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**Galaxy Digital Holdings Ltd.**

**Condensed Consolidated Interim Financial Statements**

For the Three Months Ended March 31, 2023 and 2022

(Expressed in US Dollars - unaudited)

# Galaxy Digital Holdings Ltd.

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

	Notes	March 31, 2023	December 31, 2022
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ —	\$ 10,049
Accounts receivable		123	16
Receivable from associate	7	55,829	45,200
Taxes receivable		23,306	22,996
Other receivables		653	653
		<b>79,911</b>	<b>78,914</b>
Investment in associate	6	361,684	257,810
Deferred tax asset	11	52,705	57,551
<b>Total assets</b>		<b>\$ 494,300</b>	<b>\$ 394,275</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Taxes payable		58,514	56,806
		<b>58,514</b>	<b>56,806</b>
Liability from tax receivable agreement	11	38,115	38,161
Deferred tax liability		—	—
<b>Total liabilities</b>		<b>96,629</b>	<b>94,967</b>
<b>Shareholders' equity</b>			
Share capital	8	418,864	419,871
Reserves	8	77,095	69,342
Accumulated other comprehensive income		791	791
Retained deficit		(99,079)	(190,696)
<b>Total shareholders' equity</b>		<b>397,671</b>	<b>299,308</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 494,300</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 May 9, 2023.

"Bill Koutsouras" Director

"Michael Novogratz" Director

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

## Galaxy Digital Holdings Ltd.

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

	Notes	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
<b>Operating expenses</b>			
Director fees	7	\$ 309	\$ 213
Professional fees		286	337
General and administrative		72	146
Recoveries from associate - reimbursable expenses	7	(667)	(696)
		—	—
Equity income (loss) from associate	6	43,470	(34,016)
Revaluation of warrant liability	8	—	2,521
Recoveries from associate - warrant liability	8	—	(2,521)
Interest income		937	—
Reversal of impairment of investment in associate	6	52,551	—
<b>Income (loss) before income taxes</b>		<b>96,958</b>	<b>(34,016)</b>
Income taxes expense (benefit)	11	5,340	(11,588)
<b>Net income (loss) and comprehensive income (loss) for the period</b>		<b>\$ 91,618</b>	<b>\$ (22,428)</b>
Basic income (loss) per share	9	\$ 0.89	\$ (0.22)
Diluted income (loss) per share	9	\$ 0.77	\$ (0.22)
Weighted average number of ordinary shares outstanding - basic	9	103,436,881	100,541,604
Weighted average number of ordinary shares outstanding - diluted	9	121,044,704	100,541,604

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 share data - unaudited)

	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		61,550	564	—	—	—	564
Shares issued on exercise of PIPE warrants	8	23,838	320	—	—	—	320
Equity based compensation from investment in associate	6	—	—	7,013	—	—	7,013
Income tax impact from investment in associate		—	(11,118)	—	—	—	(11,118)
(Loss) for the period		—	—	—	—	(22,428)	(22,428)
<b>Balance at March 31, 2022</b>		<b>101,635,882</b>	<b>\$ 407,161</b>	<b>\$ 43,141</b>	<b>\$ 791</b>	<b>\$ 309,551</b>	<b>\$ 760,644</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	6,8	30,121	141	—	—	—	141
Cancellation of ordinary shares		(625,000)	—	—	—	—	—
Equity based compensation from investment in associate	6	—	—	7,754	—	—	7,754
Income tax impact from investment in associate		—	(1,107)	—	—	—	(1,107)
Other		—	(43)	—	—	—	(43)
Income for the period		—	—	—	—	91,618	91,618
<b>Balance at March 31, 2023</b>		<b>104,216,660</b>	<b>\$ 418,862</b>	<b>\$ 77,097</b>	<b>\$ 791</b>	<b>\$ (99,079)</b>	<b>\$ 397,671</b>

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)

