

**GALAXY**  
DIGITAL

**Galaxy Digital Holdings Ltd.**  
**Management's Discussion and Analysis**

April 7, 2020

## Introduction

This Management's Discussion and Analysis ("MD&A"), dated April 7, 2020, relates to the financial condition and results of operations of Galaxy Digital Holdings Ltd. ("GDH Ltd." or together with its consolidated subsidiary, the "Company") as of April 7, 2020, and is intended to supplement and complement the Company's consolidated financial statements for the year ended December 31, 2019. The Company's only significant asset is a minority interest in Galaxy Digital Holdings LP ("GDH LP" or the "Partnership"), an operating partnership that is building a full-service merchant banking business in the cryptocurrency and blockchain space (See Transaction section). GDH LP has separately filed its consolidated financial statements and MD&A for the year ended December 31, 2019, which are available on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com). **The Company's MD&A should be read in conjunction with GDH LP's consolidated financial statements and MD&A. The Company has included GDH LP's MD&A as an appendix to this MD&A.**

This MD&A, when read in conjunction with GDH LP's MD&A, was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations ("NI 51-102"). The consolidated financial statements and MD&A are presented in US dollars, unless otherwise noted and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results presented for the year ended December 31, 2019 are not necessarily indicative of the results that may be expected for any future period.

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that the financial statements and MD&A do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings, and the financial report together with the other financial information included in these filings fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented in these filings.

## Cautionary Note Regarding Forward-Looking Statements

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These forward-looking statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", "seeks" or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Forward-looking statements are subject to the risk that the industry or the Partnership's businesses do not perform as anticipated, that revenue or expenses estimates may not be met or may be materially less or more than those anticipated, that expected advisory transactions may be modified or not completed at all and those other risks described in this MD&A, the Management's Discussion and Analysis, dated April 7, 2020 of GDH LP, those referenced under Risks and Uncertainties in this MD&A and contained in the annual information form dated April 7, 2020 ("AIF") of the Company. Factors that could cause actual results of the Partnership to differ materially from those described in such forward-looking statements include, but are not limited to, a decline in the digital asset market or general economic conditions; the failure or delay in the adoption of digital assets and the blockchain ecosystem by institutions; a delay or failure in developing infrastructure for the trading business or businesses achieving mandates; and for advisory transactions, a decline in the securities markets, an adverse development with respect to an issuer or party to a transaction or failure to obtain a required regulatory approval. Readers are cautioned that such risk factors, uncertainties and other factors are not exhaustive. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. The forward-looking statements in this MD&A are applicable only as of the date of this MD&A or as of the date specified in the relevant forward-looking statement and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable securities laws. Investors are cautioned that forward-looking statements are not guarantees of future performance and are inherently uncertain. Accordingly, investors are cautioned not to put undue reliance on forward-looking statements.

## Overview

GDH Ltd., formerly Bradmer Pharmaceuticals Inc. ("Bradmer"), was originally formed and incorporated under the Business Corporations Act (Ontario) on February 10, 2006 by the amalgamation of a private company, Blue Devil Pharmaceuticals Inc., and a predecessor company also named Bradmer Pharmaceuticals Inc. By the end of 2009 and up to the date of the closing of the Arrangement (as defined in the Transaction section below), all significant business activities and operations of Bradmer had been terminated.

Upon the closing of the Arrangement, on July 31, 2018, the Company 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 107 Grand Street, 8th Floor, New York, New York, 10013.

GDH Ltd.'s ordinary shares are publicly listed on the TSX Venture Exchange (the "TSX-V") under the symbol "GLXY" and, as of October 16, 2018, are dual-listed on the Frankfurt Stock Exchange under the symbol "7LX".

The Company is a holding company as its only significant asset is a minority interest in GDH LP. GDH LP is building a full-service merchant banking business in the cryptocurrency and blockchain space, to capitalize on market opportunities made possible by the ongoing evolution of the digital assets space through four primary business lines: trading, principal investments, asset management, and advisory services.

The Partnership is a limited partnership formed under the laws of the Cayman Islands on May 11, 2018. 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 the Partnership. Galaxy Group Investments LLC ("GGI"), a Delaware limited liability company, which is owned by the Michael Novogratz, the Chief Executive Officer ("CEO") of the Company, is the sole member of the General Partner and the majority owner of the Partnership as of December 31, 2019 (the "reporting date").

The Partnership's principal address is 107 Grand Street, 8th Floor, New York, New York, 10013. The Partnership also has offices in Tokyo, Japan, London, England, Hong Kong, Jersey City, U.S., San Francisco, U. S., and the Cayman Islands (registered office).

As of date of filing, the Partnership has 73 full-time employees.

## Transaction

### Background

In early 2018, Galaxy LP, the personal investing business of Michael Novogratz, set out to build an institutional-quality merchant banking business in the blockchain, digital asset and cryptocurrency space. As a result, in January 2018, Michael Novogratz contributed his portfolio of digital assets and related investments to Galaxy LP, which had a fair value of approximately \$302 million ("Asset Contribution").

In addition, through a series of transactions and, by way of a plan of arrangement (the "Transaction" or "Arrangement"), Galaxy LP and First Coin Capital Corp. ("First Coin") formed Galaxy Digital Holdings LP ("GDH LP") and Bradmer Pharmaceuticals Inc. ("Bradmer") changed its name to Galaxy Digital Holdings Ltd. ("GDH Ltd."). In connection with the Transaction, Bradmer raised approximately C\$305 million in a private placement offering of 61.0 million subscription receipts (the "Offering"). The net proceeds of the Offering were used by Bradmer to acquire a minority equity interest in GDH LP, providing growth capital to build the business.

On July 31, 2018, the Transaction closed and:

- Bradmer changed its name to Galaxy Digital Holdings Ltd. and appointed new members to its board of directors to manage its minority investment in the operating partnership on an ongoing basis.
  - The net proceeds of the Offering plus accrued interest were released from escrow in exchange for the issuance of Class A Units in GDH LP to Bradmer
  - Bradmer completed a consolidation of its common shares on a basis of 126.38 pre-consolidated common share for one post consolidated common share in advance of the closing and then continued out of the Province of Ontario to become a company existing under the laws of the Cayman Islands.
  - Pursuant to policies of the TSX-V, Bradmer's listing was reactivated under the new ticker GLXY.

- Galaxy LP and First Coin became wholly owned subsidiaries of GDH LP.
  - Following the closing, the principals and owners of Galaxy LP and First Coin held direct controlling equity interests in GDH LP through the ownership of Class B Units, which are generally economically equivalent to Class A Units held by GDH Ltd. but are exchangeable, from time to time, into ordinary shares of GDH Ltd.
  - The sole limited partner of Galaxy LP, Galaxy Group Investments, transferred its interest in Galaxy LP and its ownership interest in Galaxy Digital GP LLC (“Galaxy GP”), the general partner of Galaxy LP, to GDH LP in exchange for 213,696,000 Class B Units.
- GDH LP, GDH GP, GDH Ltd., GDH Intermediate LLC (a wholly owned subsidiary of GDH Ltd. established as a tax-efficient blocker corporation or similar entity for US tax purposes) entered into a second amended and restated limited partnership agreement (as amended from time to time, the "LPA"). Certain key terms of the LPA include the following:
  - *Units* – As described, 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 GDH Ltd. board of directors approves such issuance.
  - *Allocations of Income, Gain, Loss, Deduction and Credit* - each item of income, gain, loss, deduction and credit will generally be allocated pro-rata between Class A Units and Class B Units.
  - *Issuances and Redemptions of Common Stock of GDH Ltd.* - If GDH Ltd. issues any of its ordinary shares, the General Partner will, only if 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, 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 acquisition, 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 General Partner will cancel the Class B Units exchanged and issue Class A Units to GDH Ltd. equal to the number of Class B Units being surrendered, after accounting for any withholding obligation if applicable.
  - *Removal of General Partner* - The General Partner may generally be removed by the limited partners holding at least 66 2/3% of the outstanding Units.
  - *Reimbursable Expenses* - All expenses reasonably incurred by GDH Ltd. in the conduct of its business, including fees related to professional advisors, required or advisable licenses and filings, and meetings and compensation of directors, will be reimbursable by GDH LP.
  - *General Partner Board* - As long as GDH Ltd. owns more than 10% of the outstanding Units, 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, GDH Ltd. will have the right to appoint another person to the board of the general partner.

The foregoing summary is qualified in its entirety by the full text of the LPA which is available on GDH Ltd.'s SEDAR profile at [www.sedar.com](http://www.sedar.com).

### Accounting for the Arrangement

While the Arrangement constituted a reverse takeover under securities law, a separate determination was required from an accounting perspective. The current accounting guidance requires a series of events to occur before the acquisition of an interest in an entity is deemed to be a reverse acquisition.

Under both securities law and IFRS accounting guidance, in an acquisition effected primarily by exchanging equity interests, the acquirer is typically the entity that issues its equity interests. However, in a reverse acquisition, the entity that issues securities to acquire another entity (the legal acquirer) is identified as the acquiree for accounting purposes. The entity whose equity interests are acquired (the legal acquiree) must be the acquirer for accounting purposes for the transaction to be considered a reverse acquisition. Reverse acquisitions sometimes occur when a private operating entity arranges for a public entity to acquire its equity interests in exchange for the equity interests of the public entity. In such a case, the public entity is the legal acquirer and the private entity is the legal acquiree. However, in applying the relevant accounting guidance, the public entity is identified as the acquiree for accounting purposes (accounting acquiree) and the private entity is identified as the acquirer for accounting purposes (the accounting acquirer).

In addition, in order to account for the transaction as a reverse acquisition or an acquisition, it was important to determine whether one entity controlled the other. Under 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.

On the date of the closing of the Arrangement and as of the reporting date, GDH Ltd. is not deemed to control GDH LP as it does not have power or control. The general partner of GDH LP and the majority owner of the Partnership's Units have power over GDH LP due to the ability to impact the Partnership's governance and decision making. The majority of the Partnership's Units in GDH LP is held by GGI, which is controlled by the CEO of the general partner. In addition, GGI has the right to appoint the majority of the members on the board of the general partner.

To determine whether GDH LP or the former owners of GDH LP controlled GDH Ltd. required significant judgment as there were factors that pointed both to evidence of control, and non control. The factors that pointed to evidence of non control included:

- As of the date of the closing of the Arrangement and as of the reporting date, GGI owned the majority of the Units in GDH LP; once it exchanges its Class B Units into ordinary shares of GDH Ltd., GGI will own the majority of the shares. As of the reporting date, GGI had not exchanged any of its Class B Units.
  - Upon an exchange by GGI of its Class B units, GGI will not have a controlling voting stake in GDH Ltd. because all U.S. residents' voting power, including GGI, is collectively capped at 49%.
- The board of GDH Ltd. was appointed by the shareholders of the Company and as of reporting date, the majority of the board was made up of independent directors.
- Neither GDH LP nor GGI can direct GDH Ltd. to raise equity financing on behalf of GDH LP, rather that is a decision to be approved by the independent directors of GDH Ltd.
- Any equity compensation plan (including any amendment or increase thereto) will need to be approved by the shareholders and GDH Ltd. board. If the equity compensation plan involved equity awards (such as options), the GDH Ltd. board will have the ultimate authority to award such grants.

On the other hand, the factors that pointed to evidence of control included:

- The relevant activities of GDH Ltd. (i.e. the activities that significantly affect its returns) and the ability to direct those activities are controlled by GDH LP through the LPA. In addition, GDH Ltd. will not, directly or indirectly, undertake any acquisition or investing activity or operate any business, except in or through GDH LP or subsidiaries of GDH LP.

The general partner of GDH LP can only be replaced by a vote of at least 66 2/3% of the Unitholders. As of the reporting date, GGI owned approximately 78% of the outstanding Units.

- Through the LPA, GDH Ltd. has limited ability to grow, other than through its investment in GDH LP, as all financing proceeds must be transferred to GDH LP. In addition, GDH Ltd. relies on GDH LP to pay its recurring expenses such as board member fees.
- The purpose of the Arrangement was for Galaxy Digital LP to gain a public listing through a public shell company (GDH Ltd.) and for the former owners of GDH LP to have control over the relevant activities of GDH Ltd. through the LPA pending acquisition of outright control following the conversion of Class B Units into shares of GDH Ltd.

Based on the above, it was assessed that neither GDH LP nor its former owners controlled GDH Ltd. In addition, it was determined that the Arrangement did not constitute a reverse acquisition from an accounting standpoint.

As of the reporting date, there have been no changes that would impact the accounting treatment.

#### 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 GDH Ltd., GDH Ltd. receives Class A Units of the Partnership. As GDH Ltd.'s interest in GDH LP increases through the 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, as described above, an investor controls an investee if and only if the investor has all of the following:

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

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

#### Description of Business

The Partnership ("Galaxy") today is pursuing four primary business lines.

##### Trading

The trading business, Galaxy Digital Trading ("GDT"), engages in a number of activities, on a principal basis, involved in and around the buying, selling, lending and borrowing of cryptocurrencies and other digital assets, including: over-the-counter block trading ("OTC"), on-exchange market-making, OTC derivative trading, borrowing and lending, and proprietary quantitative, arbitrage, and macro trading strategies. The in-house engineering team has built and continues to develop a proprietary trading platform that hosts and facilitates these activities, which we believe differentiates Galaxy from the rest of the market, including traditional financial institutions that operate in significantly larger scale with expensive, legacy technology stacks. GDT maintains strong relationships with a large number of spot and futures exchanges, digital asset exchanges and custodians, and fiat banking partners, which enables it to move capital and assets around efficiently in order to provide competitively priced liquidity and achieve cross-market opportunities. GDT has consistently added to its onboarded and active counterparties list; these new counterparties are becoming increasingly institutional in terms of size and sophistication, including a diverse and strategic group of proprietary trading companies, cryptocurrency and digital asset exchange operators, the largest crypto and venture capital investment funds, digital asset mining companies, family offices, and high and ultra-high net worth individuals.

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

### Asset Management

The asset management business, Galaxy Digital Capital Management LP (GDCM), manages capital on behalf of third parties in exchange for management fees and performance-based compensation. GDCM's differentiating factors are its long-tenured institutional experience professionals managing third party capital across a variety of traditional asset classes (including macro hedge funds, long/short equity hedge funds, venture capital, and various structured credit and direct lending funds), its brand name, an acute and highly critical focus on risk management and compliance, strong relationships with key counterparties and a deep connectivity throughout the blockchain and cryptocurrency ecosystem. At this time, management fees generally earned by GDCM range from 0.5% to 2% of assets under management, and performance-based compensation or "carry" has been structured to be up to 20%.

Since the start of 2019, GDCM has capitalized on the improvement in and continued increase in awareness of the digital asset markets, generating inflows into the Galaxy Benchmark Crypto Index Fund LP ("GBCIF" or the "Index Fund") and making meaningful progress towards future commitments. The investment team within GDCM focused on the Galaxy EOS VC Fund LP (the "EOS Fund") have continued to opportunistically deploy committed capital under its mandate to invest in entrepreneurs and companies actively working to improve the EOS blockchain protocol ecosystem, with a more recent focus on emerging use cases in gaming and interactive media. In November of 2019, GDCM officially launched the Galaxy Institutional Bitcoin Fund LP and the Galaxy Bitcoin Fund LP (collectively, the "Galaxy Bitcoin Funds") as a product meant to give institutional and accredited investors alike simple, low-cost access to owning bitcoin in a fund structure, secured via third-party custodians.

As of the reporting date, GDCM had assets under management ("AUM") of \$357.2 million (consisting of approximately \$8.5 million in the Index Fund (as calculated per the terms of the fund's partnership agreement), approximately \$23.7 million in the Galaxy Bitcoin Funds and the \$325.0 million of committed capital from the EOS Fund).

### Advisory Services

The advisory services business, Galaxy Digital Advisors LLC ("GDA"), maintains and continues to build on its systematic coverage of the highest quality businesses operating in and around the blockchain ecosystem, with the ultimate goal of cementing long-lasting and trusted relationships. GDA offers a full spectrum of advisory services, including, but not limited to, general corporate, M&A, transaction, and restructuring advisory services, as well as equity, debt and project finance capital markets services. During 2019, GDA added key hires and has made significant progress, with several active mandates for clients across financing, mergers and acquisitions, and other strategic matters. On July 24, 2019 Galaxy announced that FINRA approved the business expansion of GDA. The approval permits GDA to act as an underwriter to registered public offerings of equity, debt or other corporate securities in the United States. In November, GDA completed its first two initial public offering ("IPO") mandates, acting as a Co-Manager for Silvergate Capital Corporation's NYSE-listing and as a Joint-Bookrunner for Canaan Inc.'s NASDAQ debut.

### Principal Investments

The principal investments team, Galaxy Digital Principal Investments ("GDPI") manages a diverse portfolio of private and public principal investments across the digital asset, cryptocurrency, and blockchain technology sector, including early- and later-stage equity, secured lending, pre-initial coin offering contributions, and other structured alternative investments, which were both contributed to Galaxy LP in the Asset Contribution as well as subsequently originated and acquired by GDPI. GDPI's mandate is to originate and execute upon investment opportunities that we believe are strategically important to the future business roadmap of GDH LP, including (without limitation): new investment strategy seeds, third-party manager seed investments, equity investments into customers, counterparties and vendors of GDH LP, and early-stage equity investments into emerging technologies and platforms that we believe could be strategically relevant to the Company in the future. GDPI executes on this mandate by utilizing a robust, institutional-quality investment process that relies on organization, prioritization and deep-dive due diligence. Galaxy LP continues to make selective principal investments across the ecosystem using capital raised from the Offering, as well as recycling capital from existing investments upon realization. Galaxy Digital Lending LLC, and its affiliate, Galaxy Digital Lending Services LLC (collectively, "GD Lending" and both subsidiaries of Galaxy LP) lends through the use of both balance sheet and third-party capital. GD Lending may also service loans, the majority of which will be loans that GD Lending will originate either directly or through one of its asset management funds; in addition, GD Lending

intends to provide loan servicing to syndicates of co-investors that purchase loans and/ or bonds originated by the GD Lending team.

In addition to its existing focus on blockchain and digital assets, GDH LP intends to strategically expand its mandate to advise, trade, manage client assets and invest in businesses (and securities of those businesses) that are involved in the broader emerging technology sectors (including, blockchain and digital assets, payments, financial technology, data centers, cyber security, artificial intelligence and machine learnings, amongst others). GDH LP believes the linkage and correlation between these sectors will continue to grow stronger over time, and as a result the scope of GDH LP's activities and expertise (as well as the market opportunity) will need to grow accordingly.

## Risks and Uncertainties

In addition to the risks contained herein, the disclosure in this MD&A is subject to, and should be read in conjunction with, the risk factors outlined in the AIF filed on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

## Annual Highlights & Results

<i>\$'s in millions</i>	As of December 31, 2019	As of December 31, 2018	As of December 31, 2017
Cash	\$ —	\$ —	0.3
Investment in associate	81.0	204.6	—
Total assets	81.0	204.6	0.3
Shareholders' equity	81.0	204.6	0.2

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Operating expenses	\$ —	\$ (0.2)	\$ (0.2)
Equity income (loss) from associate	5.8	(37.3)	—
Impairment on investment in associate	(138.4)	—	—
Comprehensive loss for the year	(132.5)	(36.5)	(0.4)

- As of December 31 2019, total assets stood at \$81.0 million (2018 - \$204.6 million), a decrease of \$123.6 million from December 31, 2018. The decrease was primarily a result of the \$138.4 million impairment in the value of its investment in associate.
- The Company did not have net operating expenses for the year ended December 31, 2019 as all expenses incurred during the year (\$1.3 million; 2018 - \$0.7 million) was reimbursed by GDH LP.
- The comprehensive loss for the three months and year ended December 31, 2019 was \$145.7 million and \$132.5 million, respectively, due primarily to the impairment of the Company's investment in GDH LP. The Company's comprehensive loss was \$36.5 million for the year ended December 31, 2018, primarily due to the Company's share of loss from its investment in GDH LP.
- **As the only significant asset of the Company is its minority interest in GDH LP, the results of the Company will be driven by the results of GDH LP. For additional information on the results of GDH LP, see Quarterly Highlights and Results, Performance by Reportable Segment, and the Financial Instruments, Digital Assets and Risk sections of GDH LP's MD&A, which is filed as an appendix to the GDH Ltd. MD&A.**
- As indicated in the Liquidity and Capital Resources section, the Company is dependent on financial support from GDH LP, which has the obligation to reimburse the Company for all reasonable operational expenses per the LPA.

