company's plan to commence a normal course issuer bid to purchase up to 10,596,720 ordinary shares (10% of the Company's public float as of May 10, 2022). GDH Ltd. began repurchasing shares on May 18, 2022. The Company completed its normal course issuer bid program on October 24, 2022. As of December 31, 2022, GDH Ltd. repurchased a total of 10,596,720 shares for a total cost of \$53.3 million under the plan. All repurchased shares of GDH Ltd. and the equivalent number of Class A Units of the Partnership were cancelled.

Refer to Note 10 for share options and restricted share units granted to employees, officers, directors and consultants of the Company and its affiliates.

## Equity based compensation from investment in associate

During the year ended December 31, 2023, the Company recognized \$24.6 million (December 31, 2022 - \$33.2 million) of 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 following table presents basic and diluted net income (loss) per ordinary share for the years ended December 31, 2023 and 2022, respectively:

	Year ended December 31, 2023	Year ended December 31, 2022
Basic income (loss) per share	\$ 4.30	\$ (4.99)
Diluted income (loss) per share	\$ 3.65	\$ (4.99)

### Basic income (loss) per share

The following table presents 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):

	Year ended December 31, 2023	Year ended December 31, 2022 <sup>(1)</sup>
Net income (loss) used in the calculation of basic income (loss) per share	\$ 454,761	\$ (522,676)
Weighted average number of ordinary shares for the purposes of basic income (loss) per share	105,677,379	104,835,527

<sup>(1)</sup> For the year ended December 31, 2022 diluted loss per share was equivalent to basic loss per share. Diluted loss per share for the year ended December 31, 2022 are therefore omitted in the following tables.

### Diluted income (loss) per share

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

	Year ended December 31, 2023
Net income used in the calculation of diluted income per share	464,114
Weighted average number of ordinary shares for the purposes of diluted income per share	127,039,052

For the year ended December 31, 2022, the weighted average number of ordinary shares for diluted income per share assumes the potential conversion of the outstanding GDH LP Class B Units, the conversion of the Class B Units under the GDH LP equity compensation plan (Note 10) and the potential exercise of stock options (including performance-based options), restricted stock, held back shares, restricted stock units under GDH LP equity compensation plan and the potential conversion of exchangeable shares. For the year ended December 31, 2023, there were 215,921,721 (December 31, 2022 - 251,146,066) 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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The following table presents a 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:

<b>(in thousands)</b>	<b>Year ended December 31, 2023</b>
Net income used in the calculation of basic income per share	\$ 454,761
Interest and change in fair value of embedded derivatives - Notes payable	9,353
<b>Net income used in the calculation of diluted income per share</b>	<b>464,114</b>

The following table presents a 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:

	<b>Year ended December 31, 2023</b>
Weighted average number of ordinary shares for the purposes of basic income per share	<b>105,677,379</b>
Diluted shares:	
Weighted average of outstanding Class B Units for the year	
Compensatory Class B Unit awards	2,635
Stock options	2,821,167
Restricted stock units	5,191,038
Exchangeable notes	13,346,833
<b>Weighted average number of ordinary shares for the purposes of diluted income per share</b>	<b>127,039,052</b>

## 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.

As of December 31, 2023, there were 15,226 (December 31, 2022 - 30,452) issued unvested Class B Units in addition to 215,928,474 (December 31, 2022 - 215,943,369) Class B units, which were outstanding and exercisable, into ordinary shares of GDH Ltd.

### *Stock Option Plan*

The Company administers a stock option plan (the “Plan”) under which options, which are exercisable into an equivalent amount of the Company's ordinary shares, have been granted to employees, officers, directors and consultants of the Company and its affiliates (inclusive of GDH LP). 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. Following the approval of the Long Term Incentive Plan, the Company no longer makes grants under the Plan. The Plan reserve were rolled over into the Long Term Incentive Plan.

### *Long Term Incentive Plan*

In May 2021, the board of directors of the Company approved the 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 Company and non-employee managers of the Board of Managers. Shareholder approval of the LTIP was received in June 2021. Under the LTIP, the exercise price of each option may not be less than the market price of GDH Ltd.’s shares at the date of grant. Options granted under the LTIP typically have a term not to exceed five years and are subject to vesting provisions as determined by the board of directors of GDH Ltd., who administers the LTIP. On exercise of an option,

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the holder will receive one ordinary share in GDH Ltd. and GDH LP will issue one Class A Unit to GDH Ltd. The maximum number of shares reserved for issuance under the LTIP is fixed at 48,290,478 shares of GDH Ltd.

