



GALAXY
DIGITAL

Galaxy Digital Holdings LP
Management's Discussion and Analysis

November 25, 2019

Introduction

This Management's Discussion and Analysis ("MD&A"), dated November 25, 2019, 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 November 25, 2019, and is intended to supplement and complement the Partnership's condensed consolidated interim financial statements for the three and nine months ended September 30, 2019 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 condensed consolidated interim 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 three and nine months ended September 30, 2019 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 under Risks and Uncertainties in GDH LP's annual Management's Discussion and Analysis, dated April 26, 2019. 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 September 30, 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 86 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

On January 9, 2018, Galaxy LP entered into a letter of intent (the “Letter of Intent”) with Bradmer Pharmaceuticals Inc. (“Bradmer”) and First Coin Capital Corp. (“First Coin”) to form a leading new enterprise in the blockchain, digital asset and cryptocurrency space. The series of transactions contemplated by the Letter of Intent (the “Transaction”) was intended to result in Galaxy LP and First Coin combining to form GDH LP, an operating partnership that would be managed by Galaxy LP’s principals.

First Coin was incorporated under the British Columbia Business Corporations Act on September 14, 2017 as a Vancouver-based technology company focusing on advising, technology implementation and brokerage services for clients in connection with digital assets.

Bradmer was formed on February 10, 2006 by the amalgamation of a private company, Blue Devil Pharmaceuticals Inc., and a predecessor company also named Bradmer Pharmaceuticals Inc. Before the closing of the Transaction, Bradmer’s shares were listed and traded on the NEX Board of the TSX Venture Exchange (the “TSX-V”) under the symbol “BMR”.

Galaxy LP, the personal investing business of Michael Novogratz, undertook the Transaction in order to raise primary capital towards building a best-in-class, full service, institutional-quality merchant banking business in the cryptocurrency and blockchain space. This corporate development was viewed an important step in the evolution of Galaxy LP’s lifecycle, which would provide Galaxy LP with a strong foundation from which to build and expand its platform, network, and brand. As such, on January 9, 2018, Mr. Novogratz contributed his portfolio of digital assets and related investments, previously held through GGI, to Galaxy LP (the “Asset Contribution”). The assets had a fair value on the date of contribution of approximately \$302 million.

Galaxy LP intends 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. Galaxy LP intends to leverage its deep ties into bitcoin, ethereum and other protocol communities to drive returns from these four core business segments:

1. Trading: The Trading business manages positions in cryptocurrency and other liquid digital assets contributed to the business at the outset and continues to invest and trade in those and related assets. In addition, Galaxy LP’s in-house, quantitative development team continues to build and expand its proprietary infrastructure and trading strategies, initially focused on cross-exchange arbitrage opportunities. The Trading business leverages deep trading and technology experience to create a suite of market neutral trading strategies across a variety of crypto assets and exchanges. The Trading business has strong exchange and banking relationships which enables it to move capital and assets efficiently to exploit cross-market opportunities. Additionally, the Partnership manages a strategy of short term and long term positioning of its liquid and semi-liquid cryptocurrency and related asset investing that is deeply integrated with its principal investments business.

2. Principal Investments: The principal investments business has a diverse portfolio of private principal investments across the blockchain ecosystem, including early- and later-stage equity, pre-ICO contributions, and other structured alternative investments, which were both contributed to Galaxy LP in the Asset Contribution as well as subsequently acquired by the Principal Investments team. The principal investments business makes selective private investments across the ecosystem 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 Transaction, as well as recycling capital from existing investments upon realization. Galaxy Digital Lending LLC, and its affiliate, and Galaxy Digital Lending Services LLC (collectively, “GD Lending” and both subsidiaries of Galaxy LP) makes loans 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 also intends to provide loan servicing to syndicates of customers that purchase loans and/or bonds.

3. Asset Management: The Asset Management business manages capital on behalf of third parties in exchange for management fees and performance-based compensation. Such third-party capital includes capital managed via Galaxy LP sponsored investment funds. The Asset Management business’ differentiating factors are its long-tenured institutional experience managing third party capital across various traditional asset classes, its brand name, a 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 the Asset Management business range from 0.5% to 2.5% of assets under management, and performance-based compensation or “carry” has been structured to be up to 20%.

4. Advisory Services: The Advisory Services business partners with high quality businesses operating in and around the blockchain ecosystem. The Advisory Services business offers the full spectrum of advisory services, including, but not limited to: general corporate advisory, mergers and acquisition (M&A), transaction advisory, restructuring and capital raising.

Upon completion, and pursuant to the policies of the TSX-V, the Transaction would result in the reactivation of the listing of Bradmer, which was an NEX-listed issuer. It was anticipated that Bradmer would complete a consolidation of its common shares in advance and as a condition to the completion of the Transaction and continue out of the Province of Ontario to become a company existing under the laws of the Cayman Islands. In addition, it was anticipated that Bradmer would change its name to Galaxy Digital Holdings Ltd. (“GDH Ltd.” or the “Resulting Issuer”) and appoint a new slate to its board of directors to manage its minority investment in the Partnership on an ongoing basis.

Following the completion of the Transaction: (i) the current principals and owners of Galaxy LP and First Coin would continue to hold direct controlling equity interests in the going-forward operating partnership, which would generally be economically equivalent to those held by Bradmer but would be exchangeable, from time to time, into common shares of the Resulting Issuer, and (ii) the Resulting Issuer would be a holding company with its minority equity interest in the Partnership as its only significant asset.

It was anticipated that the board of the Resulting Issuer following the completion of the Transaction would consist of a majority of independent directors who were also independent of Galaxy LP and its significant shareholders. Mr. Novogratz was expected to be the initial Chairman of the board of directors of the Resulting Issuer. Further, the board would have committees with charters and memberships consistent with TSX-V requirements.

On February 14, 2018, Galaxy LP entered into a definitive arrangement agreement (the “Arrangement Agreement”) among Galaxy LP, Bradmer and First Coin, in respect of the transaction among Galaxy LP, Bradmer and First Coin, which was to be completed by way of a plan of arrangement under the provisions of the Business Corporations Act (Ontario) (the “Arrangement”). In connection with the Arrangement, among other steps set out in the Arrangement Agreement, Galaxy LP and First Coin would combine to form GDH LP, an operating partnership that would be managed by the board of managers and officers of its general partner, who are also the principals of Galaxy LP. Bradmer would acquire and hold a minority investment in GDH LP, and, upon completion of the Arrangement, was expected to change its name and resume an active public listing on the TSX-V.

Also, on February 14, 2018, Bradmer closed a private placement offering in Canadian dollars (“CAD”) (the “Offering”) of approximately 61.0 million subscription receipts (the “Subscription Receipts”) at a price of CAD\$5.00 per Subscription Receipt (the “Subscription Price”) for gross proceeds of approximately CAD\$305 million. GMP Securities L.P. (the “Agent”) acted as sole agent on the Offering. The net proceeds of the Offering, assuming the satisfaction of certain specified escrow release conditions attached to the Subscription Receipts, would be used by Bradmer to acquire a minority equity interest in GDH LP, providing growth capital to continue building an institutional merchant banking business in the digital asset, cryptocurrency and blockchain sectors. Upon closing of the Arrangement, shareholders of Bradmer (including investors under the Offering) were expected to hold an indirect interest of approximately 19.6% in the Partnership (through the Resulting Issuer), with Galaxy LP and its employees holding approximately 78.6% and First Coin shareholders holding approximately 1.8%, which interests would be exchangeable into an equivalent interest in the Resulting Issuer.