### Other

Information for the eight quarters has been presented in accordance with IFRS. The net loss for the quarters ended June 30, 2018 and March 31, 2018 were primarily due to legal expenses incurred in connection with the Arrangement. Subsequent to the completion of the Arrangement, the results of the Company are impacted by the results of the Partnership. The results of the Partnership are impacted by the performance of its digital assets and investments and, in the three months ended December 31, 2019, by the impairment loss.



<i>\$'s in millions</i>	Three months ended December 31, 2019	Three months ended September 30, 2019	Three months ended June 30, 2019	Three months ended March 31, 2019
Income (loss) and comprehensive income (loss) for the period	\$ (145.6)	\$ (14.9)	\$ 25.1	\$ 2.9

<i>\$'s in millions</i>	Three months ended December 31, 2018	Three months ended September 30, 2018	Three months ended June 30, 2018	Three months ended March 31, 2018
Loss and comprehensive loss for the period	\$ (21.3)	\$ (14.8)	\$ (0.2)	\$ (0.2)

## Discussion of Operations & Operational Highlights

The Company is a holding company as its only significant investment is a minority interest in GDH LP. As the Company will account for its investment under the equity method (i.e. initially recognize the investment at cost and then subsequently increase or decrease the investment to recognize the Company's share of earnings and losses of GDH LP and for impairment losses, if any, after the initial recognition date), the results of GDH LP will significantly impact the Company's performance. **For additional information on the operations and operational highlights and financial results of GDH LP, see Discussion of Operations and Operational Highlights and Results, and Quarterly Highlights & Results sections of GDH LP's MD&A, which is filed as an appendix to GDH Ltd.'s MD&A.**

- **Corporate Overview**

- o **GDH Ltd.'s Normal Course issuer Bid:** In September 2019, the Company received approval from its Board of Directors and the TSX-V to purchase up to approximately 7.3% of its issued and outstanding ordinary shares and 10% of its public float ("Share Repurchase Program"). On September 6, 2019, GDH Ltd. obtained the approval of the TSX-V for the Share Repurchase Program. The Company believes that purchasing its own ordinary shares is consistent with the Company's objective of creating long term shareholder value. The Share Repurchase Program will terminate on the earlier of the date determined by the Company and September 3, 2020. All shares will be purchased for cancellation. The number of ordinary shares that may be repurchased as part of the Share Repurchase Program is 4,916,431.

GDH Ltd. began repurchasing shares on October 2, 2019 and, through December 31, 2019, repurchased a total of 1,315,434 shares for a total cost of C\$1.6 million. Share repurchases through April 6, 2020 were 4,392,530 for a total cost of C\$5.0 million. All repurchased shares of GDH Ltd. and the equivalent number of Class A Units in the Partnership were cancelled. All purchases will be effected through the facilities of the TSX-V as well as through alternate trading systems in Canada upon which the ordinary shares are traded. All purchases and payment for the ordinary shares will be made by GDH Ltd. in accordance with the rules and policies of the TSX-V. The price GDH Ltd. will pay for any of the ordinary shares acquired by it will be the market price of the ordinary shares at the time of the acquisition. Purchases under the Share Repurchase Program will be made from time to time by Stifel Nicolaus Canada Inc. (formerly GMP Securities LP) on behalf of the Company. In accordance with securities laws, the Company has entered into a pre-defined automatic securities purchase plan with Stifel to allow for the repurchase of shares at times when the Company ordinarily would not be active in the market due to its own internal trading blackout periods, insider trading rules or otherwise. Outside of the restricted periods, the timing of purchases will be determined by management of the Company. Shareholders can obtain a copy of the TSX-V Form 5G - Notice of Intention to Make a Normal Course Issuer Bid from GDH Ltd. without charge.

- o **Other corporate updates:** As previously announced, the Company appointed Chris Ferraro as President on June 26, 2019 and Ashwin Prithipaul as Chief Financial Officer on September 30, 2019. On the latter date, Donna Milia assumed the role of senior advisor at the Company.

## Financial Instruments and Other Risk

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

### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts, if applicable. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. As at December 31, 2019, the Company is not exposed to credit risk.

### Liquidity risk

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

### Interest rate risk

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

### Foreign exchange risk

The Company's functional currency and the reporting currency is the US dollar. Periodically the Company incurs charges on its operations for settlement in currencies other than its functional currency and 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 GDH LP is impacted by GDH LP'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.

**For additional information on GDH LP's exposure to financial instruments and other risks, see Financial Instruments, Digital Assets and Risk section of GDH LP's MD&A, which is filed as an appendix to the GDH Ltd. MD&A.**

## Liquidity and Capital Resources

On February 14, 2018, the Company announced the closing of the Offering of approximately 61.0 million Subscription Receipts at a price of C\$5.00 per subscription receipt for gross proceeds of approximately C\$305 million, which was held in escrow until the closing of the Arrangement. Upon closing of the Arrangement, \$229.2 million of net proceeds from the Offering was released from escrow and the proceeds were used to purchase a minority interest in GDH LP. The Offering proceeds of \$229.2 million reflect net proceeds of approximately \$228.4 million and approximately \$0.8 million of interest earned. In the Company's management information circular dated May 14, 2018, the Company provided a listing of the expected use of proceeds by the Partnership in connection with the Offering. The variances in the actual use of proceeds are set out below as of September 30, 2018. The available funds and the principal purposes and business objectives of the Company for subsequent periods are set out below.

	As of December 31, 2019	As of December 31, 2018	As of September 30, 2018	*As of March 31, 2018
Estimated working capital	116.9	\$ 52.7	\$ 77.3	\$ 35.0
Private placement proceeds	0.0	0.0	0.0	229.0
Payoff RLA & accrued interest	0.0	0.0	0.0	(86.0)
General overhead expenses – next 12 months	(42.0)	(45.0)	(40.0)	(40.0)
Capital to Trading business	0.0	0.0	(4.8)	(50.0)
Capital to Principal Investments business	(16.5)	(28.1)	(32.5)	(50.0)
Capital to Asset Management business	0.0	0.0	0.0	(35.0)
Cash to balance sheet	0.0	0.0	0.0	(3.0)
	\$ 58.4	\$ (20.4)	\$ 0.0	\$ 0.0
Digital Assets, net	75.6	51.1	90.6	90.1
	\$ 134.0	\$ 30.7	\$ 90.6	\$ 90.1

\*As disclosed in the Information Circular dated May 14, 2018, except for net digital assets.

Working capital above is calculated as the sum of cash, receivable for digital asset trades, digital asset loans receivable, cash posted as collateral, receivables, prepaid expenses and other assets and short-term loans receivable; less accounts payable and accrued liabilities, payable for digital asset trades, digital asset loans payable, collateral payable, short term lease liability, due to broker and due to related party.

A larger portion of the private placement proceeds was utilized to pay off the Partnership's Revolving Loan Agreement ("RLA") with GGI, which impacted the amount of capital available to deploy into the Partnership's business segments. On July 31, 2018, the Partnership repaid \$88.7 million, consisting of \$87.4 million principal and \$1.3 million accrued interest. On August 1, 2018, the Partnership repaid \$25.7 million, consisting of \$25.0 million principal and \$0.7 million accrued interest. There is no longer an outstanding balance under the RLA. Net incremental cash to the Partnership after repayment of the RLA was \$114.8 million.

As of December 31, 2019, the Company did not have any commitment for capital expenditures.

### **Financial support**

As the Company is a holding company, it is dependent on GDH LP to fund its operating expenses. In accordance with the LPA, GDH LP will reimburse or pay for all reimbursable expenses of GDH Ltd. or its subsidiary, GDH Intermediate LLC. The reimbursable expenses include all expenses reasonably incurred by GDH Ltd. or its subsidiary in the conduct of its business, including fees related to professional advisors, required or advisable licenses and filing, and directors fees. For the years ended December 31, 2019 and 2018, GDH LP paid \$1,291,184 and \$742,566 respectively, on behalf of GDH Ltd.

**For additional information on the liquidity and capital resources of GDH LP, see Liquidity and Capital Resources section of the GDH LP MD&A, which is filed as an appendix to the GDH Ltd. MD&A.**

### **Off-balance sheet arrangements**

As of December 31, 2019, the Company did not have any off-balance sheet arrangements, other than the financial support mentioned in the Liquidity and Capital Resources section, that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, without limitation, such considerations as liquidity and capital resources that have not been previously been discussed.

### **Financial and Administrative Services**

Effective July 1, 2011, Bradmer entered into an agreement with Wildlaw Capital Markets Inc. ("WCM"), a related party of Wildeboer Dellelce LLP ("WD") (see Transactions with Related Parties section), to provide financial and administrative services for C\$6,000 per month. The agreement was terminated upon the closing of the Arrangement on July 31, 2018.

### **Financial Advisory Services**

On August 11, 2011, Bradmer entered into an agreement with WCM as its exclusive financial advisor (i) in respect of any potential business transactions, including a merger, acquisition or reverse takeover; (ii) to complete a review of the Company's capital market strategy; and (iii) to provide advice with respect to the financing of any transaction.

As consideration for WCM providing the services hereunder, Bradmer agreed to pay to WCM in cash, equity or a combination of the two, a fee equal to:

- (a) if the gross value of the transaction is C\$100 million or less, an amount that is 3% of the gross value of such transaction; or
- (b) if the gross value of the transaction is greater than C\$100 million but not in excess of C\$200 million, an amount that is equal to 2% of the gross value of the transaction; or
- (c) if the gross value of the transaction is greater than C\$200 million, an amount that is equal to 1% of the gross value of the transaction.

If the transaction was not completed because an alternative transaction was entered into by Bradmer, Bradmer would pay to WCM, in cash, a fee equal to C\$100,000, together with all of WCM's expenses and disbursements incurred to the date of such agreement or transaction. Bradmer agreed to pay WCM C\$200,000, to be satisfied in shares of the Company, if the Arrangement was completed.

The Company canceled the agreement upon the completion of the Arrangement on July 31, 2018 and settled the terms of the agreement by issuing WCM 40,000 ordinary shares of the Company.

## **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 equally in all material respects, including from an economic and voting perspective, however under the terms of the LPA, Class B Units will, subject to certain limitations, be exchangeable for GDH Ltd. shares on a one-for-one basis.

During the year ended December 31, 2018 GDH LP issued the following Class B Units:

- 213,696,000 Class B Units to GGI;
- 5,319,618 Class B Units to First Coin shareholders; and
- 30,870,000 Class B Units under a GDH LP equity compensation plan. These Class B Unit awards are comprised of 50% of subtype R units (Standard Units) and 50% of subtype P units (Profit Interest Units).

On January 30, 2019, GDH LP transferred 5,280,695 Class B Units of GDH LP to certain officers and employees as compensation. The Class B Units transferred are comprised of 1,521,558 Standard Units and 3,759,137 Profit Interest Units.

The vesting schedule of the Class B Units are as follows:

#### Class B Units issued in 2018:

- Standard Units - vest 50% on each of February 1, 2019 and September 1, 2019. Once vested, each Standard Unit can be exchanged for one share of GDH Ltd. for no additional consideration, subject to tax withholding obligations if applicable.
- Profit Interest Units - vest 50% on each of September 1, 2020 and September 1, 2021. The Profit Interest Units are subject to a catch up period, whereby the capital accounts balance of a Profit Interest Unit must equal the capital account of a Standard Unit. Initially, the Profit Interest Units will have a capital balance of \$nil and will be adjusted upon certain events that trigger a mark-to-market of GDH LP's assets and pick-ups of income. Once the Profit Interest Unit is fully caught up, each Profit Interest Unit can be exchanged for one share of GDH Ltd. for no additional consideration, subject to tax withholding obligations if applicable.

#### Class B Units transferred in 2019:

- Standard Units - 1,233,422 of the Standard Units vest 50% on each of February 1, 2019 and September 1, 2019. For 288,136 of the Standard Units, 250,000 vest on September 1, 2019 and 38,136 vest on September 1, 2020.
- Profit Interest Units - 3,047,273 of the Profit Interest Units vest 50% on each of September 1, 2020 and September 1, 2021. For 711,864 of the Profit Interest Units, 211,864 vest on September 1, 2020, while 250,000 vest on each of September 1, 2021 and September 1, 2022.

As of December 31, 2019, after accounting for exchanges and forfeitures, there were 232,895,180 Class B Units issued, of which 219,332,907 were outstanding and exercisable into ordinary shares of GDH Ltd. As at December 31, 2018, after

accounting for exchanges and forfeitures, there were 243,355,662 Class B Units issued, of which 215,713,955 were outstanding and exercisable into ordinary shares of GDH Ltd.

As at April 6, 2020, after accounting for exchanges and forfeitures, there were 232,172,185 Class B Units issued of which 218,609,912 Class B Units 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 common shares, to employees, officers, directors and consultants of the Company and its affiliates (inclusive of GDH LP). The number of stock options granted to any person within a one-year period will not exceed 5% and the number granted to those individuals considered consultants or providing investor relations services may not exceed 2% in a one-year period, in each case on a fully diluted basis. Under the Plan, the exercise price of each option may not be less than the market price of the Company's shares at the date of grant. Options granted under the Plan will have a term not to exceed 5 years and be subject to vesting provisions as determined by the Board of Directors of the Company who administer the Plan. On exercise of an option, the holder will receive one common share in the Company and GDH LP will issue one Class A Unit to the Company. Up to the date of the Plan amendment on June 24, 2019, the maximum number of shares reserved for issuance under the Plan was not to exceed 10% of the issued share capital of the Company on a fully exchanged basis.

#### Modification of Equity Plan

Effective June 24, 2019, the shareholders of the Company approved an amendment to the Plan (Amended and Restated Stock Option Plan). The Plan was previously a rolling equity plan which reserved for issuance a number of shares of the Company up to a maximum of 10% of the issued share capital on a fully exchanged basis. The Plan was amended to a fixed equity plan reserving for issuance a number of shares of the Company up to a maximum of 15% of the issued share capital, as of April 30, 2019, on a fully exchanged basis. The maximum number of shares reserved for issuance under the Amended and Restated Stock Option Plan is 45,565,739. There were other amendments to the Plan, but none of the other aforementioned terms were changed under the Amended and Restated Stock Option Plan.

#### Modification of stock options previously granted

Effective June 24, 2019, the shareholders of the Company approved a resolution to reprice outstanding options that were granted with an exercise price of C\$5.00 (C\$5.00 options) by reducing the number of option grants by 30% and reducing the exercise price to the higher of C\$3.00 and the then prevailing market price. On June 24, 2019, there were 19,170,000 options, subject to the repricing, and employees holding 19,044,000 of options voluntarily agreed to the repricing. As a result, on June 25, 2019 (the repricing date), the C\$5.00 options granted were reduced by 5,713,200 options to 13,330,800 options and the exercise price was reduced to C\$3.00 (C\$3.00 options).

A summary of stock options outstanding as at December 31, 2019 is as follows:

Grant Date	Number Outstanding	Number Exercisable	Exercise Price (C\$)	Expiry Date
<b>Employees and Officers:</b>				
July 31, 2018	12,737,200	3,184,300	3.00	July 23, 2023
July 31, 2018	126,000	31,500	5.00	July 23, 2023
September 10, 2018	103,600	25,900	3.00	July 23, 2023
December 3, 2018	750,000	187,500	1.15	December 3, 2023
June 25, 2019	3,285,000	821,250	2.15	June 25, 2024
September 4, 2019	682,500	—	1.95	September 4, 2024
<b>Total</b>	<b>17,684,300</b>	<b>4,250,450</b>		

A summary of the stock options outstanding as at December 31, 2018 is as follows:

Grant Date	Number outstanding	Number exercisable	Exercise Price (C\$)	Expiry Date
<b>Employees and Officers:</b>				
July 31, 2018	19,938,000	—	5.00	July 23, 2023
September 4, 2018	700,000	—	5.00	July 23, 2023
September 10, 2018	148,000	—	5.00	July 23, 2023
December 3, 2018	750,000	—	1.15	December 3, 2023
	21,536,000	—		
<b>First Coin Replacement Options:</b>				
November 3, 2017	105,109	35,037	4.64	November 3, 2022
November 14, 2017	21,022	7,007	4.64	November 14, 2022
November 27, 2017	13,138	4,380	4.64	November 27, 2022
January 22, 2018	15,766	3,942	4.64	January 22, 2023
	155,035	50,366		
<b>Total</b>	<b>21,691,035</b>	<b>50,366</b>		

## Transactions with related parties

### Compensation to key management personnel

The Company's related parties include its subsidiary, associates over which it exercises significant influence, and key management personnel. Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers, directors, companies controlled by officers and directors and companies with common directors of the Company. Compensation provided to key management personnel for the years ended December 31, 2019 and 2018 is as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Directors fees	\$ 530,000	\$ 265,000

### Other

During the year ended December 31, 2019, the Company paid or accrued legal fees, included in professional fees, of \$nil (2018 - \$135,258) to a law firm, Wildeboer Dellelce LLP (“WD”), a partnership in which one of the partners was a director of the Company until July 2013 and had continued as a consultant to the Company until the date of the completion of the Arrangement. As of December 31, 2019 and 2018, there was \$nil included in accounts payable and accrued liabilities that was due to WD.

During the year ended December 31, 2019, the Company paid or accrued financial and administrative services, included in general and administrative expense, of \$nil (2018 - \$32,581) to WD Capital Markets Inc. (“WCM”). WCM is a related company of WD by virtue of the partners of WD also being beneficial shareholders of WCM. On completion of the Arrangement, the Company issued WCM 40,000 ordinary shares, at which time WCM ceased to be a related party. As at December 31, 2019 and 2018, there was \$nil included in accounts payable and accrued liabilities that was due to WCM.

During the years ended December 31, 2019 and 2018, certain key management personnel invested in a fund that GDH LP manages. In addition, some members of key management serve as board members for companies in which GDH LP or the fund it manages holds investments.

The CEO of GDH Ltd. served as a director of a cryptocurrency mining and blockchain infrastructure company. During May 2019, the CEO of GDH Ltd. did not stand for re-election and, effective May 13, 2019, the Company is no longer considered a related party. As of December 31, 2018, the GDH LP held an investment in the company, which was valued at \$6.9 million. In

addition, GDH LP extended a loan to the company and the loan had a carrying value of \$15.7 million as of December 31, 2018. GDH LP also completes OTC trades with the company.

In addition, the CEO of GDH Ltd. was a member of the advisory board for another company, resulting in GDH Ltd. and that company being related parties. As of December 31, 2019, GDH LP had an investment valued at \$9.0 million (2018 - \$5.6 million).

In accordance with the LPA, GDH LP will reimburse or pay for all reimbursable expenses of the Company. For the year ended December 31, 2019, GDH LP paid \$1,291,184 (2018 - \$742,566) on behalf of GDH Ltd.