	Three months ended March 31, 2023	Three months ended March 31, 2022
<b>Operating activities</b>		
Net income (loss) for the period	\$ 91,618	\$ (22,428)
Adjustments for:		
Equity loss (income) from associate	(43,470)	34,016
Net unrealized (gain) on warrant liability	—	(2,521)
Recoveries from associate - warrant liability	—	2,521
Deferred tax (benefit) expense	3,698	(46,108)
Reversal of impairment of investment in associate	(52,551)	—
Changes in operating assets and liabilities:		
Payable (receivable) from associate	(10,586)	(21,942)
Taxes payable	1,707	34,520
Taxes receivable	(311)	—
Tax receivable agreement - payable	(47)	—
Accounts receivable	(107)	—
Net cash (used in) provided by operating activities	(10,049)	(21,942)
<b>Investing activities</b>		
Investment in associate	—	(2,143)
Net cash provided by investing activities	—	(2,143)
<b>Financing activities</b>		
Proceeds from PIPE transaction	—	155
Proceeds received from exercise of stock options	—	328
Net cash used in financing activities	—	483
Net (decrease) increase in cash	(10,049)	(23,602)
Cash, beginning of period	10,049	26,823
Cash, end of period	\$ —	\$ 3,221
<b>Supplemental disclosure of cash flow information and non-cash investing and financing activities:</b>		
Cash paid during the period for taxes	\$ 3	\$ —
Non-cash activities:		
Share-based payments issued to employees of the Partnership	7,754	7,013
Exchange of Class B Units of the Partnership	141	236
Shares issued for exercise of warrants	—	165

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# Galaxy Digital Holdings Ltd.

Notes to the Condensed Consolidated Interim Financial Statements  
For the Three Months Ended March 31, 2023 and March 31, 2022  
(Expressed in US Dollars - unaudited)

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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”.

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, the Partnership is primarily focused on digital assets, cryptocurrencies and blockchain technology, and how these technological innovations will drastically 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. 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, which has the obligation to reimburse the Company for all reasonable operational expenses, excluding tax (Note 5). As at March 31, 2023, the Company had total equity of \$397.7 million (December 31, 2022 - \$299.3 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, 2022 audited consolidated financial statements, prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB, have been condensed or omitted. These unaudited condensed consolidated interim financial statements should be read in conjunction with GDH Ltd.'s audited consolidated financial statements for the year ended December 31, 2022.

These condensed consolidated interim financial statements were approved by the Company's board of directors and authorized to be issued on May 9, 2023.

### 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 the cash flow disclosure.

### 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”).

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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), except for non-monetary items measured at fair value, which are translated using the exchange rates as at the date when fair value was determined.

## **Basis of Consolidation**

The condensed consolidated interim 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, 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. 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.

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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 an impairment of its Investment in associate during the year ended December 31, 2022 and a subsequent reversal in the period ended March 31, 2023 (Note 6).

### 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, 2022.

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

There are no new accounting policies or recent accounting pronouncements adopted in the period ended March 31, 2023.

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 Company does not expect a significant impact from the adoption of these amendments.

### 5. KEY TERMS OF LIMITED PARTNERSHIP AGREEMENT

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

### 6. INVESTMENT IN ASSOCIATE

The Company holds a 32.5% interest in GDH LP as of March 31, 2023 (32.6% at December 31, 2022). This investment is subject to 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 the General Partner. 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 March 31, 2023, the carrying value of the investment in GDH LP was \$361.7 million (December 31, 2022 - \$257.8 million).

## Galaxy Digital Holdings Ltd.

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### Summarized financial information for GDH LP