On May 14, 2018, Galaxy LP entered into a promissory note with First Coin, whereby Galaxy LP agreed to make available one or more advances in an aggregate amount not to exceed \$750,000 (the “Loan”). The outstanding amount of the Loan would bear no interest until such date as the Arrangement was terminated. Thereafter, the Loan would bear simple interest at a rate of 5% per annum payable at maturity. The Loan would mature on May 18, 2020 but would be payable within fifteen days if the borrower completed an equity or debt financing greater than \$5 million. The entire Loan amount was advanced on May 17, 2018.

The Offering

Pursuant to the terms of an agency agreement among Galaxy LP, First Coin, Bradmer and the Agent dated February 14, 2018 (the “Agency Agreement”), Bradmer issued and sold an aggregate of approximately 61 million Subscription Receipts at the Subscription Price for aggregate gross proceeds of approximately CAD\$305 million. Such gross proceeds, less a specified proportion of the Agent’s fees and certain expenses of the Agent (the “Escrowed Proceeds”), were held in escrow on behalf of the subscribers by TSX Trust Partnership, as escrow agent for the Subscription Receipts (the “Subscription Receipt Agent”), and invested in an interest-bearing account pursuant to the terms and conditions of a subscription receipt agreement. The Escrowed Proceeds, together with all interest and other income earned thereon, are referred to herein as the “Escrowed Funds”.

The balance of the Agent’s fees would be released to the Agent out of the Escrowed Funds and the balance of the Escrowed Funds would be released from escrow to Bradmer upon the satisfaction of all of the following conditions (collectively, the “Escrow Release Conditions”) prior to the Termination Date (as defined below):

- (a) all conditions precedent to the completion of the Arrangement as set out in the Arrangement Agreement would have been satisfied or waived;
- (b) all shareholder approvals required for the Arrangement would have been received;
- (c) all regulatory approvals (including stock exchange approvals) required for and in connection with the Arrangement would have been received;
- (d) written confirmation from each of Bradmer and Galaxy LP that all conditions precedent to the completion of the Arrangement as set out in the Arrangement Agreement were satisfied or waived and that the Arrangement would be completed in accordance with the plan of arrangement;
- (e) the distribution of the common shares of Bradmer to be issued upon the automatic exercise of the Subscription Receipts would be exempt from the prospectus and registration statement requirements of applicable securities laws and the shares would not be subject to any hold or restricted period under applicable Canadian securities laws;
- (f) the Arrangement (including the listing of the common shares to be issued upon the exercise of the Subscription Receipts) would have been conditionally approved by the TSX-V and all conditions precedent to such listing, other than the release of the Escrowed Funds, would have been satisfied or waived; and
- (g) Bradmer, Galaxy LP and the Agent would have delivered a release notice to the Subscription Receipt Agent in accordance with the terms of the subscription receipt agreement governing the Subscription Receipts.

The date on which the Escrow Release Conditions were satisfied was referred to as the “Escrow Release Date”, which, for greater certainty, would have been no later than 120 days following completion of the Offering (the “Termination Date”), except as might be extended in accordance with the terms of the Subscription Receipts.

In the event that the Escrow Release Conditions were not satisfied prior to the Termination Date, the Escrowed Funds would be returned pro rata to each holder of Subscription Receipts, and the Subscription Receipts would be automatically cancelled, void and of no value or effect.

Under the terms of the Agency Agreement, the Agent was entitled to receive a cash commission of 5.0% of the gross proceeds of the Offering, with a commission of 2.5% on certain ‘President’s List’ subscribers. In addition, 710,517 compensation options (“Compensation Options”) were issued to the Agent in connection with the Offering. Each such Compensation Option is exercisable to subscribe for and purchase one post-Arrangement common share of the Resulting Issuer at an exercise price of C\$5.00 for a period of 12 months following the Escrow Release Date.

Exemptive Relief

On May 11, 2018, the Ontario Securities Commission (the “OSC”), as principal regulator on behalf of the securities regulators in each of Alberta, British Columbia, Manitoba, Ontario and Quebec, granted an exemption (the “Relief”) to Bradmer from the form requirements prescribed by applicable securities laws and the rules of the TSX-V for the Information Circular to include

audited annual financial statements for each of the two most recently completed financial years of Galaxy LP. The Relief also included a corresponding exemption from the disclosure requirement for Bradmer to provide historical financial statements of Galaxy LP applicable under section 4.10 of NI 51-102 following completion of the Arrangement. The Relief had as conditions that the completion of the Arrangement and the listing and trading of the common shares of Bradmer on the TSX-V would not occur unless and until:

(a) the Information Circular included an audited statement of assets contributed less related liabilities assumed (the “Audited Statement”), with an unqualified audit opinion, prepared by Galaxy LP, reflecting the assignment of the investments into Galaxy LP on January 9, 2018;

(b) Galaxy LP had prepared audited consolidated financial statements for the period from January 1, 2018 to March 31, 2018 (the “Audited Statements”) with an unqualified audit opinion and such Audited Statements would have been generally disclosed by being issued in summary form as part of a press release and being part of a material change report filed by or on behalf of Bradmer on its SEDAR profile at www.sedar.com on or prior to July 27, 2018; and

(c) GDH LP would have provided and filed on Bradmer’s SEDAR profile at www.sedar.com an undertaking to each securities regulatory authority in Ontario, Alberta, British Columbia, Manitoba and Québec, in form and substance satisfactory and acceptable to the director of the OSC, that, (a) in complying with its reporting issuer obligations, the Reporting Issuer would treat GDH LP as a subsidiary of the partnership; however, if generally accepted accounting principles (“GAAP”) used by the Reporting Issuer prohibited the consolidation of financial information of GDH LP and the Resulting Issuer, then for as long as GDH LP (including any of its significant business interests) represented a significant asset of the Reporting Issuer, Galaxy LP would provide separate audited annual financial statements and interim financial reports, prepared in accordance with the same GAAP as Galaxy LP’s financial statements, and related management’s discussion and analysis, prepared in accordance with NI 51-102 or its successor, for GDH LP (including information about any of its significant business interests); (b) GDH LP would require its insiders to file insider trading reports in respect of securities of Galaxy LP; (c) GDH LP would issue a press release and deliver to Galaxy LP for filing a material change report in accordance with applicable securities laws with respect to any material change in GDH LP that would reasonably be expected to have a significant effect on the market price or value of any securities of Galaxy LP, if Galaxy LP did not issue such press release and file such material change report; and (d) GDH LP would annually certify that it had complied with such undertaking and file the certificate on SEDAR concurrently with the filing by Galaxy LP of its annual financial statements.

The Audited Statement was included in the Information Circular. Galaxy LP also prepared and disclosed the Audited Statements and filed the undertaking referred to in paragraph (c) above in accordance with the deadlines required.