## **Change in Accounting Policies including Initial Adoption**

There were no changes to the accounting policies for the year ended December 31, 2019, except for the initial adoption of a new lease standard on January 1, 2019.

Effective January 1, 2019, the Company adopted the following accounting standard:

### **IFRS 16, *Leases* (“IFRS 16”)**

In January 2016, the IASB issued IFRS 16, *Leases*, which would replace IAS 17, *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company adopted this standard on January 1, 2019, the date of initial application. The adoption of IFRS 16 did not have an impact on the Company's consolidated financial statements.

## **Share Capital**

### **Common Stock**

In connection with the closing of the Arrangement, GDH Ltd.'s share capital was consolidated on the basis of 126.38 pre-consolidation shares for each one share following the share consolidation. Prior to the Arrangement, Bradmer had 19,659,726 of common shares outstanding. Following the consolidation, Bradmer had 141,452 common shares, after the cancellation of 14,108 common shares due to non-participating shareholders. In addition, outstanding Subscription Receipts raised in the February 2018 financing, automatically converted into 60,969,746 post-consolidation shares and the aggregate net proceeds from the Offering of \$229.2 million was released from escrow. Therefore, as a result, upon closing of the Arrangement, there were 61,111,198 ordinary shares issued and outstanding.

As of December 31, 2019, after accounting for additional issuances related to exchanges of GDH LP Class B Units during the period, there were 66,636,540 ordinary shares issued and outstanding. As at April 6, 2020, there were 64,589,829 ordinary shares issued and outstanding.

### **Stock Options**

As of December 31, 2019, in addition to the stock options disclosed under ‘Commitments and Contingencies’, the Company has the following stock options outstanding:

- 11,869 options at a weighted average exercise price of C\$12.64 and which expire on July 21, 2021.

## **Disclosure Controls and Procedures and Internal Control over Financial Reporting**

Disclosure controls and procedures (“DC&P”) are intended to provide reasonable assurance that material information is gathered and reported to senior management to permit timely decisions regarding public disclosure. Internal controls over financial reporting (“ICFR”) are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with Canadian generally accepted accounting principles. TSX Venture-listed companies are not required to provide representations in their annual and interim filings relating to the establishment and maintenance of DC&P and ICFR, as defined in National Instruments 52-109.

In particular, the CEO and CFO do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) processes to provide reasonable assurance

regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer's GAAP.

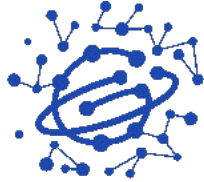
Additional information relating to the Company, including the AIF, is available on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

### **Management's Responsibility for Financial Statements**

The information provided in this MD&A, including the consolidated financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates, if applicable, have been based on careful judgments and have been properly reflected in the consolidated financial statements.



# Appendix



**GALAXY**  
DIGITAL

**Galaxy Digital Holdings LP**  
**Management's Discussion and Analysis**

April 7, 2020

## **Introduction**

This Management's Discussion and Analysis ("MD&A"), dated April 7, 2020, relates to the financial condition and results of operations of Galaxy Digital Holdings LP ("GDH LP" or the "Partnership") together with its subsidiaries as of April 7, 2020, and is intended to supplement and complement the Partnership's consolidated financial statements for the years ended December 31, 2019 and December 31, 2018 and should be read in conjunction therewith. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations ("NI 51-102"). The consolidated financial statements and MD&A are presented in U.S. dollars, unless otherwise noted and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results presented for the years ended December 31, 2019 and December 31, 2018 are not necessarily indicative of the results that may be expected for any future period.

The Partnership's certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that the financial statements and MD&A do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings, and the financial report together with the other financial information included in these filings fairly present in all material respects the financial condition, financial performance and cash flows of the Partnership, as of the date of and for the periods presented in these filings.

## **Cautionary Note Regarding Forward-Looking Statements**

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These forward-looking statements relate to the future of the industry or the Partnership's future results, business or opportunities. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", "seeks" or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Partnership's ability to predict or control. Forward-looking statements are subject to the risk that the industry or the Partnership's businesses do not perform as anticipated, that revenue or expenses estimates may not be met or may be materially less or more than those anticipated, that expected advisory transactions may be modified or not completed at all and those other risks described in this MD&A, the Management's Discussion and Analysis, dated April 7, 2020 of Galaxy Digital Holdings Ltd. ("GDH Ltd.") and those referenced under Risks and Uncertainties in this MD&A and contained in the annual information form dated April 7, 2020 ("AIF") of GDH Ltd. Factors that could cause actual results of the Partnership to differ materially from those described in such forward-looking statements include, but are not limited to, a decline in the digital asset market or general economic conditions; the failure or delay in the adoption of digital assets and the blockchain ecosystem by institutions; a delay or failure in developing infrastructure for the trading business or businesses achieving mandates; and for advisory transactions, a decline in the securities markets, an adverse development with respect to an issuer or party to a transaction or failure to obtain a required regulatory approval. Readers are cautioned that such risk factors, uncertainties and other factors are not exhaustive. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. The forward-looking statements in this MD&A are applicable only as of the date of this MD&A or as of the date specified in the relevant forward-looking statement and the Partnership does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable securities laws. Investors are cautioned that forward-looking statements are not guarantees of future performance and are inherently uncertain. Accordingly, investors are cautioned not to put undue reliance on forward-looking statements.

## Overview

The Partnership is a limited partnership formed under the laws of the Cayman Islands on May 11, 2018. 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 the Partnership. Galaxy Group Investments LLC (“GGI”), a Delaware limited liability company which is owned by Michael Novogratz, is the sole member of GDH GP and continues to be majority owner of the Partnership as of December 31, 2019.

The Partnership’s principal address is 107 Grand Street, 8th Floor, New York, New York, 10013. The Partnership also has offices in Tokyo, Japan, London, England, Hong Kong, Jersey City, U.S., San Francisco, U. S., and the Cayman Islands (registered office).

As of the date of this filing, the Partnership has 73 full-time employees.

The US dollar is the presentation currency for all periods presented. There have been no changes to the accounting principles applied for all periods presented, except as disclosed in Change in Accounting Policies including Initial Adoption.

## Transaction

### Background

In early 2018, Galaxy LP, the personal investing business of Michael Novogratz, set out to build an institutional-quality merchant banking business in the blockchain, digital asset and cryptocurrency space. As a result, in January 2018, Michael Novogratz contributed his portfolio of digital assets and related investments to Galaxy LP, which had a fair value of approximately \$302 million (“Asset Contribution”)

In addition, through a series of transactions and, by way of a plan of arrangement (the “Transaction”), Galaxy LP and First Coin Capital Corp. (“First Coin”) formed Galaxy Digital Holdings LP (“GDH LP”) and Bradmer Pharmaceuticals Inc. (“Bradmer”) changed its name to Galaxy Digital Holdings Ltd. In connection with the Transaction, Bradmer raised approximately C\$305 million in a private placement offering of 61.0 million subscription receipts (the “Offering”). The net proceeds of the Offering were used by Bradmer to acquire a minority equity interest in GDH LP, providing growth capital to build the business.

On July 31, 2018, the Transaction closed and:

- Bradmer changed its name to Galaxy Digital Holdings Ltd. and appointed new members to its board of directors to manage its minority investment in the operating partnership on an ongoing basis.
  - The net proceeds of the Offering plus accrued interest were released from escrow in exchange for the issuance of Class A Units in GDH LP to Bradmer
  - Bradmer completed a consolidation of its common shares on a basis of 126.38 pre-consolidated common share for one post consolidated common share in advance of the closing and then continued out of the Province of Ontario to become a company existing under the laws of the Cayman Islands.
  - Pursuant to policies of the TSX-V, Bradmer’s listing was reactivated under the new ticker GLXY.
- Galaxy LP and First Coin became wholly owned subsidiaries of GDH LP.
  - Following the closing, the principals and owners of Galaxy LP and First Coin held direct controlling equity interests in GDH LP through the ownership of Class B Units, which are generally economically equivalent to Class A Units held by GDH Ltd. but are exchangeable, from time to time, into ordinary shares of GDH Ltd.
  - The sole limited partner of Galaxy LP, Galaxy Group Investments, transferred its interest in Galaxy LP and its ownership interest in Galaxy Digital GP LLC (“Galaxy GP”), the general partner of Galaxy LP, to GDH LP in exchange for 213,696,000 Class B Units.
- GDH LP, GDH GP, GDH Ltd., GDH Intermediate LLC (a wholly owned subsidiary of GDH Ltd. established as a tax-efficient blocker corporation or similar entity for US tax purposes) entered into a second amended and restated limited partnership agreement (as amended from time to time, the “LPA”). Certain key terms of the LPA include the following:
- *Units* – As described, 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 GDH Ltd. board of directors approves such issuance.
- *Allocations of Income, Gain, Loss, Deduction and Credit* - each item of income, gain, loss, deduction and credit will generally be allocated pro-rata between Class A Units and Class B Units.
- *Issuances and Redemptions of Common Stock of GDH Ltd.* - If GDH Ltd. issues any of its ordinary shares, the General Partner will, only if 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, 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 acquisition, 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 General Partner will cancel the Class B Units exchanged and issue Class A Units to GDH Ltd. equal to the number of Class B Units being surrendered, after accounting for any withholding obligation if applicable.
- *Removal of General Partner* - The General Partner may generally be removed by the limited partners holding at least 66 2/3% of the outstanding Units.
- *Reimbursable Expenses* - All expenses reasonably incurred by GDH Ltd. in the conduct of its business, including fees related to professional advisors, required or advisable licenses and filings, and meetings and compensation of directors, will be reimbursable by GDH LP.
- *General Partner Board* - As long as GDH Ltd. owns more than 10% of the outstanding Units, 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, GDH Ltd. will have the right to appoint another person to the board of the general partner.

The foregoing summary is qualified in its entirety by the full text of the LPA which is available on GDH Ltd.'s SEDAR profile at [www.sedar.com](http://www.sedar.com).

#### Accounting for the Arrangement

While the Arrangement constituted a reverse takeover under securities law, a separate determination was required from an accounting perspective. The current accounting guidance requires a series of events to occur before the acquisition of an interest in an entity is deemed to be a reverse acquisition.

Under both securities law and IFRS accounting guidance, in an acquisition effected primarily by exchanging equity interests, the acquirer is typically the entity that issues its equity interests. However, in a reverse acquisition, the entity that issues securities to acquire another entity (the legal acquirer) is identified as the acquiree for accounting purposes. The entity whose equity interests are acquired (the legal acquiree) must be the acquirer for accounting purposes for the transaction to be considered a reverse acquisition. Reverse acquisitions sometimes occur when a private operating entity arranges for a public entity to acquire its equity interests in exchange for the equity interests of the public entity. In such a case, the public entity is the legal acquirer and the private entity is the legal acquiree. However, in applying the relevant accounting guidance, the public entity is identified as the acquiree for accounting purposes (accounting acquiree) and the private entity is identified as the acquirer for accounting purposes (the accounting acquirer).

In addition, in order to account for the transaction as a reverse acquisition or an acquisition, it was important to determine whether one entity controlled the other. Under 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.

On the date of the closing of the Arrangement and as of December 31, 2019 (the "reporting date"), GDH Ltd. is not deemed to control GDH LP as it does not have power or control. The general partner of GDH LP and the majority owner of the Partnership's Units have power over GDH LP due to the ability to impact the Partnership's governance and decision making. The majority of the Partnership's Units in GDH LP is held by GGI, which is controlled by the CEO of the general partner. In addition, GGI has the right to appoint the majority of the members on the board of the general partner.

To determine whether GDH LP or the former owners of GDH LP controlled GDH Ltd. required significant judgment as there were factors that pointed both to evidence of control, and non control. The factors that pointed to evidence of non control included:

- As of the date of the closing of the Arrangement and as of the reporting date, GGI owned the majority of the Units in GDH LP; once it exchanges its Class B Units into ordinary shares of GDH Ltd., GGI will own the majority of the shares. As of the reporting date, GGI had not exchanged any of its Class B Units.
  - Upon an exchange by GGI of its Class B units, GGI will not have a controlling voting stake in GDH Ltd. because all U.S. residents' voting power, including GGI, is collectively capped at 49%.
- The board of GDH Ltd. was appointed by the shareholders of the Company and as of reporting date, the majority of the board was made up of independent directors.
- Neither GDH LP nor GGI can direct GDH Ltd. to raise equity financing on behalf of GDH LP, rather that is a decision to be approved by the independent directors of GDH Ltd.
- Any equity compensation plan (including any amendment or increase thereto) will need to be approved by the shareholders and GDH Ltd. board. If the equity compensation plan involved equity awards (such as options), the GDH Ltd. board will have the ultimate authority to award such grants.

On the other hand, the factors that pointed to evidence of control included:

- The relevant activities of GDH Ltd. (i.e. the activities that significantly affect its returns) and the ability to direct those activities are controlled by GDH LP through the LPA. In addition, GDH Ltd. will not, directly or indirectly, undertake any acquisition or investing activity or operate any business, except in or through GDH LP or subsidiaries of GDH LP. The general partner of GDH LP can only be replaced by a vote of at least 66 2/3% of the Unitholders. As of the reporting date, GGI owned approximately 78% of the outstanding Units.
- Through the LPA, GDH Ltd. has limited ability to grow, other than through its investment in GDH LP, as all financing proceeds must be transferred to GDH LP. In addition, GDH Ltd. relies on GDH LP to pay its recurring expenses such as board member fees.
- The purpose of the Arrangement was for Galaxy Digital LP to gain a public listing through a public shell company (GDH Ltd.) and for the former owners of GDH LP to have control over the relevant activities of GDH Ltd. through the LPA pending acquisition of outright control following the conversion of Class B Units into shares of GDH Ltd.

Based on the above, it was assessed that neither GDH LP nor its former owners controlled GDH Ltd. In addition, it was determined that the Arrangement did not constitute a reverse acquisition from an accounting standpoint.

As of the reporting date, there have been no changes that would impact the accounting treatment.

### 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 GDH Ltd., GDH Ltd. receives Class A Units of the Partnership. As GDH Ltd.'s interest in GDH LP increases through the ownership of the Class A Units, it will be performing an ongoing assessment to determine when it obtains control of GDH LP. Under IFRS accounting guidance, an investor controls an investee if and only if the investor has all of the following:

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

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

### Description of Business

The Partnership today is pursuing four primary business lines.

#### Trading

The trading business, Galaxy Digital Trading (“GDT”), engages in a number of activities, on a principal basis, involved in and around the buying, selling, lending and borrowing of cryptocurrencies and other digital assets, including: over-the-counter block trading (“OTC”), on-exchange market-making, OTC derivative trading, borrowing and lending, and proprietary quantitative, arbitrage, and macro trading strategies. The in-house engineering team has built and continues to develop a proprietary trading platform that hosts and facilitates these activities, which we believe differentiates Galaxy from the rest of the market, including traditional financial institutions that operate in significantly larger scale with expensive, legacy technology stacks. GDT maintains strong relationships with a large number of spot and futures exchanges, digital asset exchanges and custodians, and fiat banking partners, which enables it to move capital and assets around efficiently in order to provide competitively priced liquidity and achieve cross-market opportunities. GDT has consistently added to its onboarded and active counterparties list; these new counterparties are becoming increasingly institutional in terms of size and sophistication, including a diverse and strategic group of proprietary trading companies, cryptocurrency and digital asset exchange operators, the largest crypto and venture capital investment funds, digital asset mining companies, family offices, and high and ultra-high net worth individuals.

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

#### Asset Management

The asset management business, Galaxy Digital Capital Management LP (GDCM), manages capital on behalf of third parties in exchange for management fees and performance-based compensation. GDCM’s differentiating factors are its long-tenured institutional experience professionals managing third party capital across a variety of traditional asset classes (including macro hedge funds, long/short equity hedge funds, venture capital, and various structured credit and direct lending funds), its brand name, an acute and highly critical focus on risk management and compliance, strong relationships with key counterparties and a deep connectivity throughout the blockchain and cryptocurrency ecosystem. At this time, management fees generally earned by GDCM range from 0.5% to 2% of assets under management, and performance-based compensation or “carry” has been structured to be up to 20%.

Since the start of 2019, GDCM has capitalized on the improvement in and continued increase in awareness of the digital asset markets, generating inflows into the Galaxy Benchmark Crypto Index Fund LP (“GBCIF” or the “Index Fund”) and making meaningful progress towards future commitments. The investment team within GDCM focused on the Galaxy EOS VC Fund

LP (the “EOS Fund”) have continued to opportunistically deploy committed capital under its mandate to invest in entrepreneurs and companies actively working to improve the EOS blockchain protocol ecosystem, with a more recent focus on emerging use cases in gaming and interactive media. In November of 2019, GDCM officially launched the Galaxy Institutional Bitcoin Fund LP and the Galaxy Bitcoin Fund LP (collectively, the “Galaxy Bitcoin Funds”) as a product meant to give institutional and accredited investors alike simple, low-cost access to owning bitcoin in a fund structure, secured via third-party custodians.

As of the reporting date, GDCM had assets under management (“AUM”) of \$357.2 million (consisting of approximately \$8.5 million in the Index Fund (as calculated per the terms of the fund's partnership agreement), approximately \$23.7 million in the Galaxy Bitcoin Funds and the \$325.0 million of committed capital from the EOS Fund).

#### Advisory Services

The advisory services business, Galaxy Digital Advisors LLC (“GDA”), maintains and continues to build on its systematic coverage of the highest quality businesses operating in and around the blockchain ecosystem, with the ultimate goal of cementing long-lasting and trusted relationships. GDA offers a full spectrum of advisory services, including, but not limited to, general corporate, M&A, transaction, and restructuring advisory services, as well as equity, debt and project finance capital markets services. During 2019, GDA added key hires and has made significant progress, with several active mandates for clients across financing, mergers and acquisitions, and other strategic matters. On July 24, 2019 Galaxy announced that FINRA approved the business expansion of GDA. The approval permits GDA to act as an underwriter to registered public offerings of equity, debt or other corporate securities in the United States. In November, GDA completed its first two initial public offering (“IPO”) mandates, acting as a Co-Manager for Silvergate Capital Corporation’s NYSE-listing and as a Joint-Bookrunner for Canaan Inc.’s NASDAQ debut.

#### Principal Investments

The principal investments team, Galaxy Digital Principal Investments (“GDPI”) manages a diverse portfolio of private and public principal investments across the digital asset, cryptocurrency, and blockchain technology sector, including early- and later-stage equity, secured lending, pre-initial coin offering contributions, and other structured alternative investments, which were both contributed to Galaxy LP in the Asset Contribution as well as subsequently originated and acquired by GDPI. GDPI’s mandate is to originate and execute upon investment opportunities that we believe are strategically important to the future business roadmap of GDH LP, including (without limitation): new investment strategy seeds, third-party manager seed investments, equity investments into customers, counterparties and vendors of GDH LP, and early-stage equity investments into emerging technologies and platforms that we believe could be strategically relevant to the Company in the future. GDPI executes on this mandate by utilizing a robust, institutional-quality investment process that relies on organization, prioritization and deep-dive due diligence. Galaxy LP continues to make selective principal investments across the ecosystem using capital raised from the Offering, as well as recycling capital from existing investments upon realization. Galaxy Digital Lending LLC, and its affiliate, Galaxy Digital Lending Services LLC (collectively, “GD Lending” and both subsidiaries of Galaxy LP) lends through the use of both balance sheet and third-party capital. GD Lending may also service loans, the majority of which will be loans that GD Lending will originate either directly or through one of its asset management funds; in addition, GD Lending intends to provide loan servicing to syndicates of co-investors that purchase loans and/ or bonds originated by the GD Lending team.