<b>Summarized Statements of Financial Position (in thousands)</b>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 399,943	\$ 542,101
Other current assets	1,366,421	801,177
	<u>1,766,364</u>	<u>1,343,278</u>
<b>Non-current assets</b>	1,156,750	1,002,865
<b>Total assets</b>	<b>\$ 2,923,114</b>	<b>\$ 2,346,143</b>
<b>Liabilities</b>	1,326,606	907,351
	<b>\$ 1,326,606</b>	<b>\$ 907,351</b>
<b>Net Assets</b>	<b>\$ 1,596,508</b>	<b>\$ 1,438,792</b>
<b>Summarized Statements of Comprehensive Income (in thousands)</b>	<b>Three months ended March 31, 2023</b>	<b>Three months ended March 31, 2022</b>
<b>Income</b>	<b>\$ 146,742</b>	<b>\$ 543,560</b>
<b>Operating expenses</b>	<b>(91,113)</b>	<b>(110,930)</b>
Net unrealized gain (loss) on digital assets	3,029	(500,271)
Net unrealized gain (loss) on investments	82,713	(74,128)
Net gain (loss) on notes payable - derivative	(1,305)	6,493
Net gain on warrant liability	—	2,521
Foreign currency gain (loss)	(138)	2,017
Loss attributable to non-controlling interests liability	—	13,411
	<u>84,299</u>	<u>(549,957)</u>
<b>Income (loss) before income taxes</b>	<b>\$ 139,928</b>	<b>\$ (117,327)</b>
Income taxes expenses (benefit)	5,726	(6,119)
<b>Net income (loss)</b>	<b>\$ 134,202</b>	<b>\$ (111,208)</b>
Foreign currency translation adjustment	(452)	(468)
<b>Net comprehensive income (loss) for the period</b>	<b>\$ 133,750</b>	<b>\$ (111,676)</b>
The Company's share of net comprehensive income (loss) - 32.5% (March 31, 2022 - 30.5%)	\$ 43,470	\$ (34,016)

### 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 March 31, 2023, the carrying amount of its investment in GDH LP was less than its market capitalization. As a result, the Company reversed a previously recognized impairment loss of \$46.2 million.

## Galaxy Digital Holdings Ltd.

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### Reconciliation to carrying amount of investment in GDH LP:

(in thousands)	Three months ended March 31, 2023	Year ended December 31, 2022
Balance, beginning	\$ 257,810	\$ 841,463
Shares issued on exercise of PIPE warrants (Note 8)	—	320
Equity based compensation allocation	7,754	33,215
Increase in ownership interest as a result of GDH LP Class B unit exchanges (Note 8)	141	74,034
Shares issued on exercise of stock options (Note 8)	—	7,567
Cancellation of ordinary shares (Note 8)	—	(53,461)
Allocation of comprehensive income (loss)	43,470	(333,981)
Distributions	—	(58,827)
Reversal of impairment of investment	52,551	(252,518)
Other	(42)	(2)
Balance, ending	<u>\$ 361,684</u>	<u>\$ 257,810</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 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 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 periods ended March 31, 2023 and March 31, 2022 was as follows:

(in thousands)	Three months ended March 31, 2023	Three months ended March 31, 2022
Director fees	\$ 309	\$ 213

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## 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. As of March 31, 2023, GDH LP had an investment in the company valued at \$29.3 million (December 31, 2022 - \$16.2 million).

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. For the period ended March 31, 2023, GDH LP paid or accrued \$0.7 million (2022 - \$0.7 million) for reimbursable expenses.

On April 14, 2022, the Partnership entered into a Promissory Note (amended and restated on May 8, 2023, the "Promissory Note") with GDH Intermediate LLC ("GDHI LLC"), a subsidiary of GDH Ltd. Under the terms of the Promissory Note, the Partnership can request that GDHI LLC make advances to the Partnership from time to time, which decision is at GDHI LLC's sole and absolute discretion. As of March 31, 2023, GDHI LLC had advanced \$57.5 million to the Partnership.

Under the terms of the Promissory Note, interest accrues on any outstanding advances at a rate per annum equal to 7.0%. Interest is payable semi-annually in arrears on June 30 and December 31 of each year, commencing on December 31, 2022, subject to the right of GDHI LLC to elect that the amount of any such interest payment be capitalized and increase the principal amount of the Promissory Note in lieu of being paid in cash by the Partnership. As of March 31, 2023, the interest payable on the Promissory Note was \$0.9 million. 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 March 31, 2023, the Company had \$55.8 million in receivables from GDH LP (December 31, 2022 - GDH LP of \$45.2 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 three months ended March 31, 2023, the Company issued 30,121 (March 31, 2022 - 85,388) ordinary shares valued at \$0.1 million (March 31, 2022 - \$0.9 million) on exchange of Class B Units of GDH LP and exercise of options, restricted share units and warrants.