Shareholder Meeting and Subscription Receiptholder Meeting

An annual general and special meeting of the shareholders of Bradmer was held on June 11, 2018 (the “Shareholder Meeting”) to, among other things, approve the Arrangement Agreement. The record date for determining shareholders of Bradmer who were entitled to receive notice of, and to vote at, the Shareholder Meeting was May 10, 2018. A management information circular in respect of the Shareholder Meeting was mailed to shareholders and was made available under Bradmer’s SEDAR profile at www.sedar.com. The Arrangement was approved by the Bradmer shareholders at the Shareholder Meeting.

On June 11, 2018, Bradmer announced that the meeting of the holders of Subscription Receipts of Bradmer to be held on June 13, 2018 to consider and, if deemed advisable, pass an extraordinary resolution to extend the release deadline among Galaxy LP, Bradmer, First Coin, the Agent and the Subscription Receipt Agent had been cancelled pursuant to the terms of the Subscription Receipt Agreement.

Bradmer received written consents indicating approval of the extension resolution (the "Extension Resolution") from greater than two thirds of the aggregate number of outstanding Subscription Receipts. As a result, the Extension Resolution had been approved by instrument in writing and the “Release Deadline” set out in the Subscription Receipt Agreement was extended to 5:00 p.m. (Toronto time) on August 13, 2018. The Resulting Issuer received conditional approval to list on the TSX-V, subject to completion of the transaction and certain other conditions, which it did in early August 2018 under the ticker “GLXY”.

Closing of Arrangement

On July 31, 2018, the previously announced transaction was completed among Galaxy LP, Bradmer and First Coin by way of a plan of arrangement under the provisions of the Business Corporations Act (Ontario). The Arrangement occurred pursuant to the terms of the Arrangement Agreement.

On completion of the Arrangement on July 31, 2018:

- Galaxy LP and First Coin became wholly owned subsidiaries of GDH LP.
 - GGI, the sole limited partner of Galaxy LP, transferred its full limited partnership 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. The Class B Units are subject to certain escrow conditions and will be released 25% commencing on July 31, 2018 and each six-month period thereafter.
 - GDH LP acquired 100% of the issued share capital of First Coin. The transaction meets the definition of a business combination between the entities.
- Bradmer acquired a minority equity interest in GDH LP. The funds used to purchase the interest were raised through the partially-brokered private placement offering completed by Bradmer on February 14, 2018 of 60,969,746 subscription receipts at a price of C\$5.00 per subscription receipt. The private placement was considered an arm's length financing and raised an aggregate of approximately C\$305 million of proceeds. On completion of the Arrangement, the net proceeds plus accrued interest of \$229,212,647 were released from escrow in exchange for the issuance of Class A Units in GDH LP. The amount represents net proceeds of \$228.4 million and approximately \$0.8 million of interest earned on placement proceeds in escrow.
- As a condition to the completion of the Arrangement, Bradmer had 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 and, on completion of the Arrangement, continued out of the Province of Ontario to become a company existing under the laws of the Cayman Islands. Furthermore, pursuant to policies of the TSX-V, the Arrangement resulted in the reactivation of the listing of Bradmer, which was an NEX-listed issuer, under the name Galaxy Digital Holdings Ltd. ("GDH Ltd.") and the ticker GLXY.
- GDH Ltd. appointed new members to its board of directors to manage its minority investment in the operating partnership on an ongoing basis.
- 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").

Following the completion of the Arrangement: (i) 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., and (ii) GDH Ltd. became a holding company, as its only significant asset is its minority equity interest in GDH LP.

Certain key terms of the LPA include the following:

- *Units* - there are two classes of partnership interests ("Units"): Class A Units, which are held by GDH Ltd., and Class B Units, which are held by GGI and other Class B limited partners.
- *Issuance of Additional Units* - the General Partner will not cause the Partnership to issue any additional Class B Units unless the General Partner determines there is a bona fide business or strategic reason to raise equity capital through the issuance of Class B Units, provided that the aggregate amount of Class B Units that may be issued is less than or equal to 70,000,000 or 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.

First Coin

Based on the regulatory framework and the opportunities it identified, the Partnership decided to reposition its advisory services business from focusing on small initial coin offering ("ICO") advisory and blockchain consulting to instead serve larger, more institutional clients in the space. As a result, the Partnership announced that it ceased the business that First Coin was conducting and began closing the Vancouver office in November 2018. The Partnership did not expect to realize any of the benefits contemplated from the acquisition of First Coin when the Arrangement was entered into earlier in early 2018.

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 September 30, 2019, 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 September 30, 2019, 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 September 30, 2019, 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 September 30, 2019, 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 September 30, 2019, 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 September 30, 2019, 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.

Risks and Uncertainties

There have been no significant changes in the risk factors pertaining to the Partnership, and its subsidiaries and affiliates since GDH LP's annual Management's Discussion and Analysis, dated April 26, 2019, ("April 26th MD&A") which is available on SEDAR at www.sedar.com. The disclosure in this MD&A is subject to, and should be read in conjunction with, the risk factors outlined in the April 26th MD&A.

Quarterly & Annual Highlights & Results

<i>\$'s in millions</i>	September 30, 2019	December 31, 2018
Digital assets	\$ 124.7	\$ 69.8
Digital assets posted as collateral	8.8	—
Total	133.5	69.8
Investments	156.5	179.4
Loans receivable - long term	13.8	15.9
Total assets	423.6	349.9
Total liabilities	40.9	44.2
Total equity	382.7	305.7

<i>\$'s in millions</i>	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Net realized gain (loss) on digital assets	\$ (8.5)	\$ (38.1)	\$ 107.0	\$ (52.7)
Net realized gain (loss) on investments	—	—	38.1	—
Income (Loss)	(0.8)	(36.1)	163.0	(49.1)
Operating expenses	(22.6)	(30.0)	(64.9)	(54.6)
Net unrealized gain (loss) on digital assets	(40.0)	0.4	(29.0)	(83.4)
Net unrealized gain (loss) on investments	(4.8)	(4.2)	(10.6)	16.5
Net comprehensive income (loss)	(68.2)	(76.7)	58.4	(175.7)

- As of September 30, 2019, digital assets, including digital assets posted as collateral, stood at \$133.5 million, an increase of \$63.7 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 \$22.9 million to \$156.5 million as of September 30, 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 \$24.8 million of new capital deployed by the Principal Investments team over the nine month period.
- Total liabilities decreased by \$3.3 million during the nine month period ended September 30, 2019 primarily due to the decrease in the digital assets sold short balance and the lower accrued compensation balance due to year end bonus payments, partially offset by the lease liability recognized following the adoption of the new lease standard on January 1, 2019 (See Change in Accounting Policies including Initial Adoption) and the digital asset loans payable.
- Total equity increased by \$77.0 million during the nine month period to \$382.7 million as of September 30, 2019 primarily due to \$58.4 million of net comprehensive income and further increased by \$23.4 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 three months months ended September 30, 2019 as compared to the three months ended September 30, 2018 due primarily to higher equity based compensation 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). Equity based compensation is generally higher earlier during the vesting period under current accounting methodology. Operating expenses were higher for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018 due primarily to higher equity based compensation given that the Partnership started expensing equity based compensation in the third quarter of 2018.
- For the three months ended September 30, 2019, net comprehensive loss was \$68.2 million, as compared to net comprehensive loss of \$76.7 million for the three months ended September 30, 2018. The current quarter loss was largely a result of unrealized loss on digital assets and operating expenses. The net comprehensive loss for the three months ended September 30, 2018 was primarily a result of realized loss on digital assets and operating expenses. For the nine months ended September 30, 2019, net comprehensive income was \$58.4 million, as compared to net

comprehensive loss of \$175.7 million for the nine months ended September 30, 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 the nine months ended September 30, 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.