In addition to its existing focus on blockchain and digital assets, GDH LP intends to strategically expand its mandate to advise, trade, manage client assets and invest in businesses (and securities of those businesses) that are involved in the broader emerging technology sectors (including, blockchain and digital assets, payments, financial technology, data centers, cyber security, artificial intelligence and machine learnings, amongst others). GDH LP believes the linkage and correlation between these sectors will continue to grow stronger over time, and as a result the scope of GDH LP’s activities and expertise (as well as the market opportunity) will need to grow accordingly.

## **Risks and Uncertainties**

In addition to the risks contained herein, the disclosure in this MD&A is subject to, and should be read in conjunction with, the risk factors outlined in the AIF, filed on GDH Ltd.’s SEDAR profile at [www.sedar.com](http://www.sedar.com)



## Annual Highlights & Results

<i>\$'s in millions</i>	December 31, 2019	December 31, 2018	December 31, 2017
Digital assets	\$ 86.0	\$ 69.8	\$ 22.7
Digital assets posted as collateral	8.2	—	—
Total	94.2	69.8	22.7
Investments	158.2	179.4	—
Loans receivable - long term	0.0	15.9	—
Total assets	402.8	349.9	54.7
Total liabilities	47.7	44.2	53.0
Total equity	355.1	305.7	1.7

<i>\$'s in millions</i>	Year ended December 31, 2019	Year ended December 31, 2018	November 30 2017 <sup>1</sup> to December 2017
Net realized gain (loss) on digital assets	\$ 72.0	\$ (101.4)	\$ 1.5
Net realized gain (loss) on investments	37.9	—	—
Income (Loss)	132.3	(94.8)	1.5
Operating expenses	(82.2)	(88.4)	(1.2)
Net unrealized gain (loss) on digital assets	(12.0)	(75.5)	1.5
Net unrealized gain (loss) on investments	(12.5)	(8.5)	—
Net comprehensive income (loss)	25.8	(272.7)	1.7

<sup>1</sup> Formation of the Galaxy LP.

- As of December 31, 2019, digital assets, including digital assets posted as collateral, stood at \$94.2 million, an increase of \$24.4 million from December 31, 2018. This increase was primarily due to the increase in the fair value of the digital assets during the period, as the prices of digital assets held by the Partnership increased.
- Investments decreased \$21.2 million to \$158.2 million as of December 31, 2019. The decrease was primarily a result of the partial sale of Block.one shares, partially offset by unrealized gains on certain other investments during the period as well as \$29.7 million of new capital deployed by the Principal Investments team during the year.
- Total liabilities increased by \$3.5 million during the year ended December 31, 2019 primarily due to the increase in the digital asset loans payable and collateral payable balance as well as the lease liability recognized following the adoption of the new lease standard on January 1, 2019 (See Change in Accounting Policies including Initial Adoption) partially offset by lower accrued compensation balance due to year end bonus payments and lower payable for digital asset trades balance.
- Total equity increased by \$49.4 million to \$355.1 million as of December 31, 2019 primarily due to \$25.8 million of net comprehensive income and further increased by \$28.1 million of equity based compensation which did not have a net effect on equity due to the accounting treatment for equity based compensation.
- Operating expenses were lower for the year ended December 31, 2019 as compared to 2018 due primarily to lower professional fees and equity based compensation in 2019 partially offset by higher compensation and compensation related expenses due to an increase in headcount. Beginning in the third quarter of 2018, certain officers and employees of the Partnership were awarded equity based awards (Partnership compensatory Class B Units awards and stock options).
- For the year ended December 31, 2019, net comprehensive income was \$25.8 million, as compared to net comprehensive loss of \$272.7 million for 2018. The current year to date income was largely a result of realized gains

on digital assets, partially offset by the year to date operating expenses. The net comprehensive loss for 2018 was primarily a result of unrealized and realized loss on digital assets.

- The U.S. dollar is the presentation currency and functional currency of the major operating subsidiaries for all periods presented above. There have been no changes to the accounting principles applied for all periods presented, except as disclosed in Change in Accounting Policies including Initial Adoption.

### **Quarterly Highlights and Results**

Information for the prior quarters has been presented in accordance with IFRS. The results of the Partnership, since its formation, have been impacted by the realized and unrealized gain (loss) on its holdings of digital assets and investments. In addition, starting in the three months ended September 30, 2018, operating expenses include equity based compensation.

	Three months ended December 31, 2019	Three months ended September 30, 2019	Three months ended June 30, 2019	Three months ended March 31, 2019	Three months ended December 31, 2018	Three months ended September 30, 2018	Three months ended June 30, 2018	Three months ended March 31, 2018
<i>\$'s in millions</i>								
Net realized gain (loss) on digital assets	\$ (35.1)	\$ (8.5)	\$ 98.1	\$ 17.5	\$ (48.7)	\$ (38.1)	\$ (1.1)	\$ (13.5)
Net realized gain (loss) on investments	(0.2)	—	38.1	—	—	—	—	—
Income (Loss)	(30.7)	(0.8)	143.5	20.3	(45.7)	(36.1)	0.5	(13.5)
Operating expenses	(17.2)	(22.6)	(18.8)	(23.6)	(33.8)	(30.0)	(13.6)	(10.9)
Net unrealized gain (loss) on digital assets	17.1	(40.0)	11.6	(0.7)	7.8	0.4	1.8	(85.5)
Net unrealized gain (loss) on investments	(1.9)	(4.8)	(22.7)	16.9	(25.1)	(4.2)	44.8	(24.0)
Net comprehensive income (loss)	(32.7)	(68.2)	113.8	12.9	(97.0)	(76.7)	35.0	(134.0)

## **Discussion of Operations & Operational Highlights**

The Partnership's Trading business commenced operations on December 6, 2017. Since the beginning of 2018, the Partnership has hired into each of its business areas, professionals with significant experience in asset management, principal investments, trading and advisory services, as well as, in the legal, compliance, finance and operations functions of the firm.

On January 9, 2018 (the "Date of Contribution"), the Asset Contribution took place, which the Partnership intends to use in its Trading and Principal Investment businesses. *(See Transactions with Related Parties).*

### **• Corporate Overview**

- o **GDH Ltd.'s Ordinary Share Repurchase:** During September 2019, GDH Ltd. received approval from its Board of Directors and the TSX-V to purchase up to approximately 7.3% of its issued and outstanding ordinary shares and 10% of its public float the (the "Share Repurchase Program"). GDH Ltd. believes that purchasing its own ordinary shares is consistent with GDH Ltd.'s objective of creating long term shareholder value. The Share Repurchase Program will terminate on the earlier of the date determined by GDH Ltd. and September 3, 2020. All shares will be purchased for cancellation. The number of shares expected to be repurchased as part of the Share Repurchase Program is approximately 5 million.

GDH Ltd. began repurchasing shares on October 2, 2019 and, through December 31, 2019, repurchased a total of 1,315,434 shares for a total cost of C\$1.6 million. Share repurchases through April 6, 2020 were 4,392,530 for a total cost of C\$5.0 million. All repurchased shares of GDH Ltd. and the equivalent number of Class A Units in the Partnership were cancelled.

- o **Other corporate updates:** As previously announced, the Partnership appointed Chris Ferraro as President on June 26, 2019 and Ashwin Prithipaul as Chief Financial Officer on September 30, 2019. On the latter date, Donna Milia, the former Chief Financial Officer, assumed the role of senior advisor at the Partnership.

- **Trading**

- o The Partnership's trading business, Galaxy Digital Trading ("GDT"), experienced an increase in actively trading counterparties in Q4 relative to Q3. While GDT's spot over the counter ("OTC") trading volumes decreased slightly over that same period, the business managed to increase market share as its volumes decelerated at a slower pace than the broader market, as indicated by collective BTC/USD spot volumes across the top 10 trusted exchanges including Coinbase, Bitstamp, Kraken and Gemini. The reduction in broad market activity can be attributed to several factors, including geopolitical and regulatory uncertainty, regulatory concerns related to international exchanges, and general de-levering into the back half of last year. Despite this market headwind, GDT expanded its counterparty outreach efforts and consistently onboarded new strategic partners throughout the quarter.

GDT's continued enhancements to its product suite have generated ongoing demand across its lending, derivatives, and trading solutions. These solutions facilitate counterparty retention and should advantageously position the business when spot volumes re-accelerate again industry-wide.

- **Products & Liquidity Solutions:** Developments across its product offerings continue to differentiate GDT. GDT has been one of the first active participants, for example, in the listed structured product market, and improvements to its technology infrastructure have allowed for GDT to deliver streaming liquidity to counterparties via API functionality.
- **Onboarding & Operations:** The Trading business continues to benefit from GDT's first half investment in onboarding resources across Compliance and Operations.
- **Market Insights:** The increase in frequency of trading commentary has yielded positive feedback from counterparties who rely on GDT to help navigate the volatility of the crypto market.

*Other:*

- o On August 12, 2019, Galaxy Digital UK Limited was approved by the Financial Conduct Authority as an Appointed Representative.

- **Principal Investments**

- o During the first quarter of 2019, the Principal Investments team closed three new investments and two follow-on investments, representing \$6.1 million and \$1.0 million of invested capital, respectively. These investments included:
  - o Three new equity investments, including (i) Symbiont.io, Inc. (\$3.5 million), a financial technology company delivering enterprise blockchain solutions, (ii) Ciphertrace, Inc. (\$2.2 million), a company developing cryptocurrency and blockchain tracing and security capabilities, and Tagomi Holdings Inc. (\$0.4 million), the first live electronic brokerage offering prime services on an agency basis for sophisticated investors of digital assets.
  - o An additional \$0.3 million of eligible loans purchased from BlockFi Lending LLC, a wholly owned subsidiary of BlockFi, Inc., a crypto-secured consumer lending platform in which the Partnership also has an equity investment. Furthermore, the Partnership purchased an additional 5% interest in Galaxy Lending SPV I LLC (the "SPV") from BlockFi, Inc (\$0.1 million). The SPV is a special purpose vehicle created to buy and house crypto-backed loans from BlockFi Lending LLC that is owned by a subsidiary of the Partnership and BlockFi, Inc. After the purchase of the 5% interest, the Partnership owns 95% of the SPV and BlockFi, Inc. owns 5%.
  - o A follow-on investment in a Partnership managed fund (\$0.6 million).
- o During the second quarter of 2019, the Principal Investments team closed three new investments and seven follow-on investments, representing \$3.4 million and \$9.0 million of invested capital, respectively. These investments included:
  - o Three new equity investments, including (i) Nammu21, Inc. (\$0.3 million), a software platform that deconstructs and digitizes complex legal contracts, (ii) Fireblocks Ltd. (\$1.2 million), a company which offers a secure way of moving cryptocurrencies between wallets, and \$1.9 million in a special purpose vehicle (SPV) that holds an investment in a decentralized computing platform.

- Three follow-on equity investments in Bison Trails Co. (\$0.6 million), Springcoin, Inc. (\$0.5 million), and AlphaPoint Corporation (\$0.05 million).
- A follow-on convertible note investment in Mercantile Global Holdings, Inc. (\$2.2 million), which included an allocation of warrants.
- An additional \$4.8 million of eligible loans purchased from BlockFi Lending LLC.
- Capital calls relating to existing commitments in a Galaxy managed fund (\$0.2 million) and in a third-party managed fund (\$0.7 million).
- o During the third quarter of 2019, the Principal Investments team closed three new investments and seven follow-on investments, representing \$4.8 million and \$16.9 million of invested capital, respectively. These investments included:
  - Three new equity investments, including (i) Parsley Health, Inc. (\$2.4 million), a membership based wellness practice which provides a digital-first user experiences, (ii) Flipside Crypto, Inc. (\$2.0 million), a business intelligence platform providing data analytics on crypto projects, and (iii) Mt Gox Investment Fund LP (\$0.5 million), a fund whose investment strategy is to purchase claims from the Mt Gox bankruptcy.
  - Two follow-on equity investments in BlockFi, Inc. (\$2.1 million) and Messari Holdings, Inc. (\$0.4 million).
  - Two follow-on convertible note investments in Mercantile Global Holdings, Inc. (\$0.6 million) and Nammu21, Inc (\$0.2 million).
  - An additional \$11.3 million of eligible loans purchased from BlockFi Lending LLC.
  - Capital calls relating to existing commitments in a Galaxy managed fund (\$2.0 million) and in a third-party managed fund (\$0.2 million).
- o During the fourth quarter of 2019, the Principal Investments team closed one new investment and four follow-on investments, representing \$7.5 million of invested capital. These investments included primarily:
  - An additional \$2.3 million of eligible loans purchased from BlockFi Lending LLC.
  - Follow on investments in Mercantile Global Holdings, Inc. of \$1.7 million.
  - Capital calls relating to existing commitments in a Galaxy managed fund (\$1.5 million).
- o Investments (including loans purchased) made during the fourth quarter bring capital deployed for the year ended December 31, 2019 to \$48.7 million represented by 10 new investments and 20 follow-on investments.
- o Investments made (including loans purchased) from January 9, 2018 through December 31, 2019 total \$181.5 million and are represented by 35 new and 30 follow-on investments.
- **Asset Management**
  - o In July 2019, Galaxy Digital Capital Management LP ("GDCM") was granted Registered Investment Adviser status by the Securities and Exchange Commission ("SEC").
  - o In August 2019, GDCM ceased operations of its third party cash management strategy. As the digital asset and cryptocurrency industry has continued to mature, access to traditional cash management and banking services have become more readily accessible. Furthermore, basic cash management services have historically been a relatively low value-add and hence low fee generating business. As a result, GDCM determined it would discontinue efforts in marketing and managing this strategy in favor of focusing its efforts towards other, higher margin fund strategies. As a result, the Galaxy CM I Fund LP, was liquidated with the investor being fully redeemed effective August 31, 2019.

- o Since the start of 2019, GDCM has been capitalizing on the improvement in the digital asset markets. Most recently, in November 2019 GDCM launched the Galaxy Bitcoin Fund and the Galaxy Institutional Bitcoin Fund (collectively, the "Bitcoin Funds"), which are meant to provide accredited investors with institutionally wrapped exposure to Bitcoin without having to manage the operational risks and challenges of custody and reporting. The Bitcoin Funds are passively managed funds that track the Bloomberg CFIX pricing of bitcoin ("XBT"). XBT is managed by Bloomberg and uses a sophisticated pricing algorithm to produce accurate indications of bid and ask quotes derived from Bloomberg approved cryptocurrency pricing sources. The Bitcoin Funds are a complimentary product offered alongside the existing Index Fund. The XBT returned -11.49% through December 31, 2019 and 1.65% from January 1, 2020 through to April 6, 2020.
- o The Index Fund is a passively managed index fund which tracks the Bloomberg Galaxy Crypto Index (the "BGCI"), an index co-branded and administered by Bloomberg which is designed to track the performance of the largest, most liquid portion of the digital asset market. The BGCI has returned 7.96%, 110.15%, -40.39% and -20.82% for the quarters ending March 31, 2019, June 30, 2019, September 30, 2019, and December 31, 2019, respectively, while returning 7.08% for the year ended December 31, 2019. The BGCI has returned 13.70% on a year to date basis from January 1, 2020 through to April 6, 2020.
- o As of December 31, 2019, GDCM had assets under management ("AUM") of \$357.2 million (consisting of: Galaxy Benchmark Crypto Index Fund LP (the "Index Fund") - \$8.5 million (as calculated per the terms of the fund's partnership agreement); Galaxy Bitcoin Fund, LP, Galaxy Institutional Bitcoin Fund, LP, and Galaxy Institutional Bitcoin Fund, Ltd. (collectively the "Bitcoin Funds") - \$23.7 million, and Galaxy EOS VC Fund LP (the "EOS Fund") committed capital - \$325.0 million).
- o GDCM continues to build its relationships with world class service providers in the digital asset sector. In conjunction with the launch of the Bitcoin Funds, Galaxy announced a strategic crypto custody partnership with Bakkt, a subsidiary of Intercontinental Exchange ("ICE") who is also the parent company of the New York Stock Exchange ("NYSE"). Additionally, the Bitcoin Funds will be supported by Bloomberg, Deloitte, Ernst & Young, Davis Polk, Fidelity, and MG Stover.
- o GDCM also manages the EOS Fund which focuses on investment at the intersection of blockchain, interactive content, and digital objects while focusing on portfolio companies that intend to build on or utilize the EOS.IO blockchain protocol.
  - During the first quarter of 2019, the EOS Fund made investments in Lucid Sight, Inc., Ciphertrace, Inc. and Digital Assets Data Inc.
  - During the second quarter of 2019, the EOS Fund made investments in Out There Labs, Inc., Azarus, Inc., FinCo Services, Inc., Matcherino, Inc., Locks and Keys, Inc, and a follow-on investment in AlphaPoint Corporation.
  - During the third quarter of 2019, the EOS Fund made investments in Loopland Group Holding LLC, Verisart, Inc., Fuel Games Pty Ltd. (dba Immutable), Predictive Pop, Inc., and a follow-on investment in FinCo Services, Inc.
  - During the fourth quarter of 2019, the EOS Fund made investments, amongst others, in N3twork Inc., AVY Entertainment, Inc., RTKFT, Inc., Forte Labs, So Couch Studios, Inc., Genvid Technologies, Inc., and an add-on investment in Mythical, Inc.

### **Advisory Services**

- o During the first quarter of 2019, the Advisory Services business added key hires and made progress in generating active mandates for clients across financing, mergers and acquisitions, and other strategic matters.
- o During the second quarter of 2019, the Advisory Services business had a number of potential financing transactions in various stages of execution, and its investment banking backlog grew compared to the end of the first quarter of 2019.
- o The Advisory Services business continued to make meaningful progress during the second half of 2019 towards its strategic goal of becoming the leading corporate finance and strategic advisory firm in the blockchain technology and digital assets sectors. The Advisory Services business has a number of active mandates for potential financing transactions in various stages of execution, and its investment banking backlog further grew compared to first half of the year.

- o In July 2019, Galaxy Digital Advisors LLC ("GDA"), a subsidiary of GDH LP, obtained approval from the Financial Industry Regulatory Authority ("FINRA") to act as an underwriter to registered public offerings of equity, debt or other corporate securities in the United States.
- o Under this expanded authority, in November 2019, GDA served in its first named role on a completed public equity offering as Co-Manager for Silvergate Bank's initial public offering on the New York Stock Exchange.
- o In addition, also in November, GDA served as joint bookrunner on Canaan Inc.'s initial public offering on the NASDAQ Global Market.

In addition to its existing focus on blockchain and digital assets, the Partnership intends to strategically expand its mandate to advise, trade, manage client assets and invest in businesses (and securities of those businesses) that are involved in the broader emerging technology sectors (including, blockchain and digital assets, payments, financial technology, data centers, cyber security, artificial intelligence and machine learnings, amongst others). The Partnership believes the linkage and correlation between these sectors will continue to grow stronger over time, and as a result the scope of the Partnership's activities and expertise (as well as the market opportunity) will need to grow accordingly.

Galaxy LP and Block.one, the developer behind blockchain software EOS.IO, have several relationships. GDCM launched the EOS VC Fund which focuses on investment at the intersection of blockchain, interactive content, and digital objects while focusing on portfolio companies that intend to build on or utilize the EOS.IO blockchain protocol. Up until August 31, 2019, GDCM also managed a cash management strategy of which Block.one was an investor and from which Galaxy LP earned management fees. Finally, Galaxy LP has investments in EOS tokens and a nominal equity ownership in Block.one as of December 31, 2019, after the sale of a portion of its investment following a tender offer.