As at March 31, 2023, 1,527,744 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) comprehensive income (loss) for the period ended March 31, 2022 was \$2.5 million. All the 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

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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 March 31, 2023, the total amount for Notes payable was \$389.2 million (December 31, 2022 - \$384.5 million), net of repurchases.

## Ordinary Share Repurchase

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

GDH Ltd. began repurchasing shares on May 18, 2022. The Company completed its normal course issuer bid program on October 24, 2022. As of December 31, 2022, GDH Ltd. repurchased a total of 10,596,720 shares for a total cost of \$53.3 million. All repurchased shares of GDH Ltd. and the equivalent number of Class A Units in the Partnership were cancelled, and hence not accounted for as treasury shares.

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 three months ended March 31, 2023, the Company recognized \$7.8 million (March 31, 2022 - \$7.0 million) equity based compensation related to GDH LP employees through its investment in associate (Note 6).

## 9. INCOME (LOSS) PER SHARE

The table below presents basic and diluted net income (loss) per ordinary share for the periods ended March 31, 2023 and 2022, respectively:

	<b>Three months ended March 31, 2023</b>	<b>Three months ended March 31, 2022</b>
Basic income (loss) per share	\$ 0.89	\$ (0.22)
Diluted income (loss) per share	\$ 0.77	\$ (0.22)

## 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):

	<b>Three months ended March 31, 2023</b>	<b>Three months ended March 31, 2022 <sup>(1)</sup></b>
Net income (loss) used in the calculation of basic income (loss) per share	\$ 91,618	\$ (22,428)
Weighted average number of ordinary shares for the purposes of basic income (loss) per share	103,436,881	100,541,604

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

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### 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):

	<b>Three months ended March 31, 2023</b>
Net income (loss) used in the calculation of diluted income (loss) per share	\$ 93,593
Weighted average number of ordinary shares for the purposes of diluted income per share	121,044,704

For the three months ended March 31, 2023, 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), the potential exercise of stock options, restricted stock, held back shares, restricted stock units under GDH LP equity compensation plan, and the potential conversion of exchangeable shares. For the three months ended March 31, 2023, there were 215,942,365 of such potentially dilutive shares that were not included in the calculation of diluted loss per share because they were antidilutive for the periods.

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>Three months ended March 31, 2023</b>
Net income used in the calculation of basic income per share	\$ 91,618
Interest and change in fair value of embedded derivatives - Notes payable	1,975
<b>Net income used in the calculation of diluted income per share</b>	<b>\$ 93,593</b>

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>Three months ended March 31, 2023</b>
Weighted average number of ordinary shares for the purposes of basic income per share	103,436,881
Diluted shares:	
Weighted average of outstanding Class B Units for the period	—
Compensatory Class B Unit awards	—
Stock options	4,260,990
Restricted stock	—
Restricted stock units	—
Held back shares	—
Exchangeable notes	13,346,833
<b>Weighted average number of ordinary shares for the purposes of diluted income per share</b>	<b>121,044,704</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 March 31, 2023, after accounting for exchanges (Note 8) and forfeitures, there were 215,943,700 (December 31, 2022 -

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215,973,821) Class B Units issued, of which 215,913,248 (December 31, 2022 - 215,943,369) 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). 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 five 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 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 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.