Other

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 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	For the period from formation on November 30, 2017 to December 31, 2017
<i>\$'s in millions</i>								
Net realized gain (loss) on digital	\$ (8.5)	\$ 98.1	\$ 17.5	\$ (48.7)	\$ (38.1)	\$ (1.1)	\$ (13.5)	\$ 1.5
Net realized gain (loss) on investments	—	38.1	—	—	—	—	—	—
Income (Loss)	(0.8)	143.5	20.3	(45.7)	(36.1)	0.5	(13.5)	1.5
Operating expenses	(22.6)	(18.8)	(23.6)	(33.8)	(30.0)	(13.6)	(10.9)	(1.2)
Net unrealized gain (loss) on digital assets	(40.0)	11.6	(0.7)	7.8	0.4	1.8	(85.5)	1.5
Net unrealized gain (loss) on investments	(4.8)	(22.7)	16.9	(25.1)	(4.2)	44.8	(24.0)	—
Net comprehensive income (loss)	(68.2)	113.8	12.9	(97.0)	(76.7)	35.0	(134.0)	1.7

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 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 its underlying value may not be appropriately reflected in the market price of its shares and 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, as of November 21, 2019, has repurchased a total of 792,054 shares for a total cost of C\$990,088. Consistent with the LPA, the Partnership will provide financial support to GDH Ltd. for the execution of the Share Repurchase Program.

- 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 Office, 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 Q3 relative to Q2. While GDT’s spot over the counter (“OTC”) trading volumes decreased over that same period, in line with declines in the overall market, 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 on trusted exchanges, Coinbase and Bitstamp. The reduction in broad market activity can be attributed to several factors, including geopolitical and regulatory uncertainty from Libra, regulatory concerns related to international exchanges, and general de-levering during the summer months. 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. GDT has seen an 11% increase in the number of actively trading, on-boarded counterparties in the third quarter of 2019 over the prior quarter.
 - **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.
 - 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:

- 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 Investments (including loans purchased) made during the third quarter bring capital deployed for the nine months ended September 30, 2019 to \$41.2 million represented by 9 new investments and 16 follow-on investments.
- o Investments made (including loans purchased) from January 9, 2018 through September 30, 2019 total \$174.1 million and are represented by 34 new and 26 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 As of September 30, 2019, GDCM had assets under management ("AUM") of \$336.0 million (consisting of: Galaxy Benchmark Crypto Index Fund LP (the "Index Fund") - \$11.0 million (as calculated per the terms of the fund's partnership agreement); and Galaxy EOS VC Fund LP (the "EOS Fund") committed capital - \$325.0 million).
 - 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.

- 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% and -40.39% for the quarters ending March 31, 2019, June 30, 2019, and September 30, 2019, respectively, while returning 15.94% on a year to date basis through November 25, 2019.
- 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.
- 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.

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 third quarter 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 end of the second quarter of 2019.
- 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. 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.

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 that is focused on developing the EOS.IO ecosystem and making strategic investments in projects that utilize EOS.IO blockchain software. 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 September 30, 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 September 30, 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	% Change Q3 2019	% Change from January 9, 2018 to September 30, 2019
Cryptocurrency Market Capitalization ⁽¹⁾	\$739,209	\$126,142	\$145,229	\$323,327	\$221,175	(31.6)%	(70.1)%
Bitcoin Price ⁽²⁾	\$14,595	\$3,743	\$4,105	\$10,817	\$8,294	(23.3)%	(43.2)%
Ether Price ⁽²⁾	\$1,300	\$133	\$142	\$291	\$180	(38.1)%	(86.2)%

(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 fell during the third quarter of 2019 with a broad decline of prices across traditional and digital asset markets. The market capitalization of liquid digital asset fell from \$323.3 billion, as of June 30, 2019, to \$221.2 billion on September 30, 2019. In the final trading days of the third quarter of 2019, digital assets markets fell upon the liquidation of several hundred million of long positions, which sent cryptocurrency prices below key support levels. Following the decline in prices at the end of the third quarter of 2019, cryptocurrency prices increased in October.

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 the first half of 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 September 30, 2019, Fidelity Digital Asset Services, LLC, a subsidiary of Fidelity Investments, one of the world's largest and most diversified financial services providers, 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, 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 term 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

Performance by Reportable Segment

Income and expenses by each of the reportable segments for the nine months ended September 30, 2019 and 2018 respectively are as follows:

	Trading	Principal Investments	Asset Management	Advisory	Corporate and Other	Totals
Income (loss)						
Advisory and management fees	\$ —	\$ —	\$ 3,907,811	\$ 203,125	\$ —	\$ 4,110,936
Net realized gain (loss) on digital assets	110,402,993	(3,364,856)	—	—	—	107,038,137
Net realized gain on investments	—	38,082,476	—	—	—	38,082,476
Interest income	650,844	2,193,989	—	49,337	3,983	2,898,153
Other income	10,707,608	220,000	(45,000)	3,976	—	10,886,584
	121,761,445	37,131,609	3,862,811	256,438	3,983	163,016,286
Operating expenses	18,022,432	5,342,020	14,255,645	7,351,678	19,916,950	64,888,725
Net unrealized gain (loss) on digital assets	(34,809,020)	5,799,880	—	—	—	(29,009,140)
Net unrealized loss on investments	—	(10,583,501)	—	—	—	(10,583,501)
Unrealized foreign currency gain (loss)	164,443	—	—	(20,713)	(43)	143,687
Realized foreign currency loss	(183,034)	—	—	—	—	(183,034)
	(34,827,611)	(4,783,621)	—	(20,713)	(43)	(39,631,988)
Net income (loss)	\$ 68,911,402	\$ 27,005,968	\$ (10,392,834)	\$ (7,115,953)	\$ (19,913,010)	\$ 58,495,573

	Trading	Principal Investments	Asset Management	Advisory Services	Corporate and Other	Totals
Income (loss)						
Advisory and management fees	\$ —	\$ —	\$ 1,913,170	\$ 893,340	\$ —	\$ 2,806,510
Net realized loss on digital assets	(51,587,452)	(1,145,895)	—	—	—	(52,733,347)
Interest income	482,741	151,888	—	11,840	—	646,469
Other income	192,916	—	12,743	—	—	205,659
	(50,911,795)	(994,007)	1,925,913	905,180	—	(49,074,709)
Operating expenses	13,587,220	6,980,762	7,074,267	4,578,135	22,336,232	54,556,616
Net unrealized loss on digital assets	(78,245,533)	(5,111,767)	—	—	—	(83,357,300)
Net unrealized gain (loss) on investments	(1,372,208)	17,917,227	—	—	—	16,545,019
Unrealized foreign currency gain	80,144	—	—	11,921	—	92,065
Realized foreign currency gain (loss)	(52,095)	—	—	—	945,482	893,387
Goodwill impairment	—	—	—	—	(6,216,914)	(6,216,914)
	(79,589,692)	12,805,460	—	11,921	(5,271,432)	(72,043,743)
Net income (loss)	\$(144,088,707)	\$ 4,830,691	\$ (5,148,354)	\$ (3,661,034)	\$ (27,607,664)	\$(175,675,068)

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 \$107.0 million of net realized gains on digital assets for the nine months ended September 30, 2019 and \$83.4 million of net unrealized loss on digital assets for the nine months ended September 30, 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 three months ended September 30, 2019, the largest contributors to the net realized loss on digital assets of \$8.5 million were losses on sales of Bitcoin, Litecoin and EOS, partially offset by realized gains on sales of multiple digital assets. For the three months ended September 30, 2018, the largest contributors to the net realized loss on digital assets of \$38.1 million were losses on sales of Ethereum (\$22.1 million), Bitcoin (\$9.7 million) and Ripple (\$2.6 million), partially offset by \$1.9 million of realized gains on Ethereum Classic.