The table below presents a summary of stock options outstanding as at December 31, 2023:

Grant date	Number outstanding	Number exercisable	Exercise price (C\$)	Expiry date
June 25, 2019	628,450	628,450	2.15	June 25, 2024
April 9, 2020	1,801,541	1,801,541	1.35 - 1.85	April 9, 2025
June 25, 2020	750,000	750,000	1.39	June 25, 2025
November 16, 2020	3,466,350	1,670,934	5.65	November 16, 2025
December 3, 2020	3,634,300	3,634,300	6.21	December 3, 2025
December 8, 2020	127,500	87,500	6.00	December 8, 2025
December 21, 2020	100,000	75,000	8.02	December 21, 2025
May 27, 2021	550,000	346,500	23.12 - 25	May 27, 2026
December 1, 2021	450,000	225,000	30.76	December 1, 2026
April 1, 2022	132,500	41,250	21.30 - 23.00	April 1, 2027
May 11, 2022	200,000	25,000	10.52	May 11, 2027
March 29, 2023	8,388,332	426,682	4.19 - 6.75	March 29, 2028
May 10, 2023	585,000	—	6.75	May 10, 2028
August 9, 2023	1,125,000	—	5.98 - 6.75	August 9, 2028
November 10, 2023	325,000	—	8.06	November 10, 2028
Total	22,263,973	9,712,157		

As of December 31, 2023, there were 11,203,624 restricted share units outstanding (December 31, 2022- 11,462,917) 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, counterparties to these transactions often 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 material payments for these indemnifications is remote. As of December 31, 2023 and December 31, 2022, there was no liability accrued under these arrangements.

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

We are currently in the process of responding to inquiries from U.S. regulators which, in some cases, may implicate our compliance with U.S. securities laws. In particular, members of the staff of the SEC's Division of Enforcement have raised whether certain of the digital assets that we trade are securities and therefore such trading activities should be conducted through a registered entity. Discussions with the SEC staff are ongoing and we have not received notice stating that the staff has made a determination to recommend enforcement action to the SEC. We believe there are good defenses to any assertion that our activities implicate entity registration requirements. It is premature to predict the potential outcome of these discussions and any potential impact on our business, results of operations or financial condition.



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## 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 blocker 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).

### 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)	Year ended December 31, 2023	Year ended December 31, 2022
Income taxes expense (benefit) – current	\$ 8,617	\$ 17,671
Deferred income tax expense (benefit):		
Deferred tax related to the origination and reversal of temporary differences	107,069	(150,696)
Effect of changes in tax rates or imposition of new income taxes	1,234	(6,441)
Benefit arising from previously unrecognized deferred tax assets	(78,451)	83,561
Income taxes expense (benefit) – total deferred	29,852	(73,576)
<b>Income taxes expense (benefit)</b>	<b>\$ 38,469</b>	<b>\$ (55,905)</b>

### 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:

	Year ended December 31, 2023	Year ended December 31, 2022
Earnings before income taxes	\$ 493,230	\$ (578,581)
Cayman statutory tax rate	— %	— %
Foreign tax rate differential	110,560 22.42 %	(131,118) 22.66 %
Change in statutory, foreign tax, foreign exchange and other rates	1,233 0.25 %	(6,441) 1.11 %
Non-deductible expenses and non-includible income	(443) (0.09) %	853 (0.15) %
Adjustment to prior years provision versus statutory tax returns	349 0.07 %	(7,073) 1.22 %
Change in unrecognized deductible temporary differences	(78,451) (15.91) %	83,561 (14.44) %
Other	5,221 1.06 %	4,313 (0.74) %
<b>Total income tax expense and effective income tax rate</b>	<b>\$ 38,469 7.80 %</b>	<b>\$ (55,905) 9.66 %</b>

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The following table represents the composition and changes in net deferred income tax assets (liabilities) for the years ended December 31, 2023 and December 31, 2022.