## ***Industry Performance and Outlook***

The following table reflects the performance of the cryptocurrency market capitalization, Bitcoin and Ether for the period from January 9, 2018 to December 31, 2019 (amounts expressed in US\$):

	As of January 9, 2018	As of December 31, 2018	As of March 31, 2019	As of June 30, 2019	As of September 30, 2019	As of December 31, 2019	% Change 2019	% Change from January 9, 2018 to December 31, 2019
Cryptocurrency Market Capitalization (billions) <sup>(1)</sup>	\$739,209	\$126,142	\$145,229	\$323,327	\$221,175	\$190,906	51.3%	(74.2)%
Bitcoin Price <sup>(2)</sup>	\$14,595	\$3,743	\$4,105	\$10,817	\$8,294	\$7,194	92.2%	(50.7)%
Ether Price <sup>(2)</sup>	\$1,300	\$133	\$142	\$291	\$180	\$130	(2.3)%	(90.0)%

(1) Represents coinmarketcap.com quoted price as of 12:00 UTC for total market capitalization; January 9, 2018 is presented as that is the date of the Asset Contribution. Capitalization numbers are presented in millions of U.S. dollars.

(2) Represents coinmarketcap.com quoted price as of 12:00 UTC for Bitcoin and Ether; January 9, 2018 pricing is presented as that is the date of the Asset Contribution.

## ***Market Overview***

Asset prices globally increased in 2019 with a broad increase of prices across traditional and digital asset markets. The market capitalization of liquid digital assets increased from \$126.1 billion as of December 31 2018 to \$190.9 billion as of December 31, 2019. Positive announcements and the launch of Bakkt and Fidelity signaled the continued infrastructure growth in the space. In addition, the novel use cases from new entrants, such as Microsoft's Bitcoin Decentralized Identity (DID) solution or JPMorgan Chase's Zether protocol, reinforced the viability of permissionless blockchain networks and applications. In addition, the announcement from Facebook regarding its intention to launch a cryptocurrency, Libra, was generally viewed as a positive for the sector.

## ***Industry Outlook***

As cryptocurrency asset protocols, networks, and applications continue to launch and develop, the innovation may spur wider user adoption through numerous potential use cases and provide a tailwind to the industry. Many of the larger incumbent cryptocurrency asset protocols introduced additional scalability and features in 2019 amidst rising competitive pressures from

new protocols. These protocols and networks are expected to continue to develop infrastructure and tools, which may enable developer adoption, technological improvements, and end user adoption.

Continued regulatory clarity from domestic and global regulatory bodies would provide guidelines and procedures for individuals and institutions involved in the digital asset space. Further clarity on the classification and treatment of assets, know-your-customer and anti-money laundering procedures, and rules on auditing, taxation, custody, and transacting would provide a framework for current and prospective participants in the broader digital asset industry.

Cryptocurrency began in 2009 as a retail product without the typical infrastructure associated with modern finance - namely institutional custody, clearing and lending. As of December 31, 2019, Fidelity Digital Asset Services, LLC, a subsidiary of Fidelity Investments, one of the world's largest and most diversified financial services providers, and Bakkt Holdings, LLC, a financial services company backed by ICE, Microsoft, BCG, and Starbucks, was the only large custodian offering custody services in select states. The Partnership expects additional larger institutional firms to offer custody services in the future which will by their nature facilitate the availability of clearing and lending services.

Facebook announced that it plans to launch its cryptocurrency, Libra, with Uber, Spotify, Coinbase, Lyft and other firms planning on investing approximately \$10 million each in a consortium that will govern Facebook's cryptocurrency, backed by a basket of fiat currencies. The companies joining will be part of the Libra Association. Facebook seeks to raise \$1 billion from Libra Association members in their effort to create a payment coin across their messenger and payment platforms on the web. Libra appears to be a compelling stable cryptocurrency backed by a basket of fiat currencies developed by a Swiss association led by Facebook. Libra Network's launch can enable the broader adoption of digital currencies, open the potential for a free market for money, and disrupt legacy financial institutions. Libra is likely to face challenges, including its transition from a permissioned to permissionless open money network, privacy concerns, and scalability. In addition, it is also likely to get pushback from legacy financial institutions, big tech and regulators, and government officials have already started expressing significant concerns.

All of the above advances are expected to lead to wider adoption of blockchain and cryptocurrencies. This adoption may lead to increased volumes and prices, which should benefit all of our businesses. On a daily basis, the trading business and the Partnership's short- and long-term positioning of its portfolio strategy may benefit the most from these advances as one of the key factors to their success is the volume and value of cryptocurrencies traded.

### **Update since December 31, 2019**

To date, the company has not been uniquely impacted by COVID-19 (Coronavirus). For the safety and well-being of its employees, the company has implemented its business continuity plans, including remote work arrangements. Nonetheless, the COVID-19 pandemic has caused global economic uncertainty and is likely to impact the Company's investments and business activities in the coming months. For example, fundraising for asset management products and advisory transactions may be delayed. Offsetting the potential negative impact of the business delays, the trading business may benefit from increased volatility and transactions.

Digital asset markets receded during the latter half of the first quarter of 2020. The Partnership believes that some of the widely cited reasons for the weakness in markets may be drivers of price action, including a broad risk-off attitude in traditional and digital asset markets driven by the spread and negative economic impact of COVID-19, over-leveraged digital asset positioning after strong year-to-date performance in the first half of the first quarter of 2020, and digital assets becoming a source of liquidity during the decline of traditional assets. During market crises, the Partnership believes that all liquid assets (including digital assets) become sources of liquidity to meet liabilities and margin requirements, and the double-digit declines in risky assets during February and March of 2020 had ripple effects throughout all markets.

Nonetheless, while our businesses and the digital asset markets have been impacted by recent events, it has been interesting to observe the performance of bitcoin and digital asset markets in reaction to the COVID crisis. While the COVID contagion had been spreading around the world since December 2019, it did not impact global markets until late February. Global equity markets experienced their quickest drawdown in history and drawing down the most since the global financial crisis of 2008, tumbling over 30% in less than a month. While initially investors flocked to traditional stores of value such as US Treasuries and gold, eventually the need for liquidity saw all correlations go to one as even gold and US government bonds became sources of liquidity. Global de-risking and volatility accelerated en masse (particularly as institutional investors breached risk limits and were forced to de-risk portfolios, while many were required to raise cash to meet margin requirements) and pushed many asset prices lower. Bitcoin, while spared from the initial asset price slide, eventually fell as investors de-risked liquid portfolios broadly and digital assets became a source of liquidity.

Despite the recent challenging price performance, bitcoin and digital assets broadly have outperformed global equity markets, high yield corporate bonds, and crude on a year-to-date basis. Taking a step further back, it has outperformed all major asset classes on a one-year and three-year basis. The Partnership believes that in the long run bitcoin has the potential to become a safe-haven, hard money asset (and that in its current state has all the requisite elements to do so), but still remains subject to global risk appetites as positioning decisions are considered in conjunction with investors' broader portfolio. Economic growth, both domestically and internationally, appears it will contract in the second quarter of 2020 as a result of COVID-19, which the Partnership believes will lead to challenged and volatile asset price performance (though believes that economic activity and asset prices will recover in Q3 and Q4 after COVID-19). To the extent that the COVID-19 pandemic continues and worsens, the impacts on the global economy are unpredictable and could adversely affect the Partnership's investments, businesses and GDH Ltd.'s stock price. See Financial Instruments, Digital Assets and Risk section for the potential impact of the decline in digital asset markets.

## ***Performance by Reportable Segment***

Income and expenses by each of the reportable segments for the years ended December 31, 2019 and 2018 respectively are as follows:

	<b>Trading</b>	<b>Principal Investments</b>	<b>Asset Management</b>	<b>Advisory</b>	<b>Corporate and Other</b>	<b>Totals</b>
<b>Income (loss)</b>						
Advisory and management fees	\$ —	\$ —	\$ 5,126,694	\$ 203,125	\$ —	\$ 5,329,819
Net realized gain (loss) on digital assets	76,212,748	(4,241,268)	—	—	—	71,971,480
Net realized gain on investments	—	37,922,360	—	—	—	37,922,360
Interest income	988,715	3,171,168	—	65,613	4,188	4,229,684
Net derivative gain	12,425,055	—	—	—	—	12,425,055
Other income	(37,131)	430,000	(56,266)	127,951	—	464,554
	<b>89,589,387</b>	<b>37,282,260</b>	<b>5,070,428</b>	<b>396,689</b>	<b>4,188</b>	<b>132,342,952</b>
<b>Operating expenses</b>	<b>24,435,663</b>	<b>7,147,840</b>	<b>17,420,511</b>	<b>8,082,934</b>	<b>25,117,229</b>	<b>82,204,177</b>
Net unrealized gain (loss) on digital assets	(12,910,038)	936,948	—	—	—	(11,973,090)
Net unrealized loss on investments	—	(12,521,148)	—	—	—	(12,521,148)
Unrealized foreign currency gain (loss)	168,742	—	—	(20,713)	(43)	147,986
Realized foreign currency loss	(197,065)	—	—	—	—	(197,065)
	<b>(12,938,361)</b>	<b>(11,584,200)</b>	<b>—</b>	<b>(20,713)</b>	<b>(43)</b>	<b>(24,543,317)</b>
<b>Net income (loss)</b>	<b>\$ 52,215,363</b>	<b>\$ 18,550,220</b>	<b>\$ (12,350,083)</b>	<b>\$ (7,706,958)</b>	<b>\$ (25,113,084)</b>	<b>\$ 25,595,458</b>



	Trading	Principal Investments	Asset Management	Advisory Services	Corporate and Other	Totals
<b>Income (loss)</b>						
Advisory and management fees	\$ —	\$ —	\$ 3,257,875	\$ 934,933	\$ —	\$ 4,192,808
Net realized loss on digital assets	(99,209,131)	(2,185,692)	—	—	—	(101,394,823)
Interest income	558,441	762,530	—	39,394	838	1,361,203
Net derivative gain	—	—	—	—	—	—
Other income	1,085,133	(41)	—	—	—	1,085,092
	<b>(97,565,557)</b>	<b>(1,423,203)</b>	<b>3,257,875</b>	<b>974,327</b>	<b>838</b>	<b>(94,755,720)</b>
<b>Operating expenses</b>	<b>21,176,292</b>	<b>14,077,846</b>	<b>13,601,062</b>	<b>8,188,667</b>	<b>31,318,743</b>	<b>88,362,610</b>
Net unrealized loss on digital assets	(65,691,676)	(9,802,777)	—	—	—	(75,494,453)
Net unrealized gain (loss) on investments	—	(8,459,854)	—	—	—	(8,459,854)
Unrealized foreign currency gain	4,429	—	—	30,767	—	35,196
Realized foreign currency gain (loss)	(332,523)	—	—	—	944,930	612,407
Goodwill impairment	—	—	—	—	(6,216,914)	(6,216,914)
	<b>(66,019,770)</b>	<b>(18,262,631)</b>	<b>—</b>	<b>30,767</b>	<b>(5,271,984)</b>	<b>(89,523,618)</b>
<b>Net income (loss)</b>	<b>\$(184,761,619)</b>	<b>\$ (33,763,680)</b>	<b>\$ (10,343,187)</b>	<b>\$ (7,183,573)</b>	<b>\$ (36,589,889)</b>	<b>\$(272,641,948)</b>

The results of the Partnership's operations are directly affected by changes in the prices of cryptocurrencies and other digital assets that the Partnership holds or may hold. A significant decrease in the price or value of digital assets held by the Partnership may adversely affect the Partnership's results of operations. Conversely, a significant increase in the price or value of digital assets sold short by the Partnership may adversely affect the Partnership's results of operations. This is evidenced by the \$72.0 million of net realized gains on digital assets for the year ended December 31, 2019, and \$101.4 million of net realized loss on digital assets and \$75.5 million of net unrealized loss on digital assets for the year ended December 31, 2018, as compared to the performance of the cryptocurrency market capitalization, Bitcoin and Ether for the same periods (*See Industry Performance and Outlook*). The trading segment includes the performance of the over the counter (OTC) trading and of the short term and long term positioning of the Partnership's digital assets. The prior periods were updated to reflect the latter change and to conform to current period presentation.

#### ***Net Realized Gain (Loss) on Digital Assets***

For the year end December 31, 2019, the largest contributors to the net realized gain on digital assets of \$72.0 million were gains on sales of Bitcoin (\$51.8 million), Ethereum (\$16.9 million) and Ripple (\$11.3 million), partially offset by realized losses on sales of multiple digital assets. For the year ended December 31, 2018, the largest contributors to the net realized loss on digital assets of \$101.4 million were losses on sales of Bitcoin (\$70.3 million) and Ethereum (\$64.4 million), partially offset by realized gains of \$54.3 million on a digital asset sold short.

#### ***Net Unrealized Gain (Loss) on Digital Assets***

For the year ended December 31, 2019, the largest contributors to the net unrealized loss on digital assets of \$12.0 million were unrealized losses on holdings of Bitcoin (\$6.1 million), Ripple (\$7.5 million) and Ethereum (\$6.9 million), partially offset by multiple digital assets with unrealized gains, the largest of which was EOS (\$6.9 million). For the year ended December 31, 2018, the largest contributors to the net unrealized loss on digital assets of \$75.5 million were unrealized losses on holdings of Wax (\$47.0 million), Kin (\$10.9 million), and BlockV (\$17.2 million) partially offset by multiple digital assets with unrealized gains, the largest of which was a digital asset sold short (\$6.6 million), Ethereum (\$4.9 million) and Bitcoin (\$1.5 million).

### ***Net Unrealized Gain (Loss) on Investments***

For the year ended December 31, 2019, the largest contributors to the unrealized loss on investments of \$12.5 million was the reversal of the previously recognized unrealized gains resulting from the partial sale of Block.one shares (\$20.5 million) and an unrealized loss on investments in Mercantile Global Holdings, Inc. (\$6.2 million), partially offset by unrealized gains on investments in NuCypher (\$4.3 million), BlockFi, Inc. (\$3.5 million), and Cryptology Asset Group P.L.C. (\$3.4 million). For the year ended December 31, 2018, the largest contributors to the net unrealized loss on investments of \$8.5 million were unrealized losses on investments in Pantera ICO Fund LP – Class C Interest (\$14.1 million), Hut 8 Mining Corp. (\$11.3 million) and Xapo Holdings Limited - Series A Preferred (\$11.1 million), partially offset by unrealized gains on Block.one - Class A and B common stock (\$20.5 million) and Cryptology Asset Group P.L.C. (\$4.7 million).

### ***Net Realized Gain on Investments***

For the year ended December 31, 2019, the largest contributor to the net realized gains on investments of \$37.9 million was a realized gain from the partial sale of Block.one shares (\$39.3 million), partially offset by a realized loss from the sale of a portion of the Hut 8 Mining Corp. shares (\$1.3 million). For the year ended December 31, 2018, there were no realized gains on investments.

A breakdown of each asset class by reporting segment as of December 31, 2019 is as follows:

	<b>Trading</b>	<b>Principal Investments</b>	<b>Asset Management</b>	<b>Advisory Services</b>	<b>Corporate and Other</b>	<b>Totals</b>
<b>Digital assets:</b>						
Cryptocurrency	\$ 53,882,704	\$ 32,098,027	\$ —	\$ —	\$ —	\$ 85,980,731
Digital assets posted as collateral	8,208,653	—	—	—	—	8,208,653
<b>Investments:</b>						
Pre-ICO	—	6,005,114	—	—	—	6,005,114
Convertible Notes	—	5,255,579	—	—	—	5,255,579
Preferred Stock	—	75,703,153	—	—	—	75,703,153
Common Stock	—	32,476,631	—	—	—	32,476,631
LP/LLC Interests	—	38,120,805	—	—	—	38,120,805
Warrants/Trust Units	—	602,138	—	—	—	602,138
	<b>\$ 62,091,357</b>	<b>\$ 190,261,447</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 252,352,804</b>

A breakdown of each asset class by reporting segment as of December 31, 2018 is as follows:

	<b>Trading</b>	<b>Principal Investments</b>	<b>Asset Management</b>	<b>Advisory Services</b>	<b>Corporate and Other</b>	<b>Totals</b>
<b>Digital assets:</b>						
Cryptocurrency	\$ 62,662,014	\$ 7,103,325	\$ —	\$ —	\$ —	\$ 69,765,339
<b>Investments:</b>						
Pre-ICO	—	3,444,204	—	—	—	3,444,204
Convertible Notes	—	1,250,000	—	—	—	1,250,000
Preferred Stock	—	59,586,719	—	—	—	59,586,719
Common Stock	—	80,483,775	—	—	—	80,483,775
LP/LLC Interests	—	33,248,472	—	—	—	33,248,472
Warrants/Trust Units	—	1,352,526	—	—	—	1,352,526
	<b>\$ 62,662,014</b>	<b>\$ 186,469,021</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 249,131,035</b>

### ***Financial Instruments, Digital Assets and Risk***

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

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

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

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

	As of December 31, 2019				As of December 31, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cryptocurrency	\$ —	\$ 85,791,558	\$ 189,173	\$ 85,980,731	\$ —	\$ 69,220,031	\$ 545,308	\$ 69,765,339
Digital Assets Posted as Collateral	—	8,208,653	—	8,208,653	—	—	—	—
Pre-ICO	—	6,005,114	—	6,005,114	—	3,444,204	—	3,444,204
Convertible Notes	—	703,500	4,552,079	5,255,579	—	1,250,000	—	1,250,000
Preferred Stock	—	58,286,806	17,416,347	75,703,153	—	56,852,457	2,734,262	59,586,719
Common Stock	13,497,273	18,979,358	—	32,476,631	65,997	74,837,778	5,580,000	80,483,775
LP/LLC Interests	—	21,348,796	16,772,009	38,120,805	—	11,588,613	21,659,859	33,248,472
Warrants/Trust Units	68,052	—	534,086	602,138	23,099	—	1,329,427	1,352,526
Digital Assets Sold Short	—	(18,616,860)	—	(18,616,860)	—	(18,666,957)	—	(18,666,957)
	<u>\$13,565,325</u>	<u>\$180,706,925</u>	<u>\$ 39,463,694</u>	<u>\$233,735,944</u>	<u>\$ 89,096</u>	<u>\$198,526,126</u>	<u>\$31,848,856</u>	<u>\$230,464,078</u>

*Valuation of Assets that use Level 2 Inputs ("Level 2 Assets").* Level 2 assets consist of the majority of the Partnership's investments and digital assets, including its cryptocurrency sold short, where quoted prices in active markets are available. The fair value utilized is primarily either:

- (i) the volume-weighted average of prices across principal exchanges as of 12:00 UTC, per coinmarketcap.com\*, with no adjustments; or
- (ii) the quoted prices across principal exchanges as of 12:00 UTC, per coinmarketcap.com\*, with no adjustments.

\* Coinmarketcap.com is a pricing aggregator, as the principal market or most advantageous market is not always known. The Partnership believes any price difference amongst the principal market and an aggregated price to be immaterial.

Level 2 assets also includes all of the Partnership's pre-ICO investments, the majority of common stock and preferred stock, certain limited partnership/limited liability company interest investments and convertible note investments. The Partnership's pre-ICO investments are generally carried at the total contributions made to date as there are no conditions indicating a change in value and therefore cost approximates fair value. For the Partnership's other investments classified as Level 2, the market approach is used. These investments are classified as Level 2 as they are based on other observable inputs other than quoted prices, such as transactions in the equity of the investments.

*Valuation of Assets that use Level 3 Inputs ("Level 3 Assets").* Consists of certain of the Partnership's cryptocurrency, preferred stock, warrants, limited partnership/limited liability company interest investments and the majority of the Partnership's convertible notes.