For the nine months ended September 30, 2019, the largest contributors to the net realized gain on digital assets of \$107.0 million were gains on sales of Bitcoin (\$75.7 million), Ethereum (\$11.5 million) and Ripple (\$9.7 million), partially offset by realized losses on sales of multiple digital assets. For the nine months ended September 30, 2018, the largest contributors to the net realized loss on digital assets of \$52.7 million were losses on sales of Bitcoin (\$50.0 million) and Ethereum (\$40.7 million), partially offset by \$54.9 million of realized gains on a digital asset sold short.

Net Unrealized Gain (Loss) on Digital Assets

For the three months ended September 30, 2019, the largest contributors to the net unrealized loss on digital assets of \$40.0 million were unrealized losses on holdings of Bitcoin, Ethereum and Wax, partially offset by multiple digital assets with

unrealized gains, the largest of which was FTX Token. For the three months ended September 30, 2018, the largest contributors to the net unrealized gain on digital assets of \$0.4 million were unrealized gains on holdings of Bitcoin (\$8.1 million), Ethereum (\$1.9 million) and Monero (\$1.5 million), nearly offset by multiple digital assets with unrealized losses, the largest of which was Wax (\$3.0 million) and a digital asset sold short (\$2.4 million).

For the nine months ended September 30, 2019, the largest contributors to the net unrealized loss on digital assets of \$29.0 million were unrealized losses on holdings of Bitcoin (\$21.1 million), Ripple (\$8.1 million) and Ethereum (\$7.1 million), partially offset by multiple digital assets with unrealized gains, the largest of which was EOS (\$6.9 million). For the nine months ended September 30, 2018, the largest contributors to the net unrealized loss on digital assets of \$83.4 million were unrealized losses on holdings of Wax (\$45.1 million), Kin (\$10.6 million) and BlockV (\$10.2 million), partially offset by unrealized gains on a Bitcoin (\$5.5 million).

Net Unrealized Gain (Loss) on Investments

For the three months ended September 30, 2019, the largest contributors to the net unrealized loss on investments of \$4.8 million were unrealized losses on investments in Mercantile Global Holdings, Inc. (\$4.0 million), AlphaPoint Corp (\$3.1 million), and Hut 8 Mining Corp. (\$2.5 million) partially offset by unrealized gains on investments in NuCypher (\$4.3 million) and Blockfi, Inc. (\$3.5 million). For the three months ended September 30, 2018, the largest contributors to the net unrealized loss on investments of \$4.2 million were unrealized losses on investments in Pantera ICO Fund LP (\$4.2 million), Xapo Holdings Limited - Series A Preferred (\$2.8 million) and Pantera Venture Fund, L.P. (\$1.7 million).

For the nine months ended September 30, 2019, the largest contributors to the unrealized loss on investments of \$10.6 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. (\$4.0 million), partially offset by unrealized gains on investments in Hut 8 Mining Corp. (\$5.7 million), NuCypher (\$4.3 million), and BlockFi, Inc. (\$3.5 million). For the nine months ended September 30, 2018, the largest contributors to unrealized gains on investments of \$16.5 million were unrealized gains on investments in Block.one (\$32.9 million), Cryptology Asset Group P.L.C. (\$4.8 million) and Hut 8 Mining Corp. (\$2.7 million), partially offset by unrealized losses in Pantera ICO Fund LP. (\$12.2 million).

Net Realized Gain on Investments

For the nine months ended September 30, 2019, the largest contributor to the net realized gains on investments of \$38.1 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 three and nine months ended September 30, 2018, there were no realized gains on investments.

A breakdown of each asset class by reporting segment as of September 30, 2019 is as follows:

	Trading	Principal Investments	Asset Management	Advisory Services	Corporate and Other	Totals
Digital assets:						
Cryptocurrency	\$ 114,075,206	\$ 10,622,489	\$ —	\$ —	\$ —	\$ 124,697,695
Digital assets posted as collateral	8,768,777	—	—	—	—	8,768,777
Investments:						
Pre-ICO	—	6,602,001	—	—	—	6,602,001
Convertible Notes	—	3,706,828	—	—	—	3,706,828
Preferred Stock	—	75,369,122	—	—	—	75,369,122
Common Stock	—	30,247,973	—	—	—	30,247,973
LP/LLC Interests	—	39,016,786	—	—	—	39,016,786
Warrants/Trust Units	—	1,597,630	—	—	—	1,597,630
	\$ 122,843,983	\$ 167,162,829	\$ —	\$ —	\$ —	\$ 290,006,812

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

	Trading	Principal Investments	Asset Management	Advisory Services	Corporate and Other	Totals
Digital assets:						
Cryptocurrency	\$ 62,662,014	\$ 7,103,325	\$ —	\$ —	\$ —	\$ 69,765,339
Investments:						
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
	\$ 62,662,014	\$ 186,469,021	\$ —	\$ —	\$ —	\$ 249,131,035

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 September 30, 2019				As of December 31, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cryptocurrency	\$ —	\$123,229,265	\$ 1,468,430	\$124,697,695	\$ —	\$ 69,220,031	\$ 545,308	\$ 69,765,339
Digital Assets Posted as Collateral	—	8,768,777	—	8,768,777	—	—	—	—
Pre-ICO	—	6,602,001	—	6,602,001	—	3,444,204	—	3,444,204
Convertible Notes	—	3,706,828	—	3,706,828	—	1,250,000	—	1,250,000
Preferred Stock	—	70,109,122	5,260,000	75,369,122	—	56,852,457	2,734,262	59,586,719
Common Stock	7,345,655	22,902,318	—	30,247,973	65,997	74,837,778	5,580,000	80,483,775
LP/LLC Interests	—	16,753,183	22,263,603	39,016,786	—	11,588,613	21,659,859	33,248,472
Warrants/Trust Units	62,835	—	1,534,795	1,597,630	23,099	—	1,329,427	1,352,526
Digital Assets Sold Short	—	(8,892,355)	—	(8,892,355)	—	(18,666,957)	—	(18,666,957)
	\$7,408,490	\$243,179,139	\$ 30,526,828	\$281,114,457	\$ 89,096	\$198,526,126	\$31,848,856	\$230,464,078

Valuation of Assets that use Level 1 Inputs ("Level 1 Assets"). Consists of common stock and warrants/trust units, where quoted prices in active markets are available.

Valuation of Assets that use Level 2 Inputs ("Level 2 Assets"). Level 2 assets consist of several 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 include 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.