	2023					
	Investment in GDH LP	Future Tax Benefit Under Tax Receivable	Net Operating Loss Carryforward	Tax Credit Carryforwards	Other	Total
<b>(in thousands)</b>						
Balance, beginning of the year	\$ 35,898	\$ 8,649	\$ 12,523	\$ 379	\$ 102	\$ 57,551
Recognized in Statements of Income (Loss) and Comprehensive Income (Loss)	(48,834)	8	17,013	(26)	1,987	(29,852)
Recognized in Statements of Changes in Equity	(6,862)	(369)	1,687	—	—	(5,544)
<b>Balance, end of the year</b>	<b>\$ (19,798)</b>	<b>\$ 8,288</b>	<b>\$ 31,223</b>	<b>\$ 353</b>	<b>\$ 2,089</b>	<b>\$ 22,155</b>
	2022					
	Investment in GDH LP	Future Tax Benefit Under Tax Receivable	Net Operating Loss Carryforward	Tax Credit Carryforwards	Other	Total
<b>(in thousands)</b>						
Balance, beginning of the year	\$ (34,941)	\$ 1,346	\$ 2,623	\$ 379	\$ —	\$ (30,593)
Recognized in Statements of Income (Loss) and Comprehensive Income (Loss)	65,008	(1,434)	9,900	—	102	73,576
Recognized in Statements of Changes in Equity	5,831	8,737	—	—	—	14,568
<b>Balance, end of the year</b>	<b>\$ 35,898</b>	<b>\$ 8,649</b>	<b>\$ 12,523</b>	<b>\$ 379</b>	<b>\$ 102</b>	<b>\$ 57,551</b>

The following table represents the deferred income tax assets (liabilities) recognized in the consolidated statements of financial position as of December 31, 2023 and December 31, 2022:

	December 31, 2023	December 31, 2022
<b>(in thousands)</b>		
Deferred tax assets	\$ 22,155	\$ 57,551
Deferred tax liabilities	—	—
<b>Total</b>	<b>\$ 22,155</b>	<b>\$ 57,551</b>

Deferred tax is recognized on taxable temporary differences between the tax bases and the carrying amounts of assets and liabilities. Deferred income tax assets are recognized for deductible temporary differences, carry forwards of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses can be utilized. Management assesses the carrying amount of deferred income tax assets at each statement of financial position date based on estimates of future taxable income and as of December 31, 2023 believes it is probable the carrying value of the deferred tax assets are recoverable.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets are realized or the liabilities settled, using the tax rates and laws enacted or substantively enacted at the statement of financial position dates.

As of December 31, 2023 the Company recognized a deferred tax asset of \$31.2 million (December 31, 2022 - \$12.5 million) for tax loss carryforwards, of which \$0.6 million (December 31, 2022 - \$0.6 million) expire starting in 2038.



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## Unrecognized Unused Tax losses and Deductible Temporary Differences

The following table presents unrecognized deferred tax assets as of December 31, 2023 and December 31, 2022:

(in thousands)	December 31, 2023	December 31, 2022
Investment in GDH LP	\$ 115	\$ 83,561

## 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 \$37.0 million as of December 31, 2023 (December 31, 2022 - \$38.2 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 capital 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 and associated investment receivable from warrant exercise reflected in the Company's consolidated statements of financial position as of December 31, 2021 were deemed to be a Level 3 financial liability and financial asset, respectively, as one or more inputs to the valuation were unobservable and significant to the fair value

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measurement of the liability and associated receivable. The outstanding warrants expired in November 2022. The fair value of the warrant liability was calculated using the Black-Scholes Option Pricing Model.

The following is a reconciliation of the Level 3 asset and liability for the period ended December 31, 2022:

<b>(in thousands)</b>	<b>Fair value at December 31, 2021</b>	<b>Conversions</b>	<b>Revaluation</b>	<b>Fair Value at December 31, 2022</b>
Investment receivable from warrant exercise	\$ 20,488	\$ (166)	\$ (20,322)	\$ —
Warrant liability	\$ 20,488	\$ (166)	\$ (20,322)	\$ —

The carrying values of the Company's cash, accounts receivable, receivable from associate, taxes receivable, other receivable, and taxes payable approximate fair value due to their short maturities.

## 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:

### Interest rate risk

The Company's only interest-bearing instrument is its Promissory Note with the Partnership. The Promissory Note was at a fixed interest rate of 7% through September 30, 2023, amended to 9% effective October 1, 2023. There are no scheduled changes to the interest rate. The Company's financial results, therefore, are not sensitive to changes in interest rates.

### Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into, causing the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and the Promissory Note due from the Partnership. Credit risk on its cash exposure is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. As at December 31, 2023, the Company's credit risk exposure is not deemed to be significant.

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due, as well as the risk of not being able to liquidate assets at reasonable prices. 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 anticipating any operating, investing and financing activities, as applicable. 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, excluding taxes. GDHI LLC, the Company's consolidated subsidiary, may recall the Promissory Note at any time during the term of the note (Note 7) as obligations of the consolidated GDH Ltd. group come due, including taxes. The Company is not currently exposed to significant liquidity risk.

### Foreign exchange risk

The Company's functional currency and the reporting currency is the U.S. 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.