- For investments in cryptocurrency, fair value was determined utilizing a volume-weighted average of prices across principal exchanges as of 12:00 UTC, with a marketability adjustment. If the investment was either contractually or legally restricted for trading or lacked access to an active market, a discount for lack of marketability was applied to the closing prices. The discount was calculated using the Black-Scholes model to determine the cost to insure the subject asset against the risk of encountering lower prices.
- For the Partnership's preferred stock investments:
  - The prior transaction approach was used with adjustments, as the transaction in the subject entity's equity may have different characteristics than the Partnership's preferred stock investment. The allocation of the subject entity's equity value (based on the market approach) to its various classes of shares was determined using the Black-Scholes model.
  - One of the Partnership's preferred stock investments used the adjusted book value method to estimate fair value. This is an approach that relies on adjusting the most recently reported book values of the subject enterprise's assets to their market values and subtracting the corresponding liabilities.

- For some of the Partnership's preferred stock investments, the Partnership has taken further discounts for lack of marketability and control.
- For the Partnership's investment in warrants, the Black-Scholes model was used to determine the fair value.
- For the Partnership's limited partnership/limited liability company interest investments in funds, fair value was based on the net asset value provided by the fund.
- For the Partnership's convertible notes, the market approach is used, with further fair value adjustments (e.g. the application of unobservable probabilities).

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

### **Other**

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

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

### **Level 3 Continuity**

The following is a reconciliation of Level 3 Assets for the year ended December 31, 2019:

	Fair value at December 31, 2018	Contributions	Purchases	Sales / Distributions	Net Realized Gain/(Loss) on Digital Assets	Net Unrealized Gain (Loss) on Digital Assets and Investments	Transfers in /(out) of Level 3	Fair Value at December 31, 2019
Cryptocurrency	\$ 545,308	\$ —	\$ 100,000	\$ —	\$ —	\$ (965,850)	\$ 509,715	\$ 189,173
Preferred Stock	2,734,262	—	1,169,800	—	—	3,368,562	10,143,723	17,416,347
Common Stock	5,580,000	—	—	—	—	—	(5,580,000)	—
LP/LLC Interests	21,659,859	—	4,475,570	(1,263,925)	—	(2,211,799)	(5,887,696)	16,772,009
Convertible Notes	—	—	6,775,578	—	—	(2,223,499)	—	4,552,079
Warrants/Trust Units	1,329,427	—	—	—	—	(795,341)	—	534,086
<b>Total Digital Assets and Investments</b>	<b>\$ 31,848,856</b>	<b>\$ —</b>	<b>\$ 12,520,948</b>	<b>\$ (1,263,925)</b>	<b>\$ —</b>	<b>\$ (2,827,927)</b>	<b>\$ (814,258)</b>	<b>\$ 39,463,694</b>

Transfers in and out of Level 3 are considered to have occurred at the beginning of the quarter the transfer occurred. Total transfers into Level 3 were \$15,604,269 and total transfers out of Level 3 were \$16,418,527. The transfers into/(out) of Level 3 for cryptocurrency assets were due to contractual restrictions (or removal of restrictions) for trading of certain cryptocurrencies after their ICO events and discounts for lack of access to an active market for certain cryptocurrencies. The transfers into Level 3 for investments were due to fair value determined by market approaches that utilized an option-pricing based methodology or other unobservable inputs. The transfers out of Level 3 for investments were due to the removal of trading restrictions for a publicly traded common stock and due to the the availability of an observable input (transaction in the investment entity) for a certain limited partnership/ limited liability company interest.

The following is a reconciliation of Level 3 Assets for the year ended December 31, 2018:

	Fair value at December 31, 2017	Contributions	Purchases	Sales/ Distributions	Net Realized Loss on Digital Assets	Net Unrealized Gain/(Loss) on Digital Assets and Investments	Transfers in /(out) of Level 3	Fair Value at December 31, 2018
Cryptocurrency	\$ —	\$ 70,500,276	\$ 835,545	\$ (3,650,017)	\$ (287,125)	\$ (57,371,417)	\$ (9,481,954)	\$ 545,308
Preferred Stock	—	13,800,000	—	—	—	(11,065,738)	—	2,734,262
Common Stock	—	25,924,973	—	—	—	(16,839,556)	(3,505,417)	5,580,000
LP/LLC Interests	—	44,784,040	2,264,960	(13,023,469)	—	(12,365,672)	—	21,659,859
Warrants/Trust Units	—	43,960	—	—	—	1,285,467	—	1,329,427
<b>Total Digital Assets and Investments</b>	<b>\$ —</b>	<b>\$ 155,053,249</b>	<b>\$ 3,100,505</b>	<b>\$ (16,673,486)</b>	<b>\$ (287,125)</b>	<b>\$ (96,356,916)</b>	<b>\$ (12,987,371)</b>	<b>\$ 31,848,856</b>

Transfers in and out of Level 3 are considered to have occurred at the beginning of the period the transfer occurred. Total transfers into Level 3 were \$1,357,674 and total transfers out of Level 3 were \$14,345,045. The transfers into Level 3 for cryptocurrency assets were due to the restrictions on trading for certain cryptocurrencies after their ICO events, and the transfers out of Level 3 were due to the recent transaction of a common stock and due to the removal of trading restrictions for certain cryptocurrencies.

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

#### *Quantitative Information for certain Level 3 Assets*

Financial Instrument	Fair Value at December 31, 2019	Significant Unobservable Inputs	Range
Cryptocurrency	\$189,173	Marketability discount	25% - 54.8%
Convertible Notes	\$4,552,079	Recovery rate	65% - 100%
		Scenario probability (1):	
		No deal closure and dissolution	25%
		Deal closure and partial default	67.5%
		Deal closure and full recovery	7.5%
Preferred Stock	\$17,416,347	Control discount	5%
		Marketability discount	15%
		Time to liquidity event (years)	4.25 - 5
		Annualized equity volatility	90%
		Risk free rate	1.66% - 2.06%
		Expected dividend payout ratio	—
		Enterprise value to revenue multiple	8
Warrants	\$534,086	Volatility	84%
		Exercise price	C\$4.50
		Underlying share price	C\$1.07

<sup>1</sup> Relates to the probability of a deal closure with a potential buyer of the underlying company, with either partial default or full recovery of the amount outstanding of the convertible notes, or no deal closure with a potential buyer and dissolution of the underlying company.

<b>Financial Instrument</b>	<b>Fair Value at December 31, 2018</b>	<b>Significant Unobservable Inputs</b>	<b>Range</b>
Cryptocurrency	\$545,308	Marketability discount	15% - 25.9%
Preferred Stock	\$2,734,262	Control discount	5%
		Marketability discount	15%
Common Stock	\$5,580,000	Marketability discount	11.6%
Warrants <sup>(i)</sup>	\$1,329,389	Volatility	100%
		Exercise price	C\$4.50
		Underlying share price	C\$1.45

<sup>(i)</sup> Level 3 reconciliation table includes another warrant which is not deemed significant.

For the years ended December 31, 2019 and 2018, the latest available reported net asset value of the underlying funds were used to fair value the Level 3 limited partnership/ limited liability company interests.

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

### **Valuation Techniques**

The following tables summarize the valuation techniques and significant inputs used in the fair value measurement of the Partnership's digital assets and investments as of December 31, 2019 and 2018, respectively.

<b>Category</b>	<b>Valuation Methods &amp; Techniques</b>	<b>Key Inputs</b>
Cryptocurrency	<ul style="list-style-type: none"> <li>• Volume-weighted average of trading prices</li> <li>• Black-Scholes model</li> <li>• Marketability adjustments</li> <li>• Liquidity adjustments</li> </ul>	<ul style="list-style-type: none"> <li>• Current trading prices of subject cryptocurrencies</li> <li>• Selected volatilities of subject cryptocurrencies</li> <li>• Selected discounts for lack of marketability/liquidity</li> </ul>
Pre-ICO	<ul style="list-style-type: none"> <li>• Prior transactions method</li> </ul>	<ul style="list-style-type: none"> <li>• Prior prices of subject pre-ICO cryptocurrencies</li> </ul>
Convertible Notes	<ul style="list-style-type: none"> <li>• Prior transactions method</li> <li>• Probability-weighted expected return model</li> </ul>	<ul style="list-style-type: none"> <li>• Prior prices of subject convertible note</li> <li>• Scenario probabilities</li> <li>• Recovery rates</li> </ul>
Preferred Stock	<ul style="list-style-type: none"> <li>• Prior transactions method</li> <li>• Comparable transactions method</li> <li>• Backsolve method in an option pricing model framework</li> <li>• Equity allocation using option pricing model framework</li> <li>• Volume-weighted average of trading prices</li> <li>• Control adjustments</li> <li>• Marketability adjustments</li> <li>• Guideline public company method</li> <li>• Adjusted book value</li> </ul>	<ul style="list-style-type: none"> <li>• Prior prices of subject preferred stock</li> <li>• Expected time to exit</li> <li>• Volatility of the Company's total equity</li> <li>• Risk free rate</li> <li>• Expected dividend payout ratio</li> <li>• Current trading prices of certain cryptocurrencies</li> <li>• Selected discounts for lack of control</li> <li>• Selected discounts for lack of marketability</li> <li>• Enterprise value-to-revenue multiple</li> <li>• Net assets of subject company</li> </ul>
Common Stock	<ul style="list-style-type: none"> <li>• Prior transactions method</li> <li>• Public closing price</li> <li>• Guideline public company method</li> </ul>	<ul style="list-style-type: none"> <li>• Prior prices of subject common stock</li> <li>• Public closing prices of subject securities</li> <li>• Price-to-earnings multiples</li> <li>• Price-to-book value multiples</li> </ul>
LP/LLC Interests	<ul style="list-style-type: none"> <li>• Prior transactions method</li> <li>• Comparable transactions method</li> <li>• Net asset value provided by fund</li> </ul>	<ul style="list-style-type: none"> <li>• Prior prices of subject LP/LLC interests</li> <li>• Net asset value provided by fund</li> </ul>
Warrants/Trust Units	<ul style="list-style-type: none"> <li>• Public closing price</li> <li>• Black-Scholes model</li> </ul>	<ul style="list-style-type: none"> <li>• Public closing prices of subject securities</li> <li>• Selected volatility of underlying trust units</li> </ul>

### **Industry**

The Principal Investments team made 30 investments (including loans purchased) during the year for a total of \$48.7 million. The team monitors the portfolio's concentration on an ongoing basis. As of December 31, 2019 and 2018, details of the industry composition of the Partnership's investments, other than cryptocurrency and pre-ICO investments, are as follow:

Industry	December 31, 2019		December 31, 2018	
	Percentage	# of Investments	Percentage	# of Investments
Other (Cryptocurrency and Pre-ICO)	36 %	72	24 %	48
Finance	35	16	30	13
High Tech Industries	14	10	37	7
Services: Business	11	10	6	6
Banking	4	1	3	1
Media: Diversified and Production	<1	2	<1	2
Utilities: Electric	<1	1	<1	1
Total	100 %	112	100 %	78

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

While the above table provides information regarding the portfolio's industry concentration, at this time, the industry is not a significant factor that the Principal Investments team considers when determining whether to make an investment. Rather, the Partnership considers all investments in the blockchain/cryptocurrency ecosystem, and those in the broader emerging technology sectors, with an appropriate risk and return profile.

#### ***Material Investment Positions***

The Partnership considers a variety of quantitative and qualitative factors in determining if any one investment is considered a material investment position as of each report date. Factors considered include, but are not limited to, the proportion of each investment to total assets; whether any one investment is materially larger than other portfolio investments; the concentration of the portfolio and any associated risks; the liquidity of each investment, or lack thereof; the impact of such an investment on the Partnership's assets or operations; and the existence or absence of other factors that could cause one to conclude that the investment was significant to the Partnership notwithstanding its absolute size.

#### **Investments**

As of December 31, 2019, September 30, 2019 and June 30, 2019, the Partnership had no material investment positions to disclose. As of March 31, 2019, the Partnership considered its 52,000 total shares of the Class A and B (post-stock split 47,000 and 5,000 shares, respectively) common stock investment in Block.one to be a material investment position due to its fair value of \$81.2 million relative to other portfolio investments. During April 2019, the Partnership tendered a portion of its investment in the ordinary shares of Block.one for consideration of \$71.2 million, at a price that was 30% above the December 31, 2018 valuation. On May 20, 2019, the transaction closed and the Partnership received \$71.2 million for the tendered shares, representing a majority of the Company's investment.

#### **Digital Assets**

As of December 31, 2019, the Partnership had a material holding in bitcoin of \$81.3 million. The increase in the holding was primarily due to the increase in the value of bitcoin.



### Select Holdings

As of December 31, 2019, the largest investments by fair value were as follows:

<b>Investment Name</b>	<b>Investment Type</b>	<b>Cost</b>	<b>Fair Value</b>
*Ripple Labs, Inc.	Preferred Stock	\$ 23,804,960	\$ 29,136,109
Block.one	Common Stock	9,988,593	10,001,358
Silvergate Capital Corporation	Common Stock	7,344,000	9,736,920
Bitfury Group Limited	Preferred Stock	9,000,000	9,000,000
Cryptology Asset Group P.L.C.	Common Stock	877,817	8,978,000
Galaxy EOS VC Fund LP	LP/LLC Interests	9,246,197	7,970,959
BlockFi, Inc.	Preferred Stock	4,421,051	7,919,099
Bitgo Holdings, Inc.	Preferred Stock	7,500,000	7,500,000
Templum, Inc.	Preferred Stock	6,000,000	6,004,093
Bakkt Holdings, LLC	LP/LLC Interests	5,000,000	5,000,000
NuCypher	Pre-ICO	499,532	4,757,329
AlphaPoint Corporation	Preferred Stock	7,499,999	4,744,897
Xapo Holdings Limited	Preferred Stock	13,800,000	4,379,000
Pantera Venture Fund, L.P.	LP/LLC Interests	4,259,796	3,759,491
Hut 8 Mining Corp.	Common Stock	12,790,674	3,736,104
Symbiont.io, Inc.	Preferred Stock	3,500,000	3,500,000
Blockchain Capital IV, LP	LP/LLC Interests	2,250,000	2,831,687
Pantera Venture Fund II, L.P.	LP/LLC Interests	2,320,175	2,729,937
Mercantile Global Holdings, Inc.	Convertible Note	4,734,959	2,511,459
Parsley Health, Inc.	Preferred Stock	2,399,999	2,399,999
Pantera ICO Fund LP	LP/LLC Interests	17,406,675	2,311,625
Ciphertrace, Inc.	Preferred Stock	2,174,999	2,174,999
Drawbridge Lending LLC	Convertible Note	2,040,620	2,040,620
		<u>\$ 158,860,046</u>	<u>\$ 143,123,685</u>

\*Also includes an indirect investment through a special purpose vehicle formed for the purpose of investing in Ripple Labs, Inc

As of September 30, 2019, the largest investments by fair value were as follows:

<b>Investment Name</b>	<b>Investment Type</b>	<b>Cost</b>	<b>Fair Value</b>
*Ripple Labs, Inc.	Preferred Stock	\$ 23,804,960	\$ 27,564,909
Block.one	Common Stock	9,988,593	10,001,358
Bitfury Group Limited	Preferred Stock	9,000,000	9,000,000
BlockFi, Inc.	Preferred Stock	4,421,051	7,919,099
Silvergate Capital Corporation	Common Stock	7,344,000	7,558,000
Bitgo Holdings, Inc.	Preferred Stock	7,500,000	7,500,000
Hut 8 Mining Corp.	Common Stock	12,933,084	7,308,271
Galaxy EOS VC Fund LP	LP/LLC Interests	7,718,722	6,571,495
Pantera Venture Fund, L.P.	LP/LLC Interests	5,379,902	6,063,727
Templum, Inc.	Preferred Stock	6,000,000	6,004,093
Cryptology Asset Group P.L.C.	Common Stock	877,817	5,342,960
Xapo Holdings Limited	Preferred Stock	13,800,000	5,260,000
Bakkt Holdings, LLC	LP/LLC Interests	5,000,000	5,000,000
NuCypher	Pre-ICO	499,532	4,757,329
AlphaPoint Corporation	Preferred Stock	7,549,999	4,434,753
Symbiont.io, Inc.	Preferred Stock	3,500,000	3,500,000
Mercantile Global Holdings, Inc.	Convertible Note	3,005,884	3,005,884
Pantera ICO Fund LP	LP/LLC Interests	17,406,675	2,878,391
Blockchain Capital IV, LP	LP/LLC Interests	2,250,000	2,831,687
Pantera Venture Fund II, L.P.	LP/LLC Interests	2,320,175	2,756,577
Parsley Health, Inc.	Preferred Stock	2,399,999	2,399,999
Ciphertrace, Inc.	Preferred Stock	2,174,999	2,174,999
Flipside Crypto, Inc.	Preferred Stock	2,000,000	2,000,000
		<u>\$ 156,875,392</u>	<u>\$ 141,833,531</u>

\*Also includes an indirect investment through a special purpose vehicle formed for the purpose of investing in Ripple Labs, Inc

As of June 30, 2019, the largest investments by fair value were as follows:

<b>Investment Name</b>	<b>Investment Type</b>	<b>Cost</b>	<b>Fair Value</b>
*Ripple Labs, Inc.	Preferred Stock	\$ 23,804,960	\$ 27,564,909
Block.one	Common Stock	9,988,593	10,001,358
Hut 8 Mining Corp.	Common Stock	13,476,498	9,318,855
Bitfury Group Limited	Preferred Stock	9,000,000	9,000,000
AlphaPoint Corporation	Preferred Stock	7,549,999	7,549,999
Bitgo Holdings, Inc.	Preferred Stock	7,500,000	7,500,000
Silergate Capital Corporation	Common Stock	7,344,000	7,239,000
Xapo Holdings Limited	Preferred Stock	13,800,000	6,730,000
Pantera Venture Fund, L.P.	LP/LLC Interests	5,379,902	6,063,727
Templum, Inc.	Preferred Stock	6,000,000	6,004,093
Cryptology Asset Group P.L.C.	Common Stock	877,817	5,575,785
Galaxy EOS VC Fund LP	LP/LLC Interests	5,687,802	5,183,349
Bakkt Holdings, LLC	LP/LLC Interests	5,000,000	5,000,000
Mercantile Global Holdings, Inc.	Preferred Stock	4,000,000	4,000,000
Pantera ICO Fund LP	LP/LLC Interests	17,406,675	3,648,821
Symbiont.io, Inc.	Preferred Stock	3,500,000	3,500,000
Blockchain Capital IV, LP	LP/LLC Interests	2,250,000	2,856,610
Pantera Venture Fund II, L.P.	LP/LLC Interests	2,205,417	2,641,819
Hut 8 Mining Corp.	Warrants	—	2,541,427
Ciphertrace, Inc.	Preferred Stock	2,174,999	2,174,999
Mercantile Global Holdings, Inc.	Convertible Note	2,165,000	2,165,000
		<u>\$ 149,111,662</u>	<u>\$ 136,259,751</u>

\*Also includes an indirect investment through a special purpose vehicle formed for the purpose of investing in Ripple Labs, Inc

As of March 31, 2019, the largest investments by fair value were as follows:

<b>Investment Name</b>	<b>Investment Type</b>	<b>Cost</b>	<b>Fair Value</b>
Block.one	Common Stock	\$ 41,955,897	\$ 81,222,960
*Ripple Labs, Inc.	Preferred Stock	23,804,960	27,564,909
Bitfury Group Limited	Preferred Stock	9,000,000	9,000,000
Bitgo Holdings, Inc.	Preferred Stock	7,500,000	7,500,000
AlphaPoint Corporation	Preferred Stock	7,499,999	7,499,999
Silergate Capital Corporation	Common Stock	7,344,000	6,839,000
Pantera Venture Fund, L.P.	LP/LLC Interests	5,379,902	6,090,228
Templum, Inc.	Preferred Stock	6,000,000	6,000,000
Cryptology Asset Group P.L.C.	Common Stock	877,817	5,499,439
Galaxy EOS VC Fund LP	LP/LLC Interests	5,519,902	5,129,425
Bakkt Holdings, LLC	LP/LLC Interests	5,000,000	5,000,000
Mercantile Global Holdings, Inc.	Preferred Stock	4,000,000	4,000,000
Hut 8 Mining Corp.	Common Stock	16,920,000	3,600,000
Pantera ICO Fund LP	LP/LLC Interests	17,406,675	3,516,258
Symbiont.io, Inc.	Preferred Stock	3,500,000	3,500,000
		<u>\$ 161,709,152</u>	<u>\$ 181,962,218</u>

\*Also includes an indirect investment through a special purpose vehicle formed for the purpose of investing in Ripple Labs, Inc

As of December 31, 2018, the largest investments by fair value were as follows:

Investment Name	Investment Type	Cost	Fair Value
Block.one	Common Stock	\$ 41,955,897	\$ 62,479,519
*Ripple Labs, Inc.	Preferred Stock	23,804,960	27,564,909
Bitfury Group Limited	Preferred Stock	9,000,000	9,000,000
Bitgo Holdings, Inc.	Preferred Stock	7,500,000	7,500,000
AlphaPoint Corporation	Preferred Stock	7,499,999	7,499,999
Silvergate Capital Corporation	Common Stock	7,344,000	6,748,000
Templum, Inc.	Preferred Stock	6,000,000	6,000,000
Cryptology Asset Group P.L.C.	Common Stock	877,817	5,610,259
Hut 8 Mining Corp.	Common Stock	16,920,000	5,580,000
Bakkt Holdings, LLC	LP/LLC Interests	5,000,000	5,000,000
Pantera Venture Fund, L.P.	LP/LLC Interests	5,379,902	4,801,653
Galaxy EOS VC Fund LP	LP/LLC Interests	4,950,627	4,677,213
Mercantile Global Holdings, Inc.	Preferred Stock	4,000,000	4,000,000
Pantera ICO Fund LP	LP/LLC Interests	17,406,675	3,267,214
Pantera Venture Fund II, L.P.	LP/LLC Interests	2,283,994	3,026,083
		<u>\$ 159,923,871</u>	<u>\$ 162,754,849</u>

\*Also includes an indirect investment through a special purpose vehicle formed for the purpose of investing in Ripple Labs, Inc

**Block.one** – the developer of the EOS.IO blockchain protocol focused on enabling secure data transfer and high-performance decentralized applications.