Valuation of Assets that use Level 3 Inputs ("Level 3 Assets"). Consists of certain of the Partnership's cryptocurrency, common stock, preferred stock, warrants and the majority of the Partnership's limited partnership/limited liability company interest investments. 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 an access to an active market, a discount for lack of marketability was applied to the closing prices. The discount was calculated on 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 adjusted book value method was used to estimate fair value. This is an approach that relies on actual performance metrics of the subject. For the Level 3 preferred stock, 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, fair value was based on the net asset value provided by the Fund.

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 Partnership Valuation Committee'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 three months ended September 30, 2019:

	Fair value at June 30, 2019	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 September 30, 2019
Cryptocurrency	\$ 375,599	\$ —	\$ —	\$ —	\$ —	\$ 499,797	\$ 593,034	\$ 1,468,430
Preferred Stock	6,730,000	—	—	—	—	(1,470,000)	—	5,260,000
Common Stock	9,318,855	—	—	—	—	—	(9,318,855)	—
LP/LLC Interests	22,919,276	—	180,000	(65,242)	—	(770,431)	—	22,263,603
Warrants/Trust Units	2,541,427	—	—	—	—	(1,006,632)	—	1,534,795
Total Digital Assets and Investments	\$ 41,885,157	\$ —	\$ 180,000	\$ (65,242)	\$ —	\$ (2,747,266)	\$ (8,725,821)	\$ 30,526,828

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 \$593,034 and total transfers out of Level 3 were \$9,318,855. 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 removal of trading restrictions for a publicly traded common stock.

The following is a reconciliation of Level 3 Assets for the three months ended September 30, 2018:

	Fair value at June 30, 2018	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 September 30, 2018
Cryptocurrency	\$ 2,719,128	\$ —	\$ 428,524	\$ (7)	\$ (7)	\$ (2,381,725)	\$ 888,592	\$ 1,654,505
Preferred Stock	9,000,000	—	—	—	—	(2,800,000)	—	6,200,000
Common Stock	11,100,000	—	—	—	—	985,528	—	12,085,528
LP/LLC Interests	38,793,318	—	—	—	—	(4,268,409)	—	34,524,909
Warrants/Trust Units	1,680	—	—	—	—	2,699,248	—	2,700,928
Total Digital Assets and Investments	\$ 61,614,126	\$ —	\$ 428,524	\$ (7)	\$ (7)	\$ (5,765,358)	\$ 888,592	\$ 57,165,870

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 \$1,165,420 and total transfers out of Level 3 were \$276,828. 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 removal of trading restrictions for certain cryptocurrencies.

The following is a reconciliation of Level 3 Assets for the nine months ended September 30, 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 September 30, 2019
Cryptocurrency	\$ 545,308	\$ —	\$ 100,000	\$ (5,037,262)	\$ 4,937,262	\$ 4,045	\$ 919,077	\$ 1,468,430
Preferred Stock	2,734,262	—	—	—	—	2,525,738	—	5,260,000
Common Stock	5,580,000	—	—	(2,289,839)	(1,153,663)	7,182,357	(9,318,855)	—
LP/LLC Interests	21,659,859	—	180,000	(143,819)	—	567,563	—	22,263,603
Warrants/Trust Units	1,329,427	—	—	—	—	205,368	—	1,534,795
Total Digital Assets and Investments	\$ 31,848,856	\$ —	\$ 280,000	\$ (7,470,920)	\$ 3,783,599	\$ 10,485,071	\$ (8,399,778)	\$ 30,526,828

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 \$1,193,034 and total transfers out of Level 3 were \$9,592,812. The transfers into Level 3 for cryptocurrency assets were due to the restrictions on trading for certain cryptocurrencies after their ICO events. The transfers out of Level 3 were due to the removal of trading restrictions for a publicly traded common stock and due to the removal of trading restrictions for certain cryptocurrencies.

The following is a reconciliation of Level 3 Assets for the nine months ended September 30, 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 September 30, 2018
Cryptocurrency	\$ —	\$ 70,500,276	\$ 571,124	\$ (3,650,017)	\$ (287,125)	\$ (57,447,558)	\$ (8,032,195)	\$ 1,654,505
Preferred Stock	—	13,800,000	—	—	—	(7,600,000)	—	6,200,000
Common Stock	—	25,924,973	—	—	—	(10,334,028)	(3,505,417)	12,085,528
LP/LLC Interests	—	44,784,040	2,264,960	(3,018,728)	—	(9,505,363)	—	34,524,909
Warrants/Trust Units	—	43,960	—	—	—	2,656,968	—	2,700,928
Total Digital Assets and Investments	\$ —	\$ 155,053,249	\$ 2,836,084	\$ (6,668,745)	\$ (287,125)	\$ (82,229,981)	\$ (11,537,612)	\$ 57,165,870

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 \$1,165,420 and total transfers out of Level 3 were \$12,703,032. 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, 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.

Quantitative Information for certain Level 3 Assets

Financial Instrument	Fair Value at September 30, 2019	Significant Unobservable Inputs	Range
Cryptocurrency	\$1,468,430	Marketability discount	11% - 60%
Preferred Stock	\$5,260,000	Control discount	5%
		Marketability discount	15%
Warrants	\$1,534,795	Volatility	81.4%
		Exercise price	C\$4.50
		Underlying share price	C\$2.11

Financial Instrument	Fair Value at December 31, 2018	Significant Unobservable Inputs	Range
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 ⁽ⁱ⁾	\$1,329,389	Volatility	100%
		Exercise price	C\$4.50
		Underlying share price	C\$1.45

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

The prior transactions method and the latest available reported net asset value of the underlying funds were used to fair value the significant majority of the Partnership's Level 3 Assets as of September 30, 2019 and December 31, 2018. 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 September 30, 2019 and December 31, 2018, respectively.

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

Category	Valuation Methods & Techniques	Key Inputs
Cryptocurrency	<ul style="list-style-type: none"> • Volume-weighted average of trading prices • Marketability adjustments • Black-Scholes model • Liquidity adjustments 	<ul style="list-style-type: none"> • Current trading prices of subject cryptocurrencies • Selected volatilities of subject cryptocurrencies • Selected discounts for lack of marketability/liquidity
Pre-ICO	<ul style="list-style-type: none"> • Prior transactions method 	<ul style="list-style-type: none"> • Prior prices of subject pre-ICO cryptocurrencies
Convertible Notes	<ul style="list-style-type: none"> • Prior transactions method 	<ul style="list-style-type: none"> • Prior prices of subject convertible note
Preferred Stock	<ul style="list-style-type: none"> • Prior transactions method • Comparable transactions method • Volume-weighted average of trading prices • Control adjustments • Marketability adjustments • Adjusted book value 	<ul style="list-style-type: none"> • Prior prices of subject preferred stock • Current trading prices of certain cryptocurrencies • Selected discounts for lack of control • Selected discounts for lack of marketability • Net assets of subject company
Common Stock	<ul style="list-style-type: none"> • Prior transactions method • Public closing price • Marketability adjustments • Guideline public company method 	<ul style="list-style-type: none"> • Prior prices of subject common stock • Public closing prices of subject securities • Current trading prices of certain cryptocurrencies • Historical exchange rate of certain cryptocurrencies • Selected discounts for lack of marketability • Price-to-earnings multiples • Price-to-book value multiples
LP/LLC Interests	<ul style="list-style-type: none"> • Prior transactions method • Comparable transactions method • Net asset value provided by fund 	<ul style="list-style-type: none"> • Prior prices of subject LP/LLC interests • Net asset value provided by fund
Warrants/Trust Units	<ul style="list-style-type: none"> • Public closing price • Black-Scholes model 	<ul style="list-style-type: none"> • Public closing prices of subject securities • Selected volatility of underlying trust units