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

<b>Grant Date</b>	<b>Number Outstanding</b>	<b>Number Exercisable</b>	<b>Exercise Price (C\$)</b>	<b>Expiry Date</b>
<b>Employees and Officers:</b>				
July 31, 2018	2,721,452	2,721,452	5.00	July 23, 2023
June 25, 2019	1,369,700	1,369,700	2.15	June 25, 2024
April 9, 2020	2,301,542	2,301,542	1.35 - 1.85	April 9, 2025
June 25, 2020	750,000	750,000	1.39	June 25, 2025
November 16, 2020	5,327,150	2,386,317	5.65	November 16, 2025
December 3, 2020	3,634,300	3,634,300	6.21	December 3, 2025
December 8, 2020	452,500	225,000	6.00	December 8, 2025
December 21, 2020	100,000	50,000	8.02	December 21, 2025
May 27, 2021	2,300,000	511,500	23.12 - 25	May 27, 2026
September 29, 2021	75,000	75,000	20.00	September 29, 2026
December 1, 2021	475,000	137,500	30.76	December 1, 2026
April 1, 2022	265,000	66,250	21.30 - 23.00	April 1, 2027
May 11, 2022	200,000	—	10.52	May 11, 2027
June 30, 2022	50,000	—	5.39	June 30, 2027
March 29, 2023	7,083,684	—	6.75	March 29, 2028
March 29, 2023	1,845,096	—	4.19	March 29, 2028
<b>Total</b>	<b>28,950,424</b>	<b>14,228,561</b>		

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As of March 31, 2023, there were 13,518,648 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 Partnership is unable to develop an estimate of the maximum payout under these indemnifications for several reasons. In addition to the lack of a stated or notional amount in a majority of such indemnifications, it is not possible to predict the nature of events that would trigger indemnification or the level of indemnification for a certain event. The Company believes, however, that the possibility of making any material payments for these indemnifications is remote. As of March 31, 2023 and December 31, 2022, there was no liability accrued under these arrangements.

In the ordinary course of business, the Company and its subsidiaries 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).

### 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 March 31, 2023	Three months ended March 31, 2022
Income taxes expense – current	\$ 1,400	\$ 34,520
Income taxes expense (benefit) – total deferred	3,940	(46,108)
<b>Income taxes expense (benefit)</b>	<b>\$ 5,340</b>	<b>\$ (11,588)</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:

	Three months ended March 31, 2023	Three months ended March 31, 2022
Cayman statutory tax rate	— %	— %
Foreign tax rate differential	22.66 %	25.52 %
Change in statutory, foreign tax, foreign exchange and other rates	— %	— %
Non-deductible expenses and non-includible income	— %	— %
Tax credits and incentives	— %	9.52 %
Adjustment to prior years provision versus statutory tax returns	— %	— %
Change in unrecognized deductible temporary differences	(17.2)%	(0.97)%
Other	0.43 %	— %
<b>Effective income tax rate</b>	<b>5.89 %</b>	<b>34.07 %</b>

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## Unrecognized Unused Tax losses and Deductible Temporary Differences

The following table presents unrecognized deferred tax assets as of March 31, 2023:

As of March 31, 2023 (in thousands)		Tax Effect
Investment in GDH LP	\$	67,972

### 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 \$38.1 million as of March 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 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 measurement of the liability and associated receivable. The fair value of the warrant liability and associated

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receivable was 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. All the outstanding warrants expired in November 2022.

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 <sup>(1)</sup></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)	\$	—

<sup>(1)</sup> All the outstanding warrants expired in November 2022.

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:

### ***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 the Promissory Note due from the Partnership. As at March 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 forecasting cash flows from operations and anticipating any 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. 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. GDHI LLC and the Partnership executed a Nominee Agreement whereby the Partnership agrees to make payments on behalf of and will administer funds pursuant to GDHI LLC's specific authorizations, instructions or directions. The Company is not currently exposed to significant liquidity risk.

### ***Interest rate risk***

The Company's only interest-bearing instrument is its Promissory Note with the Partnership. The Promissory Note is at a fixed interest rate of 7% and is not scheduled to be repriced prior to maturity. The Company's financial results are therefore not sensitive to changes in interest rates.

### ***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,

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employing experienced personnel, daily monitoring of the Partnership's investments and digital assets and review of the Partnership's investment objectives.

### **14. SUBSEQUENT EVENTS**

Subsequent to quarter end, the Company received approval from its Board of Directors to commence a normal course issuer bid (a "Bid"), subject to TSX approval and other conditions. The Bid is to purchase up to approximately 10 million ordinary shares (10% of the Company's public float) over a twelve month period.