**Ripple Labs, Inc.** – the developer of the Ripple exchange network, a blockchain-based technology protocol focused on payment systems.

**FDCl LLC** – A special purpose vehicle organized for making and holding an investment in Ripple Labs, Inc.

**Bitfury Group Limited** – a bitcoin mining technology developer and mining asset owner and operator.

**Bitgo Holdings, Inc.** – a company that specializes in providing institutional cryptocurrency services, including security compliance and custodial solutions.

**AlphaPoint Corporation** – a financial technology company that provides institutions with enterprise-grade, blockchain-based asset digitization and exchange platforms.

**Silvergate Capital Corporation** – a community bank providing traditional banking and new technology services to blockchain and digital assets ecosystem participants.

**Pantera Venture Fund, L.P.** – an investment firm exclusively focused on blockchain technology and digital assets. Pantera's Venture Fund makes early-stage investments in the blockchain and digital assets ecosystem.

**Templum, Inc.** – a financial technology company focusing on creating a regulatory compliant marketplace for the primary issuance and secondary trading of digital assets through security tokens.

**Cryptology Asset Group P.L.C.** – an investment company investing in crypto assets and crypto companies around the globe and advising blockchain based businesses

**Galaxy EOS VC Fund LP** - a partnership focused on developing the EOS.IO ecosystem with an investment strategy focused on investments that utilize the EOS.IO blockchain software.

**Bakkt Holdings, LLC** – a subsidiary of Intercontinental Exchange (ICE) which is building an open, seamless global network to enable consumers and institutions to buy, sell, store and spend digital assets in a safe, efficient manner.

**Mercantile Global Holdings, Inc.** - a company that has developed a trading and banking platform to enable customers to trade, bank and administer digital assets.

**Xapo Holdings Limited** – a digital assets custody provider offering digital assets wallets, cold storage solutions, and bitcoin based debit cards.

**Hut 8 Mining Corp.** – a digital asset mining services company.

**Pantera ICO Fund LP** – an investment firm exclusively focused on blockchain technology and digital assets. Pantera’s ICO Fund makes investments in Initial Coin Offerings.

**Symbiont.io, Inc.** - a financial technology company delivering enterprise blockchain solutions.

**Pantera Venture Fund II, L.P.** – an investment firm exclusively focused on blockchain technology and digital assets. Pantera’s Venture Fund II makes investments related to digital currency infrastructure.

**Blockchain Capital IV L.P.** – an investment firm whose strategy is to investment in privately held, early stage companies, particularly those involved in the development of blockchain based technologies and in related industries.

**Ciphertrace, Inc.** – a company developing cryptocurrency and blockchain tracing and security capabilities.

**BlockFi, Inc.** – a lending company that offers loans collateralized by the borrower’s select digital assets.

**Parsley Health, Inc.** – a membership based wellness practice company which provides a digital-first user experiences.

**Flipside Crypto, Inc.** – a company that developed a business intelligence platform providing data analytics on crypto projects.

**NuCypher** – is an encryption company that builds privacy-preserving cryptography infrastructure.

**Drawbridge Lending LLC** - a lending company that initiates USD loans secured by crypto assets.

Year ended December 31, 2019

The \$52.5 million decrease in the fair value of Block.one during the year ended December 31, 2019 compared to December 31, 2018 was due to the sale of a majority of the Partnership’s investment under a tender offer.

The \$4.3 million increase in the fair value of NuCypher during the year ended December 31, 2019 compared to December 31, 2018 was due primarily to the higher valuation obtained by the company in its latest funding round.

The \$4.0 million decrease in the fair value of the preferred stock of Mercantile Global Holdings, Inc. during the year ended December 31, 2019 was due primarily to the company’s performance being significantly below forecast and the company experiencing financial difficulties.

The \$5.6 million increase in the fair value of BlockFi, Inc. during the year ended December 31, 2019 was due primarily to the higher valuation obtained by the company in its latest funding round.

Year ended December 31, 2018

The \$20.5 million increase in the fair value of Block.one during 2018 was due to transactions completed that corroborated an increase in the value.

In addition, the \$14.1 million decrease in the fair value of the Pantera ICO Fund LP during the year ended December 31, 2018 is due to the decline in the overall cryptocurrency market during 2018.

A breakdown of the cost and fair value of digital assets, including digital assets posted as collateral, and net of digital assets sold short, by market cap is as follows:

<b>As of December 31, 2019:</b>	<b>Cost</b>	<b>Fair Value</b>
> \$1 billion market cap	\$ 80,302,379	\$ 67,483,582
<= \$1 billion market cap	85,966,060	8,088,942
Net	\$ 166,268,439	\$ 75,572,524

<b>As of December 31, 2018:</b>		
> \$1 billion market cap	\$ 36,847,821	\$ 41,941,760
<= \$1 billion market cap	81,836,592	9,156,622
Net	\$ 118,684,413	\$ 51,098,382

Above table reflects the cost and fair value of the Partnership’s cryptocurrencies by the aforementioned respective capitalizations. Above capitalizations are obtained from coinmarketcap.com.

The Partnership has been able to actively manage its digital asset portfolio by actively trading, both long and short, assets with greater than a \$1 billion market capitalization. (See table in *Industry Performance & Outlook for a comparison of the Partnership's digital assets above against the overall cryptocurrency market*)

As of December 31, 2019, the largest holdings of digital assets by fair value were as follows:

	Quantity	Cost	Fair Value
Bitcoin <sup>1</sup>	11,318	\$ 84,417,448	\$ 81,288,804
Tether	3,706,921	3,726,150	3,705,731
USD Coin	2,279,172	2,286,205	2,279,172
FTX Token	1,020,000	1,364,973	2,182,800
Total		\$ 91,794,776	\$ 89,456,507

<sup>1</sup> Includes \$8.2 million of Bitcoin posted as collateral.

As of December 31, 2018, the largest holdings of digital assets by fair value were as follows:

	Quantity	Cost	Fair Value
Bitcoin	9,724	\$ 33,444,523	\$ 36,392,259
Ethereum	92,545	7,732,290	12,341,761
EOS	2,373,976	13,418,238	6,100,020
Monero	60,227	2,785,102	2,783,674
Total		\$ 57,380,153	\$ 57,617,714

In the above table, as of December 31, 2019, Bitcoin, Ethereum, Tether and EOS are >\$1 billion market cap; USD Coin, FTX Token and Monero are <= \$1 billion market cap.

Above tables should be read in conjunction with discussion on [pg. 16 and 17] (Net Realized Loss on Digital Assets & Net Unrealized Gain (Loss) on Digital Assets)

## Risk

The Partnership's activities may expose it to variety of financial and other risks: credit risk, interest rate risk, liquidity risk, foreign currency risk, market risk, digital asset risk, loss of access risk, irrevocability of transactions, and regulatory oversight risk, among others. The Partnership seeks to minimize potential adverse effects of these risks on performance by employing experienced personnel, daily monitoring of the Partnership's investments and digital assets, and any market events and diversifying the Partnership's business strategy as well as its investment portfolio within the constraints of the Partnership's investment objectives.

### Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into, causing the other party to incur a financial loss. The Partnership's cash, receivables, receivable for digital asset trades, and loans (including digital asset loans) receivable are exposed to credit risk. The Partnership limits its credit risk by placing its cash with high credit quality financial institutions and with cryptocurrency exchanges on which the Partnership has performed internal due diligence procedures. The Partnership deems these procedures necessary as some exchanges are unregulated and not subject to regulatory oversight. Furthermore, crypto-exchanges engage in the practice of commingling their clients' assets in exchange wallets. When crypto-assets are commingled, transactions are not recorded on the applicable blockchain ledger but are only recorded by the exchange. Therefore, there is risk around the occurrence of transactions or the existence of period end balances represented by exchanges. As at December 31, 2019, the Partnership held approximately \$4.5 million (2018 - \$21.5 million) in cash and \$68.5 million (2018 - \$64.3 million) in digital assets at exchanges or custodians that do not have system and organization control available. The Partnership's due diligence procedures around exchanges include, but are not limited to, internal control procedures around on-boarding new exchanges which includes review of the exchanges anti-money laundering ("AML") and know-your-client ("KYC") policies by the Partnership's chief compliance officer, obtaining a security ratings report by an independent third-party on certain exchanges, constant review of market information specifically regarding the exchanges security and solvency risk, setting balance limits for each exchange account based on risk exposure thresholds and preparing daily asset management reports to ensure limits are being followed and having a fail-over plan to move cash and digital assets held on an exchange in instances where risk exposure significantly changes. The

Partnership limits its credit risk with respect to its receivables, receivables for digital asset trades and digital assets loans receivable by transacting with credit worthy counterparties that are believed to have sufficient capital to meet their obligations as they come due and, with regards to OTC and Master Loan Agreement (MLA) counterparties for the trading business, on which the Partnership has satisfactorily performed the relevant AML and KYC procedures. As of December 31, 2019 and subsequently, the Partnership does not expect a material loss on any of its loans. As of each reporting period, the Partnership assesses if there may be expected credit losses requiring recognition of a loss allowance. As of December 31, 2019, the Partnership is exposed to credit risk. While the Partnership intends to only transact with counterparties or exchanges that it believes to be creditworthy, there can be no assurance that a counterparty will not default and that the Partnership will not sustain a material loss on a transaction as a result.

#### Derivative-related credit risk

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

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

#### ***Interest Rate Risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. General interest rate fluctuations may have an impact on the Partnership's investment opportunities, primarily within its principal investments segment. An increase in interest rates may make it more expensive to utilize a leverage facility in the future to make investments. To the extent the Partnership invests in debt instruments, interest rate changes may affect the value of the instrument indirectly in the case of fixed rate obligations, or directly in the case of adjustable rate instruments. In general, rising rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Interest rate sensitivity generally is more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate changes would also affect its ability to earn interest income on cash balances at variable rates. The Partnership did not have a leverage facility in place, its revolving loan agreement ("RLA") with a related party was at a fixed rate of interest, its master loan agreements, and its digital assets loan receivable and payable are at fixed rates of interest. The Partnership's loan receivable with a cryptocurrency blockchain and mining company was exposed to interest rate risk. The interest rate was at the election of the borrower and could be either an ARB loan or a eurodollar loan settled in cash or digital assets at the option of the borrower. During the year ended December 31, 2019, the loan was settled and repaid in full. The Partnership's remaining loans all have fixed rates however in some cases can also be settled in digital assets at the option of the borrower. As of December 31, 2019, the Partnership's exposure to interest rate risk is limited.

#### ***Liquidity Risk***

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as they come due, as well as the risk of not being able to liquidate assets at reasonable prices. The Partnership manages liquidity risk by maintaining sufficient cash balances to enable settlement of its liabilities. Accounts payable and accrued liabilities, other than accrued compensation, and payables for digital asset trades generally have maturities of 30 days or less or are due on demand, or in the case of digital assets loan payable, on 5 to 20 business days notice. The Partnership intends to manage its short-term liquidity needs through the proceeds received from the sale of investments. In addition, as of December 31, 2019, 37.4% (2018 - 28%) of the Partnership's net portfolio was in liquid, actively traded cryptocurrency which can be monetized at reasonable prices in short order.

#### ***Foreign Currency Risk***

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. To the extent these financial instruments are unhedged or not adequately hedged, the value of the Partnership's financial instruments may fluctuate with exchange rates as well as with price changes in various local markets and currencies. The value of the financial assets may therefore be unfavorably affected by fluctuations in currency rates and exchange control regulations. In 2018, the Partnership minimized its exposure to a portion of the escrowed financing proceeds

that were denominated in Canadian dollars. On completion of the Arrangement, the financing proceeds were released and the Partnership is no longer exposed to foreign currency risk on the escrowed funds. Furthermore, throughout the year ended December 31, 2019, the Partnership minimizes exposure to digital assets transactions completed in foreign currencies by entering into foreign currency swaps, which are not significant.

### ***Market Risk***

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

As of December 31, 2019, management's estimate of the effect on equity to a +/- 10% change in the market prices of the Partnership's investments, with all other variables held constant, is +/- \$15.8 million (2018 - \$17.9 million).

### ***Digital Asset Risk***

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

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

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

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

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

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

As of December 31, 2019, management's estimate of the effect on equity to a +/- 10% change in the market prices of the Partnership's net digital assets, including digital assets posted as collateral, with all other variables held constant, is +/- \$7.8 million (2018 - \$5.1 million).



### ***Loss of access risk***

The loss of access to the private keys associated with the Partnership's cryptocurrency holdings may be irreversible and could adversely affect an investment. Cryptocurrencies are controllable only by an individual that possesses both the unique public key and private key or keys relating to the "digital wallet" in which the cryptocurrency is held. To the extent a private key is lost, destroyed or otherwise compromised and no backup is accessible the Partnership may be unable to access the cryptocurrency.

### ***Irrevocability of transactions***

Cryptocurrency transactions are irrevocable and stolen or incorrectly transferred cryptocurrencies may be irretrievable. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer or theft generally will not be reversible, and the Partnership may not be capable of seeking compensation.

### ***Hard fork and air drop risks***

Hard forks may occur for a variety of reasons including, but not limited to, disputes over proposed changes to the protocol, significant security breach, or an unanticipated software flaw in the multiple versions of otherwise compatible software. In the event of a hard fork in a cryptocurrency held by the Partnership, it is expected that the Partnership would hold an equivalent amount of the old and new cryptocurrency following the hard fork.

Air drops occur when the promoters of a new cryptocurrency send amounts of the new cryptocurrency to holders of another cryptocurrency that they will be able to claim a certain amount of the new cryptocurrency for free.

The Partnership may not be able to realize the economic benefit of a hard fork or air drop, either immediately or ever, for various reasons. For instance, the Partnership may not have any systems in place to monitor or participate in hard forks or airdrops. Therefore, the Partnership may not receive any new cryptocurrencies created as a result of a hard fork or airdrop, thus losing any potential value from such cryptocurrencies.

### ***Regulatory oversight risk***

Regulatory changes or actions may restrict the use of cryptocurrencies or the operation of cryptocurrency networks or exchanges in a manner that adversely affects investments held by the Partnership.

## ***Expenses***

The Partnership's operating expenses were as follows:

	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
Compensation and compensation related	\$ 28,579,918	\$ 26,875,317
Equity based compensation	28,131,160	31,281,892
General and administrative	13,834,596	11,777,456
Professional fees	7,003,271	11,391,527
Interest	3,133,143	4,798,337
Insurance	1,322,089	2,188,081
Director fees	200,000	50,000
Totals	<u>\$ 82,204,177</u>	<u>\$ 88,362,610</u>

### ***Year ended December 31, 2019 compared to December 31, 2018***

Compensation and compensation related expense for the year ended December 31, 2019 increased compared to December 31, 2018 due primarily to an increase in headcount as compared to the earlier year, partially offset by lower placement fees. This total is inclusive of base compensation and accrued bonuses, placement fees, payroll taxes, benefits, consultants and temporary staff.

Equity based compensation was \$28.1 million in 2019 compared to \$31.3 million in 2018. Beginning in the third quarter of 2018, certain officers and employees of the Partnership were awarded equity based awards (Partnership compensatory Class B Units awards and stock options). Each quarter, the fair value of such awards are accrued and charged to operations on a staged (or graded) vesting basis, based on the respective vesting schedules.

Professional fees decreased for the year ended December 31, 2019 as compared to December 31, 2018 due primarily to a decrease in legal fees. Legal fees were higher during the year ended September 30, 2018 due to the fees incurred in connection with the Arrangement.

General and administrative costs increased for the year ended December 31, 2019 compared to December 31, 2018 due primarily to higher bad debt expense, an increase in technology expenses as the trading business continues to build out its proprietary trading infrastructure, and higher depreciation expense (depreciation of the leasehold improvements started in the fourth quarter of 2018 and depreciation of right of use asset started in the first quarter of 2019).

Interest expense for the year ended December 31, 2019 decreased compared to December 31, 2018 due to the interest associated with the RLA and with a short position borrow in 2018. The RLA was repaid in full in the third quarter of 2018, and the short position borrow agreement was terminated and replaced with a master loan agreement in 2019.

Insurance decreased for the year ended December 31, 2019 compared to December 31, 2018 due to a reduction in the coverage amount and an associated reduction in premiums in 2019, after performing an industry benchmarking analysis. In addition, the 2018 insurance expense included an insurance amount for a non-recurring policy associated with the Arrangement.

## Liquidity and Capital Resources

On February 7, 2018, the Partnership entered into a RLA with GGI to provide a source of additional capital to fund its operations and prospective investments until such time that private placement proceeds were released from escrow (*See Transactions with Related Parties*). The RLA provided liquidity which was utilized by the Partnership to increase its portfolio of digital assets, investments or otherwise expand the overall business.

On February 14, 2018, Bradmer announced the closing of a private placement offering of approximately 61.0 million subscription receipts at a price of CAD\$5.00 per subscription receipt for gross proceeds of approximately CAD\$305 million. On July 31, 2018, upon closing of the Arrangement, a net amount of approximately \$229.2 million was released from escrow (this represents net proceeds of approximately \$228.4 million and approximately \$0.8 million of interest earned on private placement proceeds in escrow). In GDH Ltd.'s management information circular dated May 14, 2018, GDH Ltd. provided a listing of the expected use of proceeds by the Partnership in connection with the Offering. The variances in the actual use of proceeds are set out below as of September 30, 2018. The available funds and the principal purposes and business objectives of the Partnership for subsequent periods are set out below.