Industry

The Principal Investments team made 10 investments (including loans purchased) during the quarter for a total of \$21.7 million. The team monitors the portfolio's concentration on an ongoing basis. As of September 30, 2019 and December 31, 2018, details of the industry composition of the Partnership's investments, other than cryptocurrency and pre-ICO investments, are as follow:

Industry	September 30, 2019		December 31, 2018	
	Percentage	# of Investments	Percentage	# of Investments
High Tech Industries	47 %	59	24 %	7
Other (Cryptocurrency and Pre-ICO)	28	16	30	48
Finance	13	9	37	13
Services: Business	9	10	6	6
Banking	3	1	3	1
Media: Diversified and Production	<1	2	<1	2
Utilities: Electric	<1	1	<1	1
Total	100 %	98	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 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 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 September 30, 2019, the Partnership had a material holding in bitcoin of \$106.5 million. The increase in the holding was primarily due to the increase in the value of bitcoin.

Select Holdings

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

Investment Name	Investment Type	Cost	Fair Value
*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:

Investment Name	Investment Type	Cost	Fair Value
*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
Silvergate 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:

Investment Name	Investment Type	Cost	Fair Value
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
Silvergate 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.

Three months ended September 30, 2019

The \$4.3 million increase in the fair value of NuCypher during the three months ended September 30, 2019 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 Mercantile Global Holdings, Inc. during the three months ended September 30, 2019 was due primarily to the company's performance being significantly below forecast and the company experiencing financial difficulties.

The \$3.5 million increase in the fair value of BlockFi, Inc. during the three months ended September 30, 2019 was due primarily to the higher valuation obtained by the company in its latest funding round.

The \$3.1 million decrease in the fair value of AlphaPoint Corp during the three months ended September 30, 2019 was due primarily to the company's performance being below forecast.

Three months ended September 30, 2018

The \$2.8 million decrease in the fair value of Xapo Holdings Limited during the three months ended September 30, 2018 is primarily due to a decline in the company's projected operating income compared to the prior quarter and the decrease in the price of bitcoin during the quarter.

The \$4.2 million decline in the fair value of the Pantera ICO Fund LP during the three months ended September 30, 2018 is due to the continued decline in the overall cryptocurrency market during that period.

Nine months ended September 30, 2019

The \$52.5 million decrease in the fair value of Block.one during the nine months ended September 30, 2019 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 nine months ended September 30, 2019 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 Mercantile Global Holdings, Inc. during the nine months ended September 30, 2019 was due primarily to the company's performance being significantly below forecast and the company experiencing financial difficulties.

The \$3.5 million increase in the fair value of BlockFi, Inc. during the nine months ended September 30, 2019 was due primarily to the higher valuation obtained by the company in its latest funding round.

Nine months ended September 30, 2018

The \$36.5 million increase in the fair value of Block.one during the nine months ended September 30, 2018 was due to an independent third-party transaction that corroborated an increase in the value.

In addition, the \$9.4 million decrease in the fair value of the Pantera ICO Fund LP during the nine months ended September 30, 2018 is due to the decline in the overall cryptocurrency market during the nine months ended September 30, 2018.

The \$4.5 million decrease in the fair value of Xapo Holdings Limited during the nine months ended September 30, 2018 is due largely to the decline in the price of bitcoin during that period.

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:

As of September 30, 2019:	Cost	Fair Value
> \$1 billion market cap	\$ 142,372,371	\$ 118,235,655
<= \$1 billion market cap	85,329,410	6,338,462
Net	<u>\$ 227,701,781</u>	<u>\$ 124,574,117</u>

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

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 September 30, 2019, the largest holdings of digital assets by fair value were as follows:

	Quantity	Cost	Fair Value
Bitcoin ¹	12,838	\$ 124,588,080	\$ 106,461,434
Ethereum	79,170	16,716,946	14,198,656
FTX Token	1,842,425	1,232,567	2,231,540
Wax	61,186,107	47,604,690	1,697,853
Total		<u>\$ 190,142,283</u>	<u>\$ 124,589,483</u>

¹ Includes \$8.8 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		<u>\$ 57,380,153</u>	<u>\$ 57,617,714</u>

In the above table, as of September 30, 2019, Bitcoin, Ethereum and EOS are >\$1 billion market cap; Wax, FTX Token and Monero are <= \$1 billion market cap.

Above tables should be read in conjunction with discussion on [pg. 17 and 18] (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 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 September 30, 2019 and December 31, 2018, the Partnership held approximately \$15.3 million and \$21.5 million in cash, respectively, and \$125.8 and \$64.3 million, respectively, in digital assets at exchanges or custodians. The Partnership's due diligence procedures around exchanges include, but are not limited to, internal control procedures around onboarding 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 and receivables for digital asset trades 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 counterparties for the trading business, on which the Partnership has satisfactorily performed the relevant AML and KYC procedures. As of September 30, 2019 and subsequently, the Partnership does not expect a material loss on any of its loans. Furthermore, the Partnership's material loan agreement with a cryptocurrency mining and blockchain infrastructure company is secured by the terms of a general security agreement. As of each reporting period, the Partnership assesses if there may be expected credit losses requiring recognition of a loss allowance. As of September 30, 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.

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 loans receivable are exposed to interest rate risk. The Partnership's loan with a cryptocurrency blockchain and mining company is at the election of the borrower and can be either an ARB loan or a eurodollar loan and can be settled in digital assets at the option of the borrower. 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 September 30, 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 September 30, 2019, 43.8% 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 three and nine months ended September 30, 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 with?in the parameters of the Partnership's investment guidelines.

As of September 30, 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 +/- \$15.7 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 September 30, 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 +/- \$12.5 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:

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Compensation and compensation related	\$ 7,551,497	\$ 5,031,095	\$ 22,230,967	\$ 19,147,279
Equity based compensation	6,297,963	14,311,084	23,441,735	14,311,084
General and administrative	5,466,079	2,671,498	9,875,149	5,634,518
Professional fees	2,269,488	6,161,619	5,886,115	9,391,601
Interest	637,525	1,310,341	2,264,779	4,294,669
Insurance	282,876	480,675	1,039,980	1,752,465
Director fees	50,000	25,000	150,000	25,000
Totals	<u>\$ 22,555,428</u>	<u>\$ 29,991,312</u>	<u>\$ 64,888,725</u>	<u>\$ 54,556,616</u>

Three months ended September 30, 2019 compared to September 30, 2018

Compensation and compensation related expense for the three months ended September 30, 2019 increased compared to September 30, 2018 due primarily to an increase in headcount as compared to the earlier period. This total is inclusive of base compensation and accrued bonuses, placement fees, payroll taxes, benefits, consultants and temporary staff.

Equity based compensation for the three months ended September 30, 2019 was \$6.3 million. 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.

General and administrative costs increased for the three months ended September 30, 2019 compared to September 30, 2018 due primarily to an increase in bad debt expense.

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

Interest expense for the three months ended September 30, 2019 was lower compared to September 30, 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.

Nine months ended September 30, 2019 compared to September 30, 2018

Compensation and compensation related expense for the nine months ended September 30, 2019 increased compared to September 30, 2018 due primarily to an increase in headcount as compared to the earlier period, 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 the largest operating expense for the nine months ended September 30, 2019. 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 nine months ended September 30, 2019 as compared to September 30, 2018 due primarily to a decrease in legal fees. Legal fees were higher during the nine months ended September 30, 2018 due to the fees incurred in connection with the Arrangement.

General and administrative costs increased for the nine months ended September 30, 2019 compared to September 30, 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, higher consulting expenses, 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 nine months ended September 30, 2019 decreased compared to September 30, 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 nine months ended September 30, 2019 compared to September 30, 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).

	As of September 30, 2019	As of December 31, 2018	As of September 30, 2018
Estimated working capital	\$ 83.1	\$ 52.7	\$ 77.3
Private placement proceeds	0.0	0.0	0.0
Payoff RLA & accrued interest	0.0	0.0	0.0
General overhead expenses – next 12 months	(50.0)	(45.0)	(40.0)
Capital to Trading business	0.0	0.0	(4.8)
Capital to Principal Investments business	(17.9)	(28.1)	(32.5)
	\$ 15.2	\$ (20.4)	\$ 0.0
Digital Assets, net	124.6	51.1	90.6
	\$ 139.8	\$ 30.7	\$ 90.6

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 September 30, 2019, the Partnership had total equity of \$382.7 million. As of December 31, 2018, the Partnership had total equity of \$305.7 million. The increase in equity during the nine months ended September 30, 2019 was primarily due to the net comprehensive income for the period.

	September 30, 2019	December 31, 2018
Total assets	\$ 423,641,062	\$ 349,924,275
Total liabilities	(40,912,534)	(44,236,106)
Non-controlling interests	(7,557,150)	(4,167,578)
Partners' Capital	\$ 375,171,378	\$ 301,520,591

Additionally, as of September 30, 2019, the Partnership had cash of \$78.4 million and \$124.6 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 has resulted 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 September 30, 2019, the Partnership had obligations to four existing portfolio companies for \$17.9 million, of which \$1.3 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.

November 2018 Facility	September 30, 2019	December 31, 2018
Digital assets borrowed	\$ —	\$ 21,142,942
Digital assets borrowed but not used	—	(2,475,985)
Digital assets sold short¹	\$ —	\$ 18,666,957

¹ 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 nine months ended September 30, 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 50% to 100% of the loan value in either US dollars or in select cryptocurrencies.

Master Loan Agreements	September 30, 2019	December 31, 2018
Digital assets borrowed	\$ 34,805,095	\$ —
Digital assets sold short ¹	(8,051,871)	—
Digital assets borrowed but not used ²	(19,808,022)	—
	\$ 6,945,202	\$ —

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

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

As of September 30, 2019, the digital assets sold short balance under the Master Loan Agreements was \$8,051,871. As of December 31, 2018, the total digital assets sold short balance under the November 2018 Facility was \$18,666,957 million.

Other

In addition, as of September 30, 2019, as a result of the sale of cryptocurrencies that the Partnership does not hold in its inventory or that it has not borrowed, the Partnership recorded a digital assets sold short balance of \$840,484.

As of September 30, 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:

	Fair Value at January 9, 2018
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)
Total	\$ 302,007,218

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 Financial Instruments.

Compensation of Key Management Personnel

Key management personnel include ten individuals (September 30, 2018 - nine individuals), consisting of officers and certain employees, who are considered to have decision making authority. Compensation provided to key management personnel for the three and nine months ended September 30, 2019 and 2018 are as follows:

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Equity based compensation	\$ 4,687,399	\$ 10,528,769	\$ 17,914,208	\$ 10,528,769
Base compensation and accrued bonuses*	1,183,027	1,118,737	4,662,003	4,789,677
Benefits	71,172	79,462	205,842	207,233
Total	\$ 5,941,598	\$ 11,726,968	\$ 22,782,053	\$ 15,525,679

*For the nine months ended September 30, 2019, amount include \$1.4 million of accrued bonuses within accounts payable and accrued liabilities. The amount of accrued bonuses within accounts payable and accrued liabilities for the three months ended September 30, 2019 was not material. For the three and nine months ended September 30, 2018, amounts include approximately \$0.8 million and \$2.0 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 \$124,500 and \$279,000 respectively during the three and nine months ended September 30, 2019 (three and nine months ended September 30, 2018 - \$92,075 and \$270,712), of which \$81,500 is included in accounts payable at September 30, 2019 (September 30, 2018 - \$239,712).

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 7th and 8th floors of 107 Grand Street, New York, New York 10013, has subleased to GDS to occupy the 8th 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. For the three and nine months ended September 30, 2019, the Partnership recognized \$126,585 and \$379,755, respectively, of depreciation on the 8th floor Right of Use asset and \$141,010 and \$427,348, respectively, of interest expense related to the lease liability. For the three and nine months ended September 30, 2018, there was \$0.4 million and \$0.7 million rent expense, respectively, related to this sublease.

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 three and nine months ended September 30, 2019, the Partnership recognized \$17,237 of depreciation on the 7th floor Right of Use asset and \$18,421 of interest expense related to the lease liability.

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

	Rent Due
2019	\$ 229,472
2020	911,297
2021	983,295
2022	1,012,793
2023	1,043,177
Total	\$ 4,180,034

Additionally, the Partnership has \$5.1 million in total commitments under the subleases for the period from 2024 to the expiration of the sublease terms on June 30, 2028.

Other

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, is no longer a director of the company. The Partnership and the company are no longer considered to be related parties as of September 30, 2019. The Partnership and the company were considered to be related parties as of December 31, 2018. 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. The Partnership had an investment valued at \$5.3 million, as of September 30, 2019 and \$5.6 million as of December 31, 2018.

In accordance with the LPA, the Partnership will reimburse or pay for all reimbursable expenses of GDH Ltd. For the three and nine months ended September 30, 2019, the Partnership paid \$259,231 and \$707,249 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 three and nine months ended September 30, 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 and Principal Investments 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 condensed interim financial statements for the three and nine months ended September 30, 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 September 30, 2019 and November 25, 2019, the Partnership has two classes of ownership interests, namely Class A Units and Class B Units. As of September 30, 2019, there were 67,090,933 Class A Units and 220,160,073 Class B Units outstanding. As of November 25, 2019, there were 66,796,287 Class A Units and 220,193,673 Class B Units.

Equity Based Compensation Awards and Other

As of September 30, 2019 19,395,029 Class B Unit awards were outstanding, net of exchanges and forfeitures, of which, 5,622,922 Class B Units were exercisable. As of November 25, 2019, 19,395,029 Class B Unit awards were outstanding, net of exchanges and forfeitures, of which, 5,656,522 Class B Units were exercisable.

As of September 30, 2019, 17,684,300 options granted under the GDH Ltd. stock option plan were outstanding, of which 3,429,200 were exercisable. As of November 25, 2019, 17,684,300 options granted under the GDH Ltd. stock option plan were outstanding, of which 3,429,200 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 is available on SEDAR at www.sedar.com.

Management's Responsibility for Financial Statements

The information provided in this MD&A, including the condensed consolidated interim 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 condensed consolidated interim financial statements.