	As of December 31, 2019	As of December 31, 2018	As of September 30, 2018	As of March 31, 2018
Estimated working capital	\$ 116.9	\$ 52.7	\$ 77.3	\$ 35.0
Private placement proceeds	0.0	0.0	0.0	229.0
Payoff RLA & accrued interest	0.0	0.0	0.0	(86.0)
General overhead expenses – next 12 months	(42.0)	(45.0)	(40.0)	(40.0)
Capital to Trading business	0.0	0.0	(4.8)	(50.0)
Capital to Principal Investments business	(16.5)	(28.1)	(32.5)	(50.0)
Capital to Asset Management business	0.0	0.0	0.0	(35.0)
Cash to balance sheet	0.0	0.0	0.0	(3.0)
	<u>\$ 58.4</u>	<u>\$ (20.4)</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>
Digital Assets, net	75.6	51.1	90.6	90.1
	<u>\$ 134.0</u>	<u>\$ 30.7</u>	<u>\$ 90.6</u>	<u>\$ 90.1</u>

\*As disclosed in the Information Circular dated May 14, 2018, except for net digital assets.

Working capital above is calculated as the sum of cash, receivable for digital asset trades, digital asset loans receivable, cash posted as collateral, receivables, prepaid expenses and other assets and short-term loans receivable; less accounts payable and accrued liabilities, payable for digital asset trades, digital asset loans payable, collateral payable, short term lease liability, due to broker and due to related party.

As the borrowings on the RLA increased primarily to make principal investments, a larger portion of the private placement proceeds was utilized to pay off the RLA, which impacted the amount of capital available to deploy into the business segments. On July 31, 2018, the Partnership repaid \$88.7 million, consisting of \$87.4 million principal and \$1.3 million accrued interest. On August 1, 2018, the Partnership repaid \$25.7 million, consisting of \$25.0 million principal and \$0.7 million accrued interest.

There is no longer an outstanding balance under the RLA. Net incremental cash to the Partnership after repayment of the RLA was \$114.8 million.

As of December 31, 2019, the Partnership had total equity of \$355.1 million. As of December 31, 2018, the Partnership had total equity of \$305.7 million. The increase in equity during the year ended December 31, 2019 was primarily due to the net comprehensive income for the year.

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Total assets	\$ 402,779,121	\$ 349,924,275
Total liabilities	(47,674,556)	(44,236,106)
Non-controlling interests	(7,319,484)	(4,167,578)
<b>Partners' Capital</b>	<b>\$ 347,785,081</b>	<b>\$ 301,520,591</b>

Additionally, as of December 31, 2019, the Partnership had cash of \$106.3 million and \$75.6 million of net digital assets, including digital assets posted as collateral. As of December 31, 2018, the Partnership had cash of \$66.5 million and \$51.1 million of net digital assets. Management believes that the Partnership has sufficient financial resources to maintain its operations and activities for the upcoming year.

In April 2019, the Partnership tendered a portion of its investment in the ordinary shares of Block.one for consideration of \$71.2 million, at a price that is 30% above the December 31, 2018 valuation. On May 20, 2019, the transaction closed and the Partnership received \$71.2 million for the tendered shares, representing a majority of the Company's investment. The Partnership believes the cash generated from this transaction, in conjunction with the Partnership's existing financial position, will provide the necessary liquidity with which to operate the business and make investments for the foreseeable future.

The Partnership expects to generate incremental cash in the ordinary course through revenues earned in each of its businesses. The Trading business anticipates generating cash through strategically liquidating, shorting, trading and reinvesting in liquid cryptocurrencies, as well as through OTC trading. The Asset Management business continues to earn fees for managing third party capital. The Principal Investments business has captured and may capture additional unrealized appreciation in the future by monetizing certain investments in its illiquid book, generating cash to facilitate operating the overall business. Additionally, the Principal Investments business earns current income from interest bearing debt investments. The Advisory Services business has earned fees from serving its clients and is expected henceforth to earn fees by serving larger, more institutional clients in the digital assets and blockchain technology industry.

The Partnership is a startup business with no proven track record or operating history, and its revenues, including the performance of its digital assets and investments, at times has been less than its operating expenses and may be less for an extended period of time. This may result in a decrease in the Partnership's working capital and could potentially lead to a deficit in the Partnership's working capital in the future. The Partnership expects to use the proceeds received from the tender offer from Block.one to provide liquidity to operate its businesses. A significant decrease in the Partnership's working capital as a result of poor operating results could nonetheless adversely affect the Partnership's ability to grow and expand its businesses and meet its unfunded commitments.

In the event there is insufficient working capital to support the growth of the business, the Partnership may sell digital assets to generate sufficient cash to meet obligations as they come due, or may exit all or a portion of an investment if an exit price is advantageous to the Partnership. The Partnership may also seek additional sources of financing in the future, including but not limited to, issuing equity or convertible notes or seeking other financing in the form of a debt facility.

## Off-balance sheet arrangements

### Investment and Loan Commitments

The Partnership may provide for commitments to portfolio companies for investments in existing or new assets. As of December 31, 2019, the Partnership had obligations to three existing portfolio companies for \$16.5 million, of which \$2.5 million was funded as of the date of this MD&A. The Partnership maintains sufficient cash on hand to fund such commitments as they come due.

In the ordinary course of business, the Partnership enters into facilities to borrow cryptocurrencies to facilitate trading. For certain of those cryptocurrencies, the Partnership has taken a strategy to short the borrowed cryptocurrency. In those instances, these borrowings have been reflected as digital assets sold short on the statement of financial position. In addition, from time to time, the Partnership sells cryptocurrencies that it does not hold in its inventory or that it has not borrowed. The Partnership will

then, at a later date, buy the respective cryptocurrencies to close out the transaction. Such sales have also been reflected as digital assets sold short.

### November 2018 Facility

The Partnership entered into a loan agreement dated March 22, 2018 ("March 2018 Loan Agreement") and effective through December 15, 2018, whereby the Partnership borrowed certain cryptocurrency from a counterparty. Interest of 12.0% per annum was payable, in such cryptocurrency, upfront in four installments over the term of the loan. On November 20, 2018, the Partnership entered into a new revolving cryptocurrency facility with the same counterparty ("November 2018 Facility"), whereby the Partnership may borrow certain cryptocurrencies from the counterparty. On December 15, 2018, the March 2018 Loan Agreement was terminated and the amount of cryptocurrency borrowed was rolled into the November 2018 Facility. Under the November 2018 Facility, interest of 10.0% per annum is payable on the borrowed cryptocurrencies in such cryptocurrency. There is an additional fee for the facility of 0.125% of the total value of the facility, payable each quarter in US dollars. The November 2018 Facility was terminated in the second quarter of 2019 and the cryptocurrencies outstanding were rolled into new master loan agreements with the counterparty.

<b>November 2018 Facility</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Digital assets borrowed	\$ —	\$ 21,142,942
Digital assets borrowed but not used	—	(2,475,985)
<b>Digital assets sold short<sup>1</sup></b>	<b>\$ —</b>	<b>\$ 18,666,957</b>

<sup>1</sup> For cryptocurrencies borrowed but not used as of the end of a period, the Partnership has no net exposure. The digital assets sold short balance above reflects the net traded balance of the cryptocurrency borrow

### Master Loan Agreements

During the year ended December 31, 2019, the Partnership entered into master loan agreements with lenders to borrow select cryptocurrencies at annual rates of interest ranging from 2.75% to 18%. There is no set term for the loans and the Partnership can prepay the loans without penalty. In addition, the lenders can generally demand the repayment of the loans at any time by providing between five to twenty business days notice. The Partnership is generally required to post collateral between 0% to 100% of the loan value in either US dollars or in select cryptocurrencies.

<b>Master Loan Agreements</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Digital assets borrowed	\$ 46,894,236	\$ —
Digital assets sold short <sup>1</sup>	(18,616,860)	—
Digital assets borrowed but not used <sup>2</sup>	(17,143,047)	—
	<b>\$ 11,134,329</b>	<b>\$ —</b>

<sup>1</sup> The digital assets sold short balance above reflects the net traded balance of the cryptocurrency borrow.

<sup>2</sup> For cryptocurrencies borrowed but not used as of the end of a period, the Partnership has no net exposure.

As of December 31, 2019, the digital assets sold short balance under the Master Loan Agreements was \$18,616,860. As of December 31, 2018, the total digital assets sold short balance under the November 2018 Facility was \$18,666,957 million.

For the year ended December 31, 2019, the Partnership paid interest expense of \$2.3 million (2018 - \$nil) and received interest income of \$0.7 million (2018 - \$nil) in connection with the aforementioned lending and borrowing activity.

### Other

As of December 31, 2019, the Partnership did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Partnership including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

## Transactions with Related Parties

### Due to Related Party

On February 7, 2018, Galaxy LP entered into the RLA with GGI to provide a source of additional capital to fund its operations and prospective investments until such time that private placement proceeds were released from escrow. Each borrowing is unsecured, and accrues simple interest at 5% per annum on the unpaid principal amount. Upon closing of the Arrangement, the Partnership repaid the entire principal balance and accrued interest outstanding under the RLA with GGI. The Partnership repaid the entire outstanding balance of \$114.4 million, consisting of \$112.4 million of principal and \$2.0 million in interest. There is no balance remaining outstanding under the RLA.

For the year ended December 31, 2018, for administrative convenience, GGI paid for \$1.2 million of expenses incurred in the ordinary course of business by the Partnership and its employees. The amount paid was reimbursed in March 2019.

### Asset Contribution

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

On January 9, 2018, GGI contributed assets to the Partnership, with a fair value of approximately \$302.0 million. Fair value by asset class on the Date of Contribution is as follows:

	<b>Fair Value at January 9, 2018</b>
Cryptocurrency	\$ 267,990,957
Pre-ICO	2,601,962
Preferred Stock	14,650,000
Common Stock	27,170,973
Limited Partnership/Limited Liability Company Interests	51,534,040
Warrants/Trust Units	307,760
Digital Assets Sold Short	(62,248,474)
<b>Total</b>	<b>\$ 302,007,218</b>

The Partnership considers cryptocurrency and cryptocurrency sold short to be Digital Assets and considers Pre-ICO, Preferred Stock, Common Stock, Limited Partnership/Limited Liability Company Interests and Warrants/Trust Units to be investments.

### Compensation of Key Management Personnel

Key management personnel include twelve individuals (December 31, 2018 - fourteen individuals), consisting of officers and certain employees, who are considered to have decision making authority. Compensation provided to key management personnel for the years ended December 31, 2019 and 2018 are as follows:

	<b>Year ended December 31, 2019</b>	<b>Year ended December 31, 2018</b>
Equity based compensation	\$ 21,211,583	\$ 23,228,115
Base compensation and accrued bonuses*	5,907,901	7,251,600
Benefits	272,124	344,108
<b>Total</b>	<b>\$ 27,391,608</b>	<b>\$ 30,823,823</b>

\*For the years ended December 31, 2019 and 2018, amounts include \$1.6 million and \$3.6 million, respectively, of accrued bonuses within accounts payable and accrued liabilities.

In 2018, the Partnership entered into an agreement with an entity owned by a member of key management for software development consulting services. The Partnership incurred \$404,000 during the year ended December 31, 2019 (2018 - \$355,633), of which \$36,500 is included in accounts payable at December 31, 2019 (2018 - \$84,921).

### **Employment Related**

Galaxy Investment Partners LLC (“GIP”), an entity wholly-owned by the CEO of the general partner of the Partnership, served as the employer entity to Galaxy LP until April 2018. At that time, Galaxy Digital Services LLC (“GDS”), a wholly-owned subsidiary of GDH LP became the employer entity to GDH LP, and GDS reimbursed GIP for compensation and benefits paid on its behalf during 2018. New employment agreements with GDS became effective May 1, 2018 which were similar in substance to the previous employment agreements between GIP and the Partnership’s employees.

### **Sublease**

GIP, which has leased the office space located on the 7<sup>th</sup> and 8<sup>th</sup> floors of 107 Grand Street, New York, New York 10013, has subleased to GDS to occupy the 8<sup>th</sup> floor on the same terms as the master lease. The sublease has a 10.5-year term commencing on February 1, 2018 and expiring on June 30, 2028. The sublease contains a standard rent escalation clause, and rent was waived until June 30, 2018. The rent begins at \$756,800 per annum and is to be paid monthly in advance in equal installments.

In addition, the Partnership entered into another sublease agreement with GDS, effective August 1, 2019, to sublease a portion of the 7th floor, including use of common areas. The sublease starts on August 1, 2019 and ends on June 30, 2028. The sublease contains a standard rent escalation clause and rent will start at \$11,532 per month and will be paid monthly in advance.

For the year ended December 31, 2019, the Partnership recognized \$549,433 (2018 - \$0) of depreciation on the Right of Use asset and \$612,603 of interest expense related to the lease liability. For the year ended December 31, 2018, the Partnership paid or accrued \$0.4 million of rent expense related to the sublease.

The Partnership has operating lease commitments for the next five years as follows:

	<b>Rent Due</b>
2020	\$ 911,297
2021	983,295
2022	1,012,793
2023	1,043,177
2024	1,074,473
<b>Total</b>	<b>\$ 5,025,035</b>

Additionally, the Partnership has \$4.0 million in total commitments under the subleases for the period from 2025 to the expiration of the sublease terms on June 30, 2028.

### **Other**

During the years ended December 31, 2019 and 2018, certain key management personnel invested in a fund that the Partnership manages. In addition, some members of key management serve as board members for companies in which the Partnership or a fund it manages holds investments.

The CEO of the general partner of the Partnership served as a director of a cryptocurrency mining and blockchain infrastructure company. During May 2019, the CEO of the general partner of the Partnership did not stand for re-election and, effective May 13, 2019, the company is no longer a related party. As of December 31, 2018, the Partnership held an investment in the company, which was valued at \$6.9 million. In addition, the Partnership extended a loan to the company and the loan had a carrying value of \$15.7 million as of December 31, 2018. The Partnership also completes OTC trades with the company.

In addition, the Partnership's CEO was a member of the advisory board for another company, resulting in the Partnership and that company being related parties. As of December 31, 2019, the Partnership had an investment valued at \$9.0 million (2018 - \$5.6 million).

In December 2018, the Partnership entered into a share sale and transfer agreement with a fund that it manages for an amount of \$7.5 million. The transaction with the related party resulted in no gains or losses. The value of the transaction was determined the Partnership's normal investment valuation process.

In accordance with the LPA, the Partnership will reimburse or pay for all reimbursable expenses of GDH Ltd. For the years ended December 31, 2019 and 2018, the Partnership paid \$1,291,184 and \$742,566 respectively, on behalf of GDH Ltd., which has been included in general and administrative expenses.

## Change in Accounting Policies including Initial Adoption

There were no changes to the accounting policies for the year ended December 31, 2019, except for the initial adoption of a new lease standard on January 1, 2019.

Effective January 1, 2019, the Partnership adopted the following accounting standards:

### IFRS 16, *Leases* (“IFRS 16”)

In January 2016, the IASB issued IFRS 16, *Leases*, which would replace IAS 17, *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Partnership adopted this standard on January 1, 2019, the date of initial application. On initial application of the standard, the Partnership used the practical expedient in IFRS 16 with regards to the definition of a lease and applied IFRS 16 to the lease previously classified as an operating lease under IAS 17. The Partnership applied the standard retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. As a result, on January 1, 2019, the Partnership recognized a lease liability of approximately \$4.8 million for leases previously classified as an operating lease applying IAS 17. The lease liability was measured at the present value of the remaining lease payments as of January 1, 2019.

After the date of initial application, the Partnership will measure the lease liability by increasing its carrying amount to reflect the interest applicable on the lease liability, decreasing the carrying amount for the lease payments made and adjusting the carrying amount for any relevant revision or reassessment of lease terms.

In addition, on January 1, 2019, the Partnership recognized a right-of-use asset of approximately \$4.8 million, which represents the lease liability on the date of initial application. After January 1, 2019, the Partnership will measure the right-of-use asset using the cost model (i.e. the right-of-use asset will be measured at cost less any accumulated depreciation and any accumulated impairment losses, if any, and adjusted for any remeasurement of the lease liability as applicable). The Partnership will depreciate the right-of-use asset on a straight line basis over the remaining term of the lease.

## Digital Assets

A significant portion of the Partnership’s assets are digital assets inventory held at fair value.

Digital assets are utilized primarily by the Partnership in its Trading business and are affected by various economic and technological forces including but not limited to global supply and demand, interest rates, foreign exchange rates, inflation or deflation and ongoing political, regulatory, and economic conditions.

A significant portion of the Partnership’s profitability and future cash flows are impacted by the current and future prices and price fluctuations of digital assets. The Partnership may not be able to liquidate its inventory of digital assets at its desired price, if needed. In addition, the ability of the Partnership to transfer or liquidate its inventory of digital assets in a timely manner may be impacted by technical and procedural limitations of digital asset exchanges, custodians, and relevant local regulatory restrictions. A broad decline in the market prices of digital assets could negatively impact the Partnership’s future operations and profitability.

Digital assets have a limited history and their fair value historically has been volatile. Historical performance and fair value of digital assets are not indicative of their future value and price performance.

## Partnership Interests

The Partnership is a limited partnership between GDH GP, GDH Ltd., GGI and other Class B Unit holders.

The information contained in this MD&A and the information in the consolidated financial statements for the year ended December 31, 2019, represents the financial position of the Partnership and do not include all of the assets, liabilities, income and expenses of the partners. Income taxes are the responsibility of the partners and not GDH LP.

As of December 31, 2019 and April 6, 2020, the Partnership has two classes of ownership interests, namely Class A Units and Class B Units. As of December 31, 2019, there were 66,636,540 Class A Units and 219,332,907 Class B Units outstanding. As of April 6, 2020, there were 64,589,829 Class A Units and 218,609,912 Class B Units.

### **Equity Based Compensation Awards and Other**

As of December 31, 2019 18,604,790 Class B Unit awards were outstanding, net of exchanges and forfeitures, of which, 5,042,517 Class B Units were exercisable. As of April 6, 2020, 18,604,790 Class B Unit awards were outstanding, net of exchanges and forfeitures, of which, 5,042,517 Class B Units were exercisable.

As of December 31, 2019, 17,684,300 options granted under the GDH Ltd. stock option plan were outstanding, of which 4,250,450 were exercisable. As of April 6, 2020, 14,558,600 options granted under the GDH Ltd. stock option plan were outstanding, of which 6,539,300 were exercisable.

### **Disclosure Controls and Procedures and Internal Control over Financial Reporting**

Disclosure controls and procedures (“DC&P”) are intended to provide reasonable assurance that material information is gathered and reported to senior management to permit timely decisions regarding public disclosure. Internal controls over financial reporting (“ICFR”) are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with Canadian generally accepted accounting principles. TSX Venture-listed companies are not required to provide representations in their annual and interim filings relating to the establishment and maintenance of DC&P and ICFR, as defined in National Instrument 52-109.

In particular, the CEO and CFO do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) processes to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer’s GAAP.

Additional information relating to the Partnership, including the AIF, is available on GDH Ltd.’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

### **Management’s Responsibility for Financial Statements**

The information provided in this MD&A, including the consolidated financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of (i) future values for certain assets or liabilities, (ii) valuation of equity based compensation and (iii) assessment of goodwill impairment. Management believes such estimates have been based on careful judgments and have been properly reflected in the consolidated financial